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## Digital Banking Products

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**Abstract:** This article discusses digital banking products and their specific features. In this article proposals have been made to modernize banking products, increase financial inclusion and efficiency of financial products of the digital banking.

**Keywords:** digital banking, banking products, banking services, banking operations, banking innovations.

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**Introduction.** The digital banking business has become an independent and frequent leader in banking sector, which requires the expansion of product types, including financial and non-financial products and services, due to the development of technology and the growing needs of customers. Therefore, banks have a serious task to change the model of banking business aimed at creating a competitive ecosystem, which, in turn, will allow improving customer service, diversifying product supply and diversifying revenues. A strategically important task for the rapid development of digital banking services in the country is the simplification of implementation methods based on the use of advanced info-communication technologies, the development of a competitive integrated banking product offer while maintaining popular traditional products and services.

It should be noted that in order to expand the quality and scope of remote banking services in the country, the Presidential Decree of January 9, 2018 "On measures to radically improve the activities of the Central Bank of the Republic of Uzbekistan", including the use of remote banking services and the use of new technologies. This is evidenced by the fact that in recent years the application of such modern technologies in the banking and financial system of the Republic of Uzbekistan has created some conveniences and innovations in the field.

Thus, the relevance of the chosen research direction is determined by the need to change the banking products, to look for competitive directions in the promotion of banking products and services based on the use of digital technologies and tools.

**Literature review.** Most authors distinguish the general nature of banking products and services in terms of their intangible nature or intangible activity.

In particular, E.Lavrenteva<sup>1</sup> notes that the nature of the contract will be another feature of banking products and services. She argues that an individual or legal entity cannot be a bank customer until a contractual relationship has been established between them. In order to provide the customer with banking products, services and banking operations, it is necessary to conclude certain contracts, agreements, agreements between the bank and the customer, provided by the requirements of applicable law. However, it was noted that some banking products and services with the same conditions for all customers do not require direct performance of the contract.

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<sup>1</sup> Lavrentieva E.E. 2012. Ambiguous interpretation of the term "banking service" [Electronic resource]. Scientific journal of SPbGUNIPT. Series: Economics and environmental management, 1(10)

The research of N.L.Poltorandneva and A.Ya.Dolgushina<sup>2</sup> on this topic confirms that often the banking product does not look like a real, material thing, unlike the product of an industrial enterprise.

When describing the contractual relationship associated with the purchase of banking products and services, P.A.Khafizova<sup>3</sup> states about the period inherent in them. This is because the purchase of most banking products is often not limited to a single transaction and the customer enters into a different term relationship with the bank.

The authors N.P.Abaeva and L.T.Khasanova<sup>4</sup> talk about the connection of banking products and services with monetary resources. After all, the process of providing the main types of banking services is associated with the use of cash or non-cash forms of funds. However, it should also be noted that money for a banking product can be both an integral part of it and a payment to receive it. The emphasis on people's money makes banking dependent on customer trust, and it takes a lot of effort to build trust.

**Results of the Research.** The development of digitalization poses very serious challenges to existing banking business models that are undergoing major changes everywhere. Given the growing size of the market for mobile and contactless payments, P2P services, the use of digital currencies, blockchain technology, BigData and more, all of these changes are inevitable.

Image is a key active psychological component of consumer perception of a banking product. This idea is very unstable and rapidly changing, which gives this image great plasticity. The factors that make it up are more dynamic, active, and have a direct impact on the factors that make up the bank and consumer image.

Theoretical ideas about the essence of digital banking products, their features and peculiarities were identified, which allowed forming the author's concept of digital banking as a new concept of the relationship between the credit institution and customers. A banking product is a tangible value provided by money that a bank sells to the market. Consequently, the banking product has a target customer, i.e. a segment orientation that it produces. Banking service is a type of specific banking activity aimed at meeting the specific needs of the client, that is, the actions of bank employees to assist the client in the implementation of banking products.

