

**WAYS OF DEVELOPING THE MARKET OF RETAIL BANKING SERVICES IN
CONDITIONS OF TRANSFORMATION**

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Abstract

This article examines the main trends observed in the field of retail banking services, their nature and impact on transformational processes. In addition, a dynamic analysis of the results of the activity of the "Monzo" bank, which specializes in providing retail banking services, was carried out. On the basis of the conducted research, relevant conclusions and proposals were developed.

Keywords: retail banking, trends, dynamic analysis, transformation processes, payments, mobile applications, UnionPay, Discover.

Enter

Development of retail services of commercial banks, thereby eliminating disproportions between the size and scope of services and products offered to corporate clients and individuals is one of the complex problems of modern banking. In turn, the important factors that should be taken into account in ensuring the popularity of retail services include the types of services and products offered, the price of tariffs for them, and the state of adaptation to customer requirements. In our opinion, taking these factors as an object of research allows us to get answers to a number of important questions. First, what groups of retail consumers are the offered services and products aimed at, and what types of consumer needs are they intended to meet? Second, what is the level of attractiveness of the tariffs set for the offered services and products? In this case, it should be noted that services and products should be aimed at improving the customer's financial situation, along with creating appropriate amenities. Thirdly, are the offered services and products comprehensive in nature or are they aimed at satisfying individual needs?

We will try to carry out this analysis on the basis of internal banking regulatory documents, which determine the tariff policy used by leading foreign and domestic banks in their practical activities.

From September 1, 2022, "Barclays tariff for personal customers. Our bank charges explained" (Barclays tariffs for private customers. Classification of bank charges) was introduced¹. Services and products offered by the bank to private clients include:

1. Opening bank accounts.
2. Carrying out operations through the bank's debit cards.
3. Use of bank loans.

¹Barclays Bank UK PLC. Based on <https://www.barclays.co.uk/content/dam/documents/personal/current-accounts/barclays-tariff-for-personal-customers.pdf>

4. Verification of refunds and clearing operations.
5. Fees for other services and their terms.
6. Other important information.

Let's consider each of the above directions in as much detail as possible.

In recent years, there have been many notable developments in the retail banking sector. Nevertheless, as stated in the "2020-2025 banking system reform strategy of the Republic of Uzbekistan" approved by Decree No. PF- 5992 of the President of the Republic of Uzbekistan dated May 12, 2020: low level of financial popularity due to the slow development of non-bank financial organizations, innovations and information systems[1]. As a result, while in other countries loans to individuals and corporate clients are distributed equally, in our country, loans to individuals make up 19% of the total loan portfolio, and loans to corporate clients make up 81% ². This situation, in our opinion, makes research on the improvement of retail services of commercial banks based on the study of advanced foreign experience one of the priority directions.

Analysis of scientific and practical sources on the topic

I.I.Bichkova's scientific research work entitled "Digitalization of bank products as a basis for the formation of the banking ecosystem" states: "It is very important for a credit organization to determine the factors that ensure the consumer activity of customers when choosing bank products services and to take them into account in an effective product strategy [2]. This strengthens the competitive advantages of the commercial bank and allows to increase the volume of income. In the work, the factors affecting the consumer activity of customers when choosing bank products and services (price, risks, quality, assortment, availability and simplicity) were identified³.

The 60-70s of the 20th century are the initial stage of the development of the theory of banking services. At this time, H. Douglas ⁴"Banking policy in lending" (1971) of the University of Michigan, "Competition and banking management" (1978) of the University of Wales D. Revel, "Credit services of savings banks" (1974) of the University of Geneva. researches, S. Derey's "Strategy of British banks and international competition" (1977) and G. Bryan ⁵'s "Competition in the banking sector" research (1970) are published. The scientific works mentioned above are dedicated to the study of the banking services market and its banking service segment [3].

