FACTORS INFLUENCING THE RETAIL BANKING MARKET AND THEIR ANALYSIS ON THE EXAMPLE OF UZBEKISTAN

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Abstract. The article discusses the factors affecting the retail banking services market in Uzbekistan, the importance of retail banking services and the ways to improve them.

Key words: Banking, Retail Banking, Deposits, Deposits, Plastic Cards, Credit Cards

Introduction. Retail banking is one of the most profitable businesses for today's banks. The attractiveness of retail banking services is due to the fact that almost all corporate clients are covered by banking services and the intensity of competition in this market segment. There are some advantages to commercial banks' retail services. These include:

- ensures "high loyalty" of clients who are not inclined to replace banks frequently;

- The differentiation of customers into different segments allows the retailer to generate sufficient interest income from the business;

- In comparison, small-scale loans to retail customers diversify credit risk; The amount of loans to individuals is generally smaller than that of corporate clients and diversifies credit risk by dividing it to a large number of clients.

- there is also more volatility in demand than large corporations; Practice shows that large corporate clients quickly change the demand for banking services and demand additional capabilities, while the demand for banking services for individuals is less volatile.

- Despite the lack of large companies in some regions, the expansion of retail services provides commercial banks with a steady income. The location of businesses and organizations varies across regions. Therefore, despite the absence of large companies in the region, retail services provide permanent income to commercial banks.

Today, development of the banking system and improvement of interbank competition in the Republic of Uzbekistan has set the commercial banks a priority task to improve commercial banking services and introduce new banking services. Therefore, increasing inter-bank competition requires further improvement in retail banking services offered by commercial banks to the population.

The development of the retail banking market depends on geographical, ethnic, economic and political factors in comparison with other banking segments, and the market of these banking services varies from country to country. Therefore, the formation, management and development of this market requires an in-depth study of these factors and an analysis of the market development trends.

Analysisof books related to this theme

Today, many economic publications have found the concept of retail banking services and products. As we look at the theoretical foundations of these concepts. Economists R. Alimov, T. Juraev (Shodmonov and Alimov, 2002), A. Ulmasov (Ulmasov and Sharifhuzhaev, 1995), F. Suyarov (Suyarov, 2002), D.N. Vladislavlev (Vladislavlev,

2005), Yu.A. Korchagin (Korchagin, 2006), I.O. Spitsyn, O.Ya. Spitsynand others have expressed their views on the retail banking services of banks.

Economists Sh.Shodmonov, R.Alimov, T.Juraev, A.Ulmasov and M.Sharifhujaev understood that "retail" means direct sale of goods to consumers. "Wholesale Price" means the price set by manufacturers at the wholesale sale of large lots of goods to malls and organizations, and the "Wholesale" sale, respectively.

In the article "Retail Banking Services Market" by F. Suyarov, commercial banks describe the retail services as follows: "Retail bank is a large number of banking services for individuals" (Suyarov, 2002).

D.N. Vladislavlev: The bank's retail services are interpreted as "the sum of commercial banks' services for individuals and small businesses" (Vladislavlev, 2005).

I.O. Spitsyn and O.Y. Spitsyn According to them, the Bank's retail or consumer services market includes consumers who buy banking services for their own needs .

Thus, the legal definition of retail banking is a problematic issue. From the point of view of the purpose and technology of banking services, it is not an exaggeration to say that "Retail banking services are a set of services offered by commercial banks to meet the individual needs and needs of individuals."

