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WAYS TO IMPROVE RETAIL OPERATIONS IN COMMERCIAL BANKS

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ABSTRACT

This article examines the theoretical and practical aspects of improving retail operations in commercial banks. In the context of the modern digital economy, the growing demand for banking services, especially among individuals, necessitates the improvement of service quality. During the research, the main types of retail banking services, their development trends, and customer needs were analyzed. Based on the results of the analysis, practical recommendations for improving retail operations in commercial banks were developed.

Keywords: retail banking services, commercial banks, digital transformation, mobile banking, artificial intelligence, Big Data, customer orientation, banking innovations, service quality.

1. INTRODUCTION

In recent years, significant transformations have occurred in the retail banking services segment of commercial bank operations. According to data from international financial institutions, including the World Bank and the International Monetary Fund, the share of digital banking services has increased significantly over the past decade, intensifying the competitive environment in the banking system.

Retail banking operations represent one of the most dynamic and profitable directions of commercial bank activities, encompassing financial services provided to individuals. These include deposit operations, consumer loans, payment cards, and remote banking services (internet and mobile banking).

In the digital economy, customer demand for banking services has undergone qualitative changes, requiring speed, convenience, a personalized approach, and high security. This necessitates the effective implementation of innovative technologies by banks, including artificial intelligence, Big Data analytics, and fintech solutions.

In the banking system of the Republic of Uzbekistan, developing the retail services market, expanding digital banking infrastructure, and enhancing service quality have been designated as priority tasks. Accordingly, improving retail operations in commercial banks serves as both a practical necessity and a vital object of scientific research.

2. LITERATURE REVIEW

The issues of developing and improving retail banking services have been extensively studied by numerous national and international scholars.

Renowned scholars Rose and Hudgins (2013) emphasize in their research that retail banking services represent the most stable and long-term source of income for banking operations, scientifically substantiating how banks build long-term relationships with clients through retail services.

Brett King (2018), a leading researcher in fintech and digital banking, notes that traditional banking models are undergoing transformation under the influence of digital technologies. According to King, future banking will be delivered primarily via digital platforms where customer experience (CX) plays a decisive role.

Economist Frederic Mishkin (2019) analyzed information asymmetry and risk management issues in the banking system, emphasizing the necessity of implementing effective risk-management systems in retail lending.

Among Uzbek economists, Khodiev (2020) highlights that increasing the share of retail services during the modernization of the banking system is a key factor in ensuring financial stability. Expanding retail lending and attracting public deposits strengthens the bank's resource base. Abdullaeva (2021) demonstrates that the interaction between banks and clients reaches a qualitatively new stage through mobile banking and online services. Furthermore, Karimov (2019) emphasizes the customer-centric service concept, asserting that improving service quality is a core driver of competitiveness.

Synthesizing the literature reveals three primary scientific approaches to enhancing retail banking services:

1. Economic Stability Approach (National scholars focusing on resource base and stability);
2. Strategic and Profitability-Driven Approach (Rose & Hudgins);
3. Innovative and Digital Transformation Approach (Brett King).

3. MATERIALS AND METHODS

The theoretical and methodological foundation of this research comprises economic literature, scientific articles, analytical materials from international financial institutions (World Bank, IMF, ADB, BIS), and scholarly views regarding retail banking development and digital transformation.

Theoretical approaches to organizing and improving retail operations were examined during the study. Additionally, expert assessment methods, monitoring results, and comprehensive economic systems analysis were utilized to evaluate the effectiveness of retail banking services.

The retail services segment of commercial banks in the Republic of Uzbekistan was selected as the research object. The study period spans from 2018 to 2024, analyzing dynamics in retail operation volume, the share of digital services, customer activity, and service efficiency metrics.

4. RESULTS AND DISCUSSION

In global financial markets, retail banking has consistently shown a dynamic growth trend over recent decades. Modern retail operations extend beyond traditional products (deposits, loans, payment cards) to encompass remote services, digital platforms, and personalized financial solutions.

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In Uzbekistan, the retail operations segment is undergoing rapid transformation driven by global digital trends. According to Central Bank data, mobile banking usage, cashless payments, and online lending have grown substantially.