M.M. Nuralieva in her scientific research work entitled "Improving the efficiency of financial services in electronic commerce" "Comparative analysis of payment instruments showed that electronic payment instruments have a number of advantages for customers, therefore their development is not only effective for financial institutions, but also provides convenience for

²National database of legal documents, 13.05.2020, No. 06/20/5992/0581; National database of legislative information, 18.10.2021, No. 06/21/6325/0972; 12/30/2021, No. 06/21/42/1224, 03/18/2022, No. 06/22/89/0227; 10.06.2022, No. 06/22/152/0507

³I. _ I. _ Bichkova . Tsifrovizatiya bankovskikh produktov kak osnova formirovaniya ecosekistomiy banka . Autoreferat d' ssertatsi i na soiskanie uchenoy stepi kandidapa ekonomicheskikh nauk . Rostov-on-Don 2021. str. 6

⁴ Douglas X. _ Banking policy and credit sector. - M.: Slovo, 1971. -508 p.

⁵Brian G. Competition in the banking sphere. - M.: Ekonomika i finansy, 1970.-428 p

users [4]. Among them, it is appropriate to use modern payment mechanisms such as acquiring and merchant account on a large scale in the national economy ⁶.

The Main Part

Bank account opening rates focus on the opportunity to earn rewards for Barclays Blue Rewards, Barclays Avios Rewards and Premier Banking programs for selected account types.

Table 1.1 Features of using rewards programs offered by Barclays Bank UK PLC⁷

Account type	Barclays Blue Rewards	Barclays Avios Rewards
Barclays Bank Account (current account)	possible	no
Premier Current Account	possible	possible
Barclays Basic Current Account (basic current account)	no	no
BarclayPlus Account (for 11–16 year olds)	no	no
Young Person's Account	no	no
Student Additions Account	possible	no
Higher Education Account	possible	no

The procedure for using the programs listed in Table 1.1 is as follows:

To take advantage of Barclays Blue Rewards, customers will need to deposit £800 (allowed) into their account and make a monthly payment of £5. Members of the Barclays Blue Rewards program can enjoy a £5 bonus for making 2 or more payments from their account, as well as benefits on insurance, Barclayloan and mortgages, and a member-only savings account⁸.

To participate in the Barclays Avios Rewards programme, a customer must: have a Premier Banking or Wealth account; carry out all operations only digitally; have a personal account with British Airways Executive Club; withdrawal from other programs; Registration on the Barclays mobile app will be required. There is a monthly fee of £12 to join the programme. According to the information on the official website of the bank, this payment allows you to receive 1500 Avios points, an entry bonus and various rewards. In particular, if 20,500 Avios points are enough to fly to Nice in British Airways (Euro Traveler) economy class, it will be possible to receive a voucher to fly in British Airways World Traveler Plus to Club World salons once for each year of participation in the program⁹.

To qualify for Premier Banking, an individual must have an income of £75,000, a savings account balance and/or an investment of at least £100,000 with Barclays UK. The monthly fee for Premier Banking is set at £20. Premier Banking's exclusive Black Card allows you to withdraw up to £1,000 daily from an ATM.

In addition, insurance packages are offered to the participants of the above-mentioned programs. These include Travel Plus Pack at £18 per month for a minimum of 6 months, Travel

⁶ M.M. Nuralieva. Improving the efficiency of financial services in electronic commerce. Doctor of Philosophy (Doctor of Philosophy) thesis on economics. Tashkent 2021

⁷ Author development based on data from <https://www.barclays.co.uk/current-accounts/>

⁸ Based on <https://www.barclays.co.uk/current-accounts/blue-rewards/>

⁹ Based on <https://www.barclays.co.uk/premier-banking/barclays-avios-rewards/>

Pack at £12.50 per month, Road Accident Breakdown Cover at £9 per month, Breakdown Cover at £14.50 per month for technical incidents Tech Pack and other insurance packages.

Table 1.2 Barclays Bank UK PLC overdraft conditions¹⁰

Name of Overdraft	Overdraft conditions	Explanation
Barclays Personal Overdraft	Interest is based on the overdraft agreement	Overdrafts over £1,200 are charged at 35% (variable) per annum
Premier Current Account	£20 monthly fee if not eligible for Premier Banking. Up to £500 interest free.	Overdrafts over £500 are charged at 35% (variable) per annum
Student Additions	Overdrafts up to £1,500 are interest-free. Taking into account financial status, credit history, lending criteria. £500 for opening an overdraft account and servicing it for up to 1 year, up to £1,000 if you've been a bank customer for over 1 year, £1,500 for 2 or more.	Overdraft balances up to £1,200 are interest-free.
Higher Education	Up to £1,500 interest-free over 3 years for tertiary students. Taking into account financial status, credit history, lending criteria.	Overdraft balances up to £1,200 are interest-free.