ANALYSIS AND RESULTS

Examining factors affecting the retail services market by commercial banks can be studied by dividing them into several categories:
1. External and internal factors,
2. Economic and political factors,
3. Factors directly and indirectly.
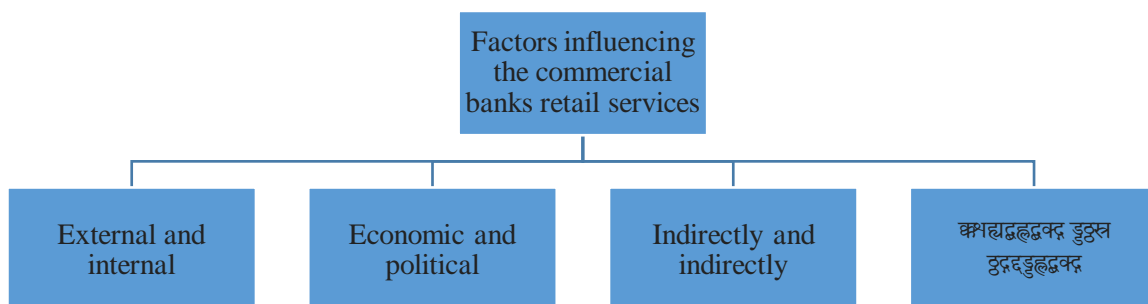
Figure 1. Factors affecting the retail services of commercial banks

Factors influencing the retail services market can be conditionally categorized by macroeconomic factors (external) and the status of the banking system (internal).

The overall production efficiency determines the following key parameters in the banking system: resource base of the bank, management and human resources, state of infrastructure, opportunities for the introduction of new technologies, improvement of quality and reduction of costs associated with the provision of banking services. The

economic growth of the country increases the income of the population, which in turn increases the demand for banking retail services.

Among the external or macroeconomic factors that influence the commercial banks' retail services, the quality of economic growth is crucial. The economy has been growing in recent years, and GDP has increased by 2.3 times in 2018 compared to 2014 (Vladislavlev, 2005).

Key macroeconomic indicators of the Republic of Uzbekistan
(www.stat.uz)

Period	2014	2015	2016	2017	2018
Gross domestic product in bln	177 153,9	210 183,1	242 495,5	302 536,8	407 514,5
GDP deflator	114,3	110,4	108,7	119,4	128,1
The inflation rate	6,1	5,6	5,7	14,4	14,3

As can be seen from the table above, GDP growth rates in our country are increasing year by year, but GDP deflator slightly increased in 2017-2018, which may be explained by the fact that inflation in recent years has been slightly higher than in previous years. In 2018, GDP growth will be 5.1%, GDP per capita will amount to 12.4 million soums, which is 3.3% higher than in the previous year. However, cash incomes increased by 29.3% compared to the previous year, which is explained by a few percent increase in salaries, pensions and stipends for social support.

Dynamics of population income growth compared to previous years (www.stat.uz)

The factors affecting the quality of macroeconomic growth are also influenced by the sustainable operation of businesses and organizations, which, in turn, have a direct impact on the retail services of commercial banks. In recent years, business opportunities in the country have been expanding. The development of this sector will ensure macroeconomic growth, increase employment banking, and, in turn, will increase the incomes of the

№	Name of indicators	2014	2015	2016	2017	2018
1.	Income of the population, bln, sums	117888,9	132042,0	185036,5	220811,8	285553,1
	in% to the previous year	116,0	112,0	113,0	119,3	129,3
2.	Total per capita income, thous, sums	3832,8	4218,7	5810,0	6817,6	8664,8
	in% to the previous year	114,0	110,1	111,1	117,3	127,1
3.	Real total income of the population, bln, sums	110766,6	125134,6	175273,8	201709,9	242961,9
	in% to the previous year	109,0	106,1	107,1	109,0	110,0
4.	Real Gross Income per capita, thous, sums	3601,3	3998,1	5503,5	6227,8	7372,4
	in% to the previous year	107,1	104,3	105,2	107,2	108,1

population.

Statistics show that the number of business entities operating in the country is increasing year by year, and there are no bankrupt or dysfunctional enterprises. If you look at the example of our country, by the beginning of 2019, their number will reach 3,220, which is 0.9% of the total.