Digital banking is a new model of building relationships between credit institutions and customers and bank employees based on financial innovation and the use of information and communication technologies, increasing competitiveness by expanding product supply and meeting customer needs for banking products.

Automation of business processes has led to the emergence of digital products and their main tools - digital products that can be digitized and implemented through telecommunications networks. They may not be substitutes for material products or have a material form at all. Thus, it is not an additional privilege that conditionally corresponds to a "number", but a reflection of the current level of development of society and the sum of the requirements for a modern product.

Today, any digital product, including banking, must meet the requirements of the modern information and telecommunications environment. The main ones are:

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<sup>2</sup> Lavrushin O.I., Valentseva N.I. et al. 2016. Banking. M., KNORUS, 800.

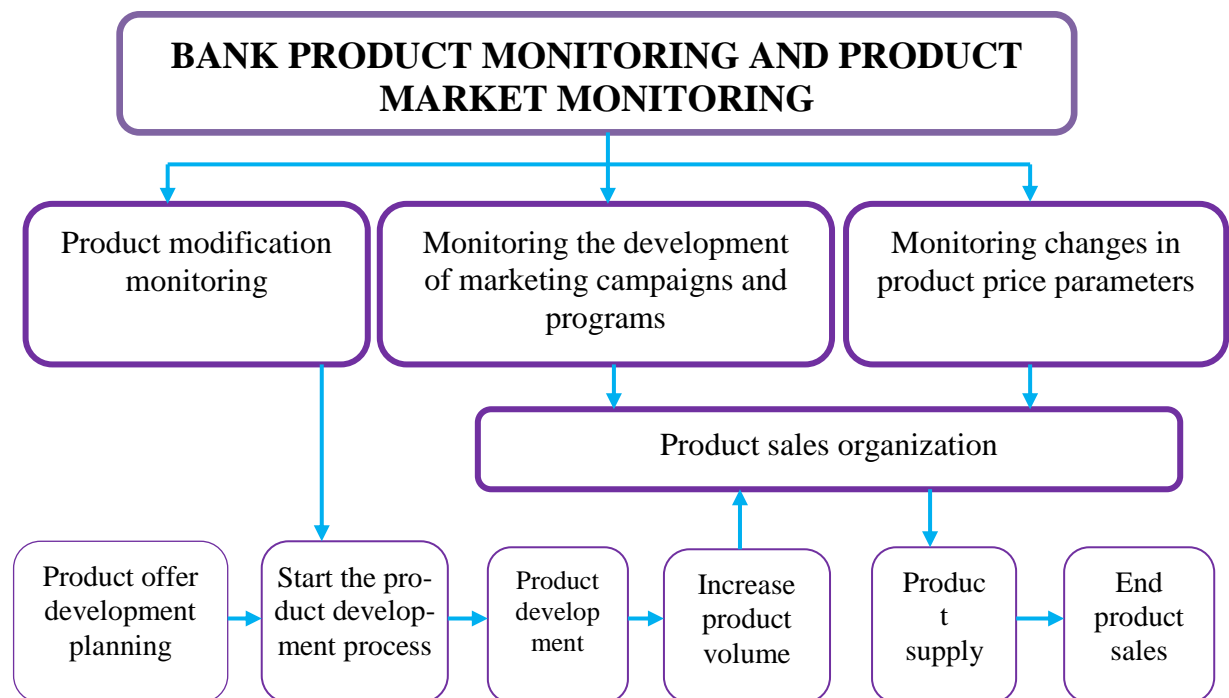
<sup>3</sup> Khafizova P.A. 2013. Banking products (services): the content and placement guidelines. Bulletin of the Tajik State University of Law, Business and Politics. Series of Humanitarian Sciences, 1 (53): 89-99

<sup>4</sup> Abaeva N.P., Khasanova L.T. 2012. Competitiveness of banking services: Monograph. Ulyanovsk, UIGTU, 118.