It can be seen from the data of Table 1.2 that when offering overdraft loans and setting interest rates on them, Barclays Bank UK PLC has a policy of dividing customers into groups that determine the level of current and future demand for banking services. Although the interest rate of overdraft loans provided to all types of legal entities in the country is 35% per annum, overdrafts for students (except for higher education) and students of higher education are allocated without interest. In this case, the establishment of certain restrictions (overdraft balance of £1,200) can be classified as a measure aimed at the formation of financial discipline. According to the sample calculations given for overdraft loans, interest on a £500 loan is £2.88 for 7 days, £12.45 for 30 days and £25.21 for 60 days.

Tariffs for making payments are set as follows:

1. Within the UK

- CHAPS payments through bank branches or telephone banking (telephone banking) - 25 pounds sterling;
- CHAPS payment via internet banking – free of charge;
- Cancellation of CHAPS fee - £20;
- SEPA credit transfers through all channels - free of charge;

2. Transactions involving money transfers or currency conversions outside the UK

- credit transfers through all payment channels - free of charge;
- International transfers through Barclays mobile application or internet banking - free of charge;
- international transfers through a bank branch or phone banking - 20 pounds sterling;
- Payments with conversion to USD - £3.

¹⁰ Author development based on information from <https://www.barclays.co.uk/youroverdraft>

Before commenting on the retail services offered by Barclays Bank UK PLC and the tariffs set for them, we consider it appropriate to draw attention to a number of details. In particular, according to the information published by the Bank of England, the main account rate was 0.75% from May 2, 2019 to March 3, 2020, 0.1% from March 3, 2020 to January 18, 2022, and 0.5% from February 3, 2022. and from May 5, 2022 to September 22, 2022, it first increased to 1.0 percent, then to 1.25 percent, and finally to 1.75 percent. From September 22, 2022, the main bank rate of the Bank of England is set at the level of 2.25 percent¹¹.

Table 1.3 The dynamics of the main macroeconomic parameters related to the activity of the UK banking system during May-September 2022¹²

Indicators	Unit of measure	As of May 1, 2022	As of September 1, 2022	Change (+,-)
M0 monetary aggregate	million GBP	94 913	94 708	-205
M2 monetary aggregate	million GBP	3 070 326	3 082 372	+12 046
Bank of England assets	million GBP	1 077 869	1 077 141	-728
International reserves	million GBP	184 043	180 781	-3 262
Bank assets	million GBP	4 520 271	4 522 767	+2 496
Loans allocated to the private sector	million GBP	2 663 478	2 698 489	+ 35 011
Average loan rate	in percent	2.75	3.25	+0.5 f.p.
Average rate on deposits	in percent	0.75	1.00	+0.25 f.p.
Inflation rate	in percent	9.4	9.9	+0.5 f.p.
Minimum wage for 25+ is 1 hour	pound sterling	16,22	16.42	+0.2

Table 1.3 shows the factors that led to the Bank of England raising the key rate. The first thing that should be taken into account, in our opinion, is the inflation rate. By September 2022, the inflation rate was 9.8 percent, showing a historical maximum compared to 2001. Average annual inflation was 1.8% in 2001, 4.6% in 2010, 5.2% in 2011, 1.5% in 2020, and 4.1% in 2021. It should be noted that negative trends in the dynamics of the inflation rate and the country's gross domestic product had a significant impact on changes in the application of monetary policy instruments. At the end of 2018, the GDP of Great Britain was 2,218,196 million pounds, while the volume of GDP was 2,255,283 million pounds at the end of 2019, 2,046,209 million pounds at the end of 2020, and 2,198,473 million pounds at the end of 2021. equal to 56,810 million pounds compared to 2019¹³. In addition, since 2020, the increase in the amount of hourly wages paid to employees (in England, according to legal norms, the minimum hourly wage rate is determined depending on the age of employees) requires a review of the tariffs of commercial banks for retail credit services. In particular, from April 2022,¹⁴ the minimum wage for citizens aged 25 and over is set at 15.95 pounds per hour. The dynamics of