Table 1: Dynamics of Key Retail Operation Indicators in Commercial Banks of Uzbekistan (2022–2025)* *(in trillion UZS, unless specified otherwise)*

Indicators	2022	2023	2024	2025
Deposits of individuals	17.5	32.4	61.8	108.6
Loans allocated to individuals	28.1	52.7	96.4	167.3
Number of bank cards (million units)	17.6	25.1	33.8	48.2
Users of remote banking services (million users)	4.3	9.7	21.4	39.5
Share of cashless payments (%)	32.0	44.7	58.9	71.3

**Source: Compiled by the author based on statistical bulletins and annual reviews of the Central Bank of Uzbekistan.*

As shown in Table 1, individual deposits grew from 17.5 to 108.6 trillion UZS between 2018 and 2024 (a 6.2-fold increase), reflecting growing public trust and market-aligned deposit rates. Concurrently, retail loans increased from 28.1 to 167.3 trillion UZS, driven by mortgage, auto, and microfinance products. Remote banking users increased over 9-fold (from 4.3 to 39.5 million), while the share of cashless payments rose from 32.0% to 71.3%.

To further assess retail operational performance, digital channel utilization metrics were analyzed (Table 2).

Table 2: Dynamics of Digital Channel Utilization Indicators in Retail Banking (2023–2025)*

Indicators	2023	2024	2025
Mobile banking users (million users)	3.2	11.4	38.7
Internet banking users (million users)	2.1	6.8	14.9
Share of remote loans (%)	6.5	18.7	46.3
Share of online deposits (%)	4.2	12.9	34.8
Share of QR and online payments (%)	9.4	27.6	63.5

**Source: Systematized by the author based on Central Bank statistics and World Bank digital finance reviews.*

Mobile banking users surged from 3.2 million in 2018 to 38.7 million in 2024. The proportion of remote loans reached 46.3% due to automated scoring and digital identification, while online deposits expanded to 34.8%.

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Table 3: Integral Assessment of Factors Influencing Retail Operation Efficiency*

Factors	Average Evaluation Index (1–10)	Impact Level	Practical Impact Direction
Implementation of digital technologies	9.4	Very High	Operational speed, cost reduction, scale
Customer-oriented service policy	9.1	Very High	Customer loyalty, repeat requests, brand trust
Banking infrastructure & branch network	8.3	High	Regional coverage, physical accessibility
Information security & cybersecurity	8.0	High	Customer trust, risk mitigation
Staff qualification & digital skills	7.6	Above Average	Service quality, innovation adoption
Product diversification	7.4	Above Average	Attracting diverse customer segments
Regulatory environment & legal framework	7.1	Medium	Systemic stability, market discipline

**Source: Developed by the author based on expert assessments and reports from international financial institutions.*

As indicated in Table 3, digital technology implementation received the highest impact rating (9.4), followed by customer-oriented service policy (9.1). These factors demonstrate that digital integration and personalized experience drive competitive advantage in modern retail operations.

5. CONCLUSION AND RECOMMENDATIONS

The retail banking segment has become one of the most dynamic strategic directions for commercial banks. Enhancing retail operations requires building an innovative banking ecosystem rather than merely expanding traditional products.

Based on the research findings, the following recommendations are proposed:

1. Deepen Digital Retail Banking: Accelerate the development of mobile banking platforms, internet banking, and integrated super-app formats.

2. Implement Customer-Centric Service Models: Utilize customer segmentation, financial behavior analytics, and personalized product design to improve satisfaction.

3. Enhance Digital Scoring in Retail Lending: Integrate artificial intelligence and Big Data analytics into automated credit scoring systems to lower risk and speed up approvals.

4. Strengthen Information Security: Upgrade biometric identification, multi-factor authentication, and transaction monitoring systems against growing cyber threats.

5. Expand Regional Financial Inclusion: Promote agency banking, remote service points, and digital literacy in rural and underserved areas.

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6. Develop Staff Competencies: Establish continuous professional training programs focused on digital technologies, CRM systems, and modern retail products.

7. Optimize the Regulatory Environment: Foster regulatory frameworks that encourage competition and synergy between banks and fintech firms.

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