Changes in the number of enterprises, organizations and years in the Republic of Uzbekistan
(www.stat.uz)

Years	Registered	Active	Inactive	Newly established	Finished
2019	339	323,5	15,5	55	16,7
2018	300,2	285,5	14,7	41	26,5
2017	285,4	268,4	16,9	32,7	27,2
2016	278,4	257,8	20,7	27,9	23,7
2015	273,6	246,7	26,9	26,9	20
2014	266,4	241,2	25,2	27,8	21,3

The table analysis shows that the number of registered businesses in the country increased by 72600 in 2019 compared to the previous year, but there were also no active businesses and organizations. At the beginning of 2019, the number of inactive and closed business entities fell by 21.8 percent compared to the same period in 2018. This can be explained by the fact that in recent years in our country tax, control, registration and other benefits. However, the number of inactive and liquidated enterprises and organizations has increased in some regions of the country as of January 2018.In particular, in Namangan region increased by 3.4%, in Surkhandarya by 4.3% and in Tashkent city by 9.6%. Observations of the above have some negative consequences. For example, it can lead to the growth of the population's income, which can lead to the repayment of consumer loans and increased bank risk. Commercial banks may also have a negative impact on the demand for deposits.

Inflation rates and the dynamics of the exchange rate of the national currency for foreign currencies are the next major macroeconomic factors. High devaluation of the exchange rate in relation to foreign currencies in 2018 is rising as the free exchange of currancy has been established.

Exchange rate of UZS to foreign currencies
(www.cbu.uz)

	1 US Dollar	Change, (+/-)	1 Euro	Change, (+/-)	1 Russian rubles	Change, (+/-)
2014	2202.20	216,74	3031.90	405,97	67.49	2,35
2015	2422.40	220,20	2987.74	-44,16	46.55	-20,94
2016	2809.98	387,58	3074.19	86,45	39.99	-6,56
2017	3231.48	421,50	3419.23	345,04	53.10	13,11
2018	8120.07	4888,59	9624.72	6205,49	139.30	86,2
2019	8336.25	126,18	9533.34	-91,38	119.85	-20

In addition, the development of the retail banking services market depends on the stability of the country, including direct financial and monetary policies. The stability of

the country has the greatest impact on the medium and long-term savings of the population, which are the potential source of the resources to perform active operations in the full banking system and the retail businessof banks. If the stability of the country affects the population's demand for savings, the inflation rate affects the size of the savings and the structure of new savings. The stability of real sector and the rate of financial stability are being achieved in the republic. Effective monetary policy has helped to the country to keep the free rates of the money conversation in recent years and maintain the inflation rate relatively stable over the past two years. However, we can observe the fact that the balance between the average weighted interest rate on deposits and the inflation rate is not maintained, which may lead to a decrease in the interest of the population to invest savings in banks. You can see it in the table demonstrated below. It is also should be emphasized that in 2017, the inflation rate was 0.6 percent higher than the interest rate.

Changes in the inflation rate and average weighted interest rate on time deposits in the Republic of Uzbekistan
(www.cbu.uz)

Period	2014	2015	2016	2017	2018
Annualinflation rate, %	6,1	5,6	5,7	14,4	14,3
Average weighted interest rate of time deposits	7,7	6,7	9,2	13,8	15,5

It should be noted that the maintenance of a stable inflation rate, the establishment of a real interest rate on the banks' savings contributes to the growth of deposits in the banking resources.

The total profitability of individuals and their distribution among the layers of the population also have a direct impact on the commercial banking retail services market. An Increase in the income of the population will increase the demand for solvent loans and money which is allocated in savings.

The GDP of the Republic of Uzbekistan accounts for 12.3 million sums per capita. It means that this indicator slightly less than the other developed countries. This reduces the demand for commercial banking retail banking services and reduces its profitability for the bank.

Another factor influencing the retail banking services market is the state of the banking system. The positive dynamics of the financial opportunities (potentials) of the banking system directly contributes to the expansion, increase and improvement of the quality of retail banking services, as the introduction of any new banking services and new technologies will require expenditures.