¹¹ Based on information from <https://www.bankofengland.co.uk/monetary-policy/>

¹² Based on data from <https://www.statista.com/statistics/281744/gdp-of-the-united-kingdom/>

¹³ Based on data from <https://www.statista.com/statistics/374890/rpi-rate-forecast-uk/>

¹⁴In England, the national minimum hourly wage is confirmed on 1 April each year. Basis: <https://www.gov.uk/government/publications/the-national-minimum-wage-in-2022>

the change of the minimum amount over the last 2 years: 13.39; 13.53; 13.68; 13.95; 14.22; 14.63; 15.03; 15.38; £15.69 and £15.95 respectively.

These situations, in turn, are reflected in the structural structure of the money supply. In particular, the reduction of cash operations in order to prevent inflationary processes (inflation target goals) ensured that the weight of cash in the M2 monetary aggregate was on average 3.1 percent (0.2 percent less than in May).

Inflation rate and the Bank of England rate continue to rise, as well as an increase in average interest rates on loans (3.25% in September 2022, compared to 1.1% in October 2021, 1.25% in January 2022 equal) led to an increase in the demand for credit resources, on the contrary. In particular, during May-September 2022, the volume of loans allocated to the private sector increased from 2,663,478 million pounds to 2,698,489 pounds, or 35,011 million pounds.

The above-mentioned data indicate the need to take into account macro-economic parameters, along with domestic banking capabilities and customer requirements, in the process of developing plans for the development of retail banking services.

At the next stage of the research, we will try to study the directions of the tariff policy for retail services in the commercial banks of our country. The main focus is on the comparative analysis of retail services offered to individuals in banks that are positioned as digital and are recognized as traditional banks according to the main areas of activity.

Conclusions and Suggestions

Based on the research carried out in the article, the following conclusions can be noted:

- financial technologies and innovative technologies that are actively entering the field of retail banking services require a radical change in "financial literacy" activities aimed at existing and potential customers. In this case, the main attention should be focused on conducting advertising companies through social networks and other information and communication systems, which are of interest to certain layers of customers. In addition, it will be necessary to expand the scope of using the opportunities of bank shareholders, partners and local community in the wide promotion of banking and non-banking services implemented by the bank;
- taking into account that the main goal of providing retail banking services is to help individuals and family budgets to be effectively organized and managed, the offered package of products and services should be divided into three groups:
 - a) private budget, b) family budget, c) accounts that allow planning, management and control of joint budget funds. These accounts should be presented in the form of simple and easy-to-use interfaces in the mobile applications of commercial banks;
- taking into account that the process of providing retail banking services begins with the download of mobile applications, it is necessary to ensure the download of mobile applications through various social networks, video hosting and other alternative channels, in addition to the official sites of banks. In our opinion, the use of advertisements and other tools aimed at different groups of customers is important;
- despite the fact that the field of retail banking services is one of the fastest growing areas of banking activity, it requires large financial investments. Investments are unlikely to bring economic results quickly. Also, there is an increase in costs related to the transfer and processing of transactions, the need to revise business models due to rapid changes in financial

technologies, the aggressive entry of bigtex and fintech companies into the retail services market, the rise of competition for young and promising personnel, and many other factors related to the internal and external environment lead to an increase in the volume of operating expenses;

- adaptation of the range of offered services to the current conjuncture, expansion of innovative opportunities, offering personalized services to clients, etc. are increasing the demand for employees specializing in financial technologies and direct communication with clients. While reducing the impact of the human factor in certain areas of banking activity provides an opportunity to ensure efficiency, the area of retail services (except for payments) requires direct communication with customers. As a result, staffing costs are increasing in banks positioning themselves as digital banks;

- despite the increase in the number and types of alternative payment channels, the volume of transactions carried out through bank cards and cash remains at a high level. According to research, this situation will not change drastically in the near future. This can be explained by the fact that customers still have a conservative approach to the movement of funds. This situation requires the gradual expansion of operations carried out through bank card accounts in the field of retail services through Super-app technologies;

Used Literature

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