

IMPLEMENTATION OF TRANSFORMATION PROCESSES IN COMMERCIAL BANKS OF UZBEKISTAN UNDER COMPETITIVE CONDITIONS

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Abstract

This article examines the importance and future prospects of transformation processes in commercial banks of Uzbekistan within the context of globalization and increasing market competition. The study investigates the structural and strategic changes necessary for banks to operate successfully in a modern economic environment. It emphasizes measures to enhance competitiveness and ensure integration into the global financial system. The research also explores key challenges encountered during the transformation of the banking sector, analyzing the influence of social, economic, and technological factors on these processes. Particular attention is given to the implementation of new technologies, the development of digital banking services, and ensuring financial stability. The article concludes with practical recommendations aimed at reinforcing the resilience of Uzbekistan's banking system and improving the adaptability of commercial banks to global financial dynamics.

Keywords

globalization, competition, commercial banks, transformation, banking system, digital technologies, financial stability, banking reforms, digital services.

Introduction. In the modern economy, the process of globalization has a direct impact on the financial systems of all countries. The integration of international markets, the development of digital technologies, and the emergence of new economic models necessitate significant changes in the banking sector. For commercial banks in particular, enhancing competitiveness and ensuring financial stability under globalization has become a key strategic priority. In Uzbekistan, within the framework of ongoing economic reforms, the modernization and acceleration of transformation processes in the banking system are considered one of the main directions. The digitalization of banking services, the provision of convenient and innovative financial solutions to customers, and the expansion of cooperation with international financial institutions remain among the most pressing issues today.

Literature Review. The need to implement transformation processes in Uzbekistan's commercial banks has become increasingly relevant in the context of globalization and intensified competition. Scientific research, international experiences, and national regulatory documents play an essential role in increasing the efficiency of these transformations. The theoretical foundations of banking sector transformation have been extensively analyzed by international financial institutions such as the World Bank and the International Monetary Fund (IMF).

Research by Joseph Stiglitz and Andrew Weiss (1981) highlighted issues of information asymmetry in credit markets and inefficiencies within the banking system, indicating the necessity of transitioning to digital technologies during transformation.

In "*Finance and Growth: Theory and Evidence*" (2005), Levine examined the relationship between banking sector transformation and economic growth, emphasizing that the transformation of Uzbekistan's banking system is an integral component of the country's economic development.

Demirgüç-Kunt and Klapper (2012), in their study "*Measuring Financial Inclusion*", explored the role and importance of financial inclusion in bank transformation. Their findings highlight the need to expand digital banking services and improve financial inclusion in Uzbekistan.

Numerous national researchers and institutions in Uzbekistan have conducted studies on bank transformation, digital adaptation, and access to international markets. The Central Bank of the Republic of Uzbekistan's (2023) report "*Development Trends and Prospects of Uzbekistan's Banking System*" outlines strategic directions for modernization and digital transformation.

The book "*Commercial Banks and Financial Stability: The Experience of Uzbekistan*" by Jalolov and Abduqodirov (2021) analyzes the digital transformation of commercial banks, risk management, and integration into the international financial system.

The Presidential Decree of the Republic of Uzbekistan (2022), "*On Measures for Modernization of the Banking System and Expansion of Financial Inclusion*", defines strategic directions for accelerating service transformation, introducing digital banking, and ensuring broad access to financial services.

In "*The Microfinance Promise*" (1999), Morduch studied the impact of microfinance development and digital technologies on financial services, while **Helms** (2006), in "*Access for All: Building Inclusive Financial Systems*", emphasized the importance of financial inclusion and fintech in the banking transformation process.

A report by the Ministry of Economy and Finance of the Republic of Uzbekistan (2023), *“Development of Digital Financial Services”*, discusses issues such as the growth of fintech startups, blockchain technology, and online banking systems.

Uzbekistan’s banking transformation is being shaped by both global trends and national economic needs. Recent reforms include privatization of banks with high state ownership, increased integration with fintech companies, and implementation of customer-friendly digital services.

The above literature analysis shows that for effective transformation of Uzbekistan’s commercial banks under globalization, it is essential to study international experiences, develop strategies adapted to local conditions, and widely apply modern digital technologies. These measures contribute to the integration of banks into the global financial system and to the sustainable development of the national economy.

Research Methodology. This research applies methodological approaches to study the transformation processes in commercial banks of Uzbekistan amid globalization and growing competition, assess their effectiveness, and evaluate future prospects. The main objective of the study is to identify the necessity, challenges, and development directions of commercial bank transformation, and to propose practical recommendations based on advanced international practices. The research methodology includes economic analysis, processing of statistical data, comparative analysis, expert evaluation, and empirical methods.

Analysis and Discussion of Results. In the context of globalization and increasing competition, the transformation of Uzbekistan’s commercial banks is a strategically important process. It is essential for enhancing the stability of the banking system, improving the quality of financial services, and expanding the customer base. The analysis shows that Uzbekistan’s banking sector has undergone significant reforms in recent years. These transformations are aimed at aligning the sector with international standards, improving institutional efficiency, and fostering financial innovation.

Table1

SWOT analysis of the effectiveness of commercial bank transformation

Structural aspect	Description
Strengths	State support, availability of strategic programs for modernization of banks.
Weaknesses	Financial services for small and medium-sized businesses are underdeveloped, and IT infrastructure is not

	fully maintained.
Opportunities	Attracting international investors, developing fintech partnerships and artificial intelligence-based services.
Threats	Global economic instability, cybersecurity issues, increased international competition.