Dynamics of commercial banks capital growth
(www.cbu.uz)

Period	2015	2016	2017	2018	2019
The capital of commercial banks, trillion soums	6,9	7,8	8,9	20,7	26,7
Capital adequacy ratio in percent	24,3	23,6	14,7	18,8	15,6
The adequacy of paramount capital in percent	17,9	19,1	12,5	16,5	14,3

The capitalization of commercial banks in Uzbekistan is increasing year by year. At the beginning of 2019, commercial banks' equity amounted to 26.7 trillion. sums. In spite of the increase in the capital, a slight decline in capital adequacy in 2018 is attributable to the increase in risk assets. If in January 1, 2018, risk assets equaled to $ 106.6 billion, in January 1, 2019, it reached 155.0 billion. Bank assets comprised 55.1% of GDP.

The share of long-term funds in total assets is low in bank liabilities. Long-term loans, which have been attracted over one year, as of January 1, 2019, amount to 34.2 billion soums, and long-term loans are 158.728 billion soums. However, in comparison with previous years this indicator has increased significantly. Long-term deposits in the same period of 2018 amounted to 13.8 billion soums, and long-term loans totaled 105,819 billion soums.

The interbank competition environment also has a direct impact on the retail banking services market. The distribution of banks in the country affects the implementation of banking services, including the distribution of enterprises, organizations and production.
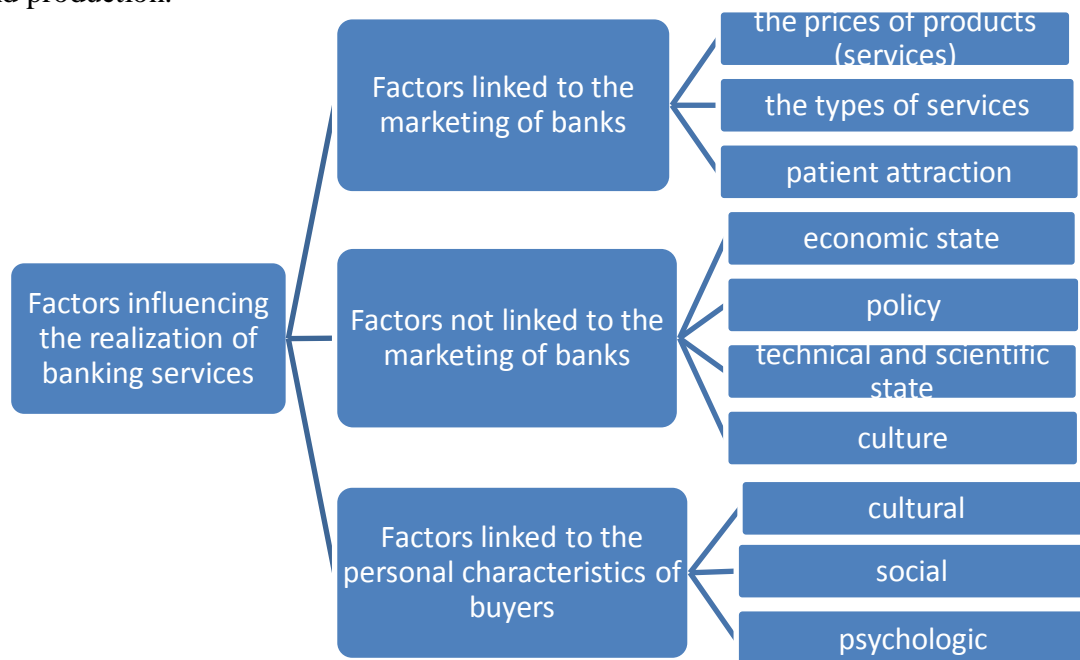

Figure 2. Factors influencing the retail banking services market

The cost of banking services has a great impact on attracting customers to banks, and the higher the interest rates offered for deposit operations are, the more clients invest their free funds in banks.

The lower the loan interest rates are, the greater the demand for loans is. Therefore, the bank has to choose the optimal price for both the bank and the customer. In the banking services market, competition is divided into expensive and inexpensive parts. In particular, the cost of the above services is not always available to the bank, as this will directly affect the profitability of the bank. Increasing the range of banking services and improving their quality is one of the most effective marketing methods in banks.