- simplicity and convenience;
- Satisfaction of technological requirements of the client;
- be equal to or better than the user experience;
- Compatibility with the characteristics of social networks.

The consumer expects to get more of the technological (digital) features of the product. A digital banking product is a set of unique, regulated and standardized banking proposals aimed at meeting the needs of customers using financial IT technologies and services that meet the requirements of the info-communication environment, the main of which are: ease and simplicity of use; compliance with customer technological expectations; integration with the features of social networks.

To analyze the proposed model scheme of bank product supply management, it seems logical and necessary to consider the process of retail product range management, which covers the entire life cycle from the beginning of product formation to the elimination of its market range<sup>5</sup>.



**Figure 1. A simple scheme of management of banking products.**

As can be seen from the figure, in order to ensure effective management of product supply by commercial banks, an ownership unit is attached to each product that is responsible for it. The main business indicators and development strategy of the bank, adopted for the entire planned period, will serve as a basis for planning changes in the retail product line.

The development of the Bank's strategic plans, as well as the analysis of the results of product market monitoring will begin the process of developing retail products, which can be set by defining its parameters and designing technology to supply it, assessing bank and customer

<sup>5</sup> Bychkova I.I. Construction of the bank's product offer / I.I. Bychkova // Humanitarian and socio-economic sciences. - 2014. - AANo5. – P.17-21

risks in product implementation and operation.

Testing a product means presenting it to a small circle of consumers living in a limited area and for a certain period of time to evaluate its effectiveness and efficiency. Replication means measures to offer products to consumers in the territory attached to the bank, in accordance with the approved documents.

Delivery of a product means the process of its implementation to the consumer, a targeted process that meets the specific needs of consumers, leading to the planned profit of the bank.

Product and market monitoring of retail banking products means a mechanism that provides feedback, provides up-to-date information on the current state of the product market, the external legal environment, as well as internal analytical actions, parameter compliance monitoring, product delivery and warranty technology, etc.

As a result of the monitoring, the bank's management and its team will decide on the directions and ways to improve the range of retail products of the bank or to remove the product from the market. Product modification is applied when market conditions change or the needs of target customer segments change, when the economic efficiency of a product decreases, the risk of changing the regulatory framework increases or is realized, its necessity and cost-effectiveness are identified and justified.

Changing (setting) the price parameters of a product means a process that begins with a change in market conditions, a decrease in its economic efficiency, the emergence or growth of various risks, changes in the external legal environment.

Product sales organization is a set of measures aimed at preparing, maintaining and supporting all types of sales channels, including adaptation to work in constantly changing conditions, monitoring the implementation of established sales standards.

The suspension of the sale of the product is applied in cases where the demand for the product is significantly reduced, economic efficiency is reduced, the risk exceeds the acceptable level, as well as, if this is not possible, as a result of monitoring it.

It is recommended to highlight the following objectives in the digital distribution of banking products: customer needs (digital banking product is formed not on the basis of a bank offer, but on the basis of consumer preferences); the mobility and speed of the transaction (implementation of the principle of "here and now", access from any device or communication channel); ability to analyze big data and data-based services.

**Conclusions and suggestions.** In the 21st century, the leading trend of financial market participants has become a customer-oriented approach, requiring a change in the banking business model that allows for maximum profit in the shortest time due to deep understanding of customer needs, clear segment orientation and customer demand for a particular product. A comparative analysis of traditional banking products and digital banking products has made it possible to highlight their similarities and differences, as well as to identify areas for transformation of the national banking system using modern digital technologies.

The priorities in the formation of the supply of banking products / services in the economy using digital technologies and financial innovations are: creation of new platforms; neo-personalization; development of interfaces for client-banking and investment services; widespread introduction of digital consultants; creating alternative sales channels.

In conclusion, today the demand for digital banking products is constantly growing and the development of digital products continues, which allows individual banks to increase their advantages and make useful offers to customers.

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