For commercial banks in Uzbekistan, the implementation of transformation processes amid globalization and rising competition has become a strategic necessity. By introducing digital technologies, expanding international cooperation, and enhancing financial inclusion, banks can deliver their services more efficiently. The analysis shows that a well-structured transformation process contributes not only to the profitability of commercial banks but also to the sustainable development of Uzbekistan's economy.

Furthermore, scholarly literature has extensively examined the factors influencing the outcomes of innovation processes. Many researchers classify the drivers of innovative development for business entities into two broad categories: external and internal environmental factors. There is a constant dialectical interaction and interdependence between these factors—internal factors act as the driving force of development, while external factors create the conditions necessary for that development.

Table 2

Ranking of countries by internet speed in 2023

Rating	Country	2018, Mbps	2022, Mbps	2023, Mbps	Change, %
1	Singapore	161.53	194.07	237.15	22,2
2	China	68.33	155.87	226.77	45.5
4	Chili	36.95	197.59	224.44	13.6
6	Thailand	41.35	182.96	203.28	11,1
7	Denmark	81.98	164.14	200.62	22,2
8	Hong Kong	129.64	163.37	198.53	21.5
9	USA	84.66	146.17	198.17	35.6
10	Spain	68.42	135.73	180.30	32.8
91	Uzbekistan	6.39	37.91	45.20	19.2

Analysis of Findings. As seen in the comparative data, Uzbekistan currently ranks 91st out of 180 countries in terms of internet speed, indicating relatively lower connectivity. The following table illustrates the distribution of bank accounts in Uzbekistan by age group. It can be observed that a significant portion of bank clients consists of young individuals. Considering these factors, creating favorable conditions for innovation and establishing a competitive national innovation

system is essential to achieving balanced, stable, and socially inclusive economic growth.

Implementing and maintaining modern technologies requires significant investment. When banks attempt to adopt new technologies and software, increasing costs may hinder their ability to meet regulatory standards established for other institutions.

According to a study by **Gartner**, IT expenditures in the financial sector increased by nearly 5% in 2019, reaching \$539.121 billion USD. However, in 2020, expenditures declined by 4.7%, only to rise again by 2.8% in 2021. In Uzbekistan, as of January 1, 2023, the total expenditures of commercial banks amounted to 64.254 trillion UZS, with operational costs accounting for 24% (14.877 trillion UZS). Commercial banks have numerous strengths that could support efforts to reduce poverty, including access to financial resources, a broad client base, and the potential to implement innovative technologies. However, factors such as strict credit policies, limited financial inclusion, and the digital divide may hinder their ability to fulfill social responsibilities. Opportunities include the growth of microcredit and fintech technologies, international cooperation, and the enhancement of social accountability. Nonetheless, risks such as economic instability, high interest rates, and interbank competition present notable challenges.

Therefore, in order to increase the participation of commercial banks in poverty reduction, it is necessary to strengthen existing advantages, eliminate weaknesses, capitalize on opportunities, and develop clear strategies to mitigate threats.

Conclusion and Recommendations. Globalization and intensifying competition, the transformation of Uzbekistan's commercial banks plays a crucial role in ensuring economic stability and improving the quality of financial services.

The findings indicate that while the implementation of digital technologies and the development of a fintech ecosystem are progressing rapidly, the IT infrastructure and cybersecurity systems in many banks remain underdeveloped. Strengthening cooperation with international financial institutions, attracting investments, and improving capital adequacy are key to ensuring banking sector resilience.

Expanding financial inclusion will enhance access to banking services for the population and small businesses. However, this process requires improved regulatory frameworks, alignment with international standards, and the removal of bureaucratic barriers within the banking system.

The success of the transformation process is closely linked to banks' innovation strategies, competitiveness, and integration into global financial markets. The growing adoption of digital banking services also necessitates the development of new financial products and services tailored to customer needs.

Strategic Recommendations for Effective Bank Transformation in Uzbekistan:

- ✓ Develop personalized banking services using artificial intelligence (AI) and big data analytics.
- ✓ Improve mobile apps and internet banking, and diversify payment systems.
- ✓ Introduce blockchain to enhance transaction transparency and cybersecurity.
- ✓ Create simplified online lending platforms and develop dedicated banking products for SMEs.
- ✓ Launch new financial instruments such as crowdfunding and peer-to-peer lending platforms.
- ✓ Expand preferential credit programs for small businesses and simplify access to financial services.
- ✓ Develop strategies to improve international credit ratings and attract foreign investors.
- ✓ Align the banking sector with international standards (e.g., compliance with Basel III).
- ✓ Strengthen strategic partnerships with foreign banks and adopt best practices in financial technologies.
- ✓ Expand the geographic coverage of banking services, particularly mobile banking in rural areas.
- ✓ Simplify services for socially vulnerable groups and offer tailored credit products.
- ✓ Launch financial literacy programs to educate the population.
- ✓ Introduce advanced cybersecurity measures and improve data encryption systems.
- ✓ Enhance fraud monitoring systems and improve online banking security.
- ✓ Organize specialized training programs for staff to improve cybersecurity skills.

Conclusion. The transformation processes of commercial banks not only contribute to the sustainable growth of Uzbekistan's economy but also broaden the opportunities for integrating the national banking system into the global financial environment. If the proposed recommendations are effectively implemented, the

competitiveness of the country's banking sector will increase, and customers will benefit from more accessible and innovative financial services.

Hence, a systematic and phased approach to transformation, the adoption of international best practices, and the broad application of digital technologies must remain core drivers of future development in Uzbekistan's banking sector.

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