To date, the banks offer more than 250 banking services. Increasing range of banking services will result in increased customer involvement in the bank.

The environmental impact cannot be controlled by the bank. These factors have a direct impact on the demand for banking services. Banks should consider these factors directly when they offer banking services.

The impact of the economic environment is various. The impact of this factor depends on the economic environment in the country. The more stable the economic environment is in the country, the greater the impact of these factors will be. Among the economic factors, the inflation rate in the country, the market for goods (services), the exchange rate, the interest rate, and others are all important factors.

Considering one of the above factors, for example, there is a rising inflation rate in the country. At the same time, the client has several options for saving his savings: buying securities, getting credit, deferred repayment of goods, saving money in other stable currency. In these conditions, demand for savings from retail banking services can be reduced, while demand for consumer loans may rise.

Laws and regulations adopted by the state are particularly influenced by political factors. For example, the Russian tax law can be a pure evidence of this issue. According to it, interest income from securities is subject to taxation and income from savings is not taxable. This also affects the client's choice of one of these two banking services.

Technical factors. These factors also have a direct impact. Introduction of technology in banking activity usually leads to the introduction of new banking services.

Social and cultural factors are also important factors that are not related to external banking. It is well known that people living in a social environment have their own cultures. For example, student, seniors, young families and so on. In turn, their demand for banking services may be various. Also, demand for banking services is different in cities, towns, and villages.

Dynamics of population of the Republic of Uzbekistan
(www.stat.uz)

Year	Total population		Urban population		Village population	
	Population at the beginning of the year, thousand people	An increase during one year	Population at the beginning of the year, thousand people	An increase during one year	Population at the beginning of the year, thousand people	An increase during one year
2015	31022,5	529,7	15748	192,8	15274,5	336,9
2016	31575,3	552,8	15963,9	215,9	15611,4	336,9
2017	32120,5	545,2	16250,8	286,9	15869,7	258,3
2018	32656,7	536,2	16532,7	281,9	16124	254,3
2019	33255,5	598,8	16806,7	274	16448,8	324,8

As can be seen from the table above, 50% of the population is rural. Therefore, it is desirable to offer a full range of banking services at the branch offices, in accordance with the location. Also, the majority of the population is the people belonging to 16 and 55 (60) (58% of the total population). Banks' retail services market is also affected by the youth group. This should be taken into account when a strategic plan for commercial banks and retail services are created. Depending on the age of the population, its demand for banking services may be various. For example, clients aged 55 (60) may be more likely to be in high demand for mortgages and consumer loans if the bank is in high demand for savings services.

The share of incomes from services rendered to individuals in the structure of bank revenues is also increasing, especially for small and medium-sized commercial banks. This can be explained by the following:

- The level of capitalization of large banks is much higher;

- Large banks prefer to work with corporate clients when it comes to retail services, because of their high level of profit,

- Most of the small and medium-sized banks are banks that have been set up in recent years, offering more retail services to boost customers.

While the retail business of banks primarily covers services provided to individuals, there are many factors that contribute to, and at the same time, retard, the growth of retail services. These factors are indirectly related to the mentality of the country and the stages of historical development.

So, first of all, let's look at some of the negative factors that affect:

1. The current tendency of the population of Uzbekistan to spend on savings. Because many people spend their income on current needs, the other collects large sums of services to buy expensive goods and the rest of the income when it is spent for current needs (www.nacfin.ru)

According to a study by the Russian National Financial Research Agency, 60% of Russian families spend their income for current needs, 26% spend income for the current needs and accumulate the rest, and 14% collect for the purchase of valuable goods or services and the rest. Spends for needs.

2. Financial literacy of the population. To date, the number of services offered by commercial banks to the population is growing, while in the world practice more than 2,500 services are offered, while in Uzbekistan there are more than 250. It is a pity that the majority of the population does not have sufficient information or understanding of the services offered. Most of the population knows more about deposit operations and some credit operations, which have been carried out by commercial banks for a long time.

3. Legal framework. The legal basis for retail banking services is also discussed in the preceding paragraph. The banking system of the Republic of Uzbekistan does not have a long history, it is one of the young developing industries.

Looking at the development of the banking system, the banking system has undergone some reforms since independence. As we know, the development of the banking system can be divided into three major stages: the first stage includes the introduction of the national currency - the period from 1991 to 1994, the second stage is focused on the formation and clarification of the banking system. to extend the system to the scale of developed countries and to improve banking operations, covering a period since 2000. Therefore, during this period we had to change several legislative acts and improve some existing laws.

One of the main factors contributing to the growth of the retail services market by commercial banks is, first of all, the increase in the income of the population. A number of measures taken to liberalize and develop the banking system increase the public's

confidence in the banking system. The financial market is growing from year to year, and the commercial banks are developing the retail services market.

Factors influencing the development of individual banks 'services are the commercial banks' public image, ie its image. Most of the population knows large banks operating in the country. They also know more about private banks than private banks, based on direct or indirect government involvement.

According to a study by the Russian National Financial Research Agency, we can include the following (www.nacfin.ru):

1) Bank's long-term market presence - 51.8%;
2) Availability of the state guarantee - 42,7%;
3) Acquaintance and positive feedback from friends - 31.2%;
4) Useful services on banking services - 26.0%;
5) favorable location of the Bank's branches - 23.6%;
6) The number of branches - 21.9%;
7) High quality of service - 21.9%;
8) The range of services offered - 16.8%;
9) Bank's high ranking is 16.3%;
10) Ease of service of the Bank - 14.6%;
11) Availability of advertising and high quality information - 4%.

The analysis of international practice shows that the main focus of the population in choosing the services of the commercial bank is the long-term activity of the bank in the market. It is noteworthy that the high quality of banking services and high rankings of banks do not play a major role in the choice of bank.

Internal factors affecting retail banking services include factors related to banking activities.

Large commercial banks prefer to serve legal entities rather than work with individuals. Commercial banks are generally interested in dealing with large numbers of clients in small amounts, that is, in large quantities, as well as for legal entities, which provide high returns to the bank.

Offering a large number, but not so distinguished operations to the clients by the commercial banks. The types of deposits offered by commercial banks to the population are often the same. The conducted research have shown, that in the country's practice the use of "investment deposits" offered by commercial banks were not observed.

"Investment deposits" is one of the types of deposits, it is aimed to get a maximum profit, where specific interest rate to the deposit will not be envisaged. Its essence lies in the fact that funds received from the population are invested in financial instruments, and the income from a deposit depends on the income of these financial instruments.Financialinstrumentsusuallyincludethefollowing:

- Stocks, bonds and other securities
- Various stock indices.

Ambiguity of the terms of offered services by commercial banks.The terms of offered services by commercial banks should be clear to the public taking into account the level of financial literacy of the population.

Managing of Banks marketing. The commercial banks should conduct detailed research of the market before offering specific bank. Attention to should be paid more to attract new clients other than retaining existing ones

CONCLUSION AND RECOMENDATIONS

The following conclusions were made based onresearch of the internal and external factors affecting the retail banking market:

• Economic growth and stability in the country is one of the main factors affecting the retail banking. In recent years, steady economic growth and economic stability has been observed in the country.

• Increase in capitalization of commercial banks will improve retail banking services.

• The population growth in the country for the past years and income growth allow commercial banks to increase demand for retail services in the retail market.

• Small and medium-sized banks pay more attention to retail clients other than large banks.

Since the main task of our commercial banks today is to increase the popularity of retail banking services and further improve these banking services, the bank should operate in the following areas:

- The youth group of the population will also affect to the retail banking market. This should be taken into consideration while developing a strategic plan for commercial banks and retail services.

- The provision of banking services and the establishment of tariffs for services based on economic indicators in the regions of the country contribute to the development and expansion of the market.

- Reducing the cost of providing retail banking services and expanding the range of remote banking services to serve multiple customers at the same time.

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