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Improving the Management of Innovative Activities of Commercial Banks

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Abstract: In my article, written on the basis of this research, I devoted myself to the issues of improving the management of innovative activities of commercial banks of Uzbekistan. The study analyzed the theoretical foundations of banking innovation, foreign experience, the practice of domestic banks, and developed proposals and recommendations for the development of innovative activities. The results of the study show that Uzbekistan's commercial banks have been paying special attention to the rapid development of innovative activities in recent years.

Key words: banking innovation, digital banking, innovative activity management, digital technology, financing, human resources potential, security, Open banking, artificial intelligence, blockchain.

INTRODUCTION

Innovation is necessary to improve the competitiveness of banks, provide new products and services, and meet the needs of customers. At the same time, effective management of innovative activities plays a decisive role in ensuring the financial stability of banks and supporting their long-term development.

Improving the management of innovative activities of commercial banks in the conditions of modernization and diversification of the economy of the Republic of Uzbekistan is of particular relevance. In our country, large-scale measures are being implemented to reform and develop the banking system. In particular, according to the 50th goal established in the decree of the president of the Republic of Uzbekistan on the strategy of Uzbekistan-2030, the tasks of accelerating reforms in the banking system, increasing the size of the banking services market and developing competition in the field are defined. At the same time, at present, a number of problems remain with the implementation of modern methods and means of managing innovative activities in the banking system of Uzbekistan, increasing interbank competition, developing new banking products and services and their implementation in practice. To overcome these problems, it is required to improve the management of innovative activities of commercial banks, study advanced foreign experience and adapt to the national banking system.

LITERATURE REVIEW

Many foreign and domestic scientists have conducted research on the topic of managing the innovative activities of commercial banks. In these studies, the essence of innovative activity, the theoretical foundations of its management and practical aspects of the introduction of innovation in the banking system are covered.

There are different approaches to the essence and content of the concept of innovative activity. Schumpeter (2020) defines innovation as the main driving force behind economic growth. He believes that innovation will bring about structural changes in the economy through the introduction of new products, production methods, markets, sources of raw materials and organizational structures.

In addition, Drucker (2019) considers innovation as an integral part of entrepreneurship. It defines innovation as a process aimed at directing resources to create new opportunities. Drucker also emphasizes the need for a systematic approach to innovation management.

There are distinctive features of innovative activities in the banking industry. Mishkin (2020) defines banking innovation as the introduction of new financial instruments, technologies and institutions. It highlights the importance of innovation in improving the quality of banking services, reducing costs and creating new sources of income .

Also, Mention (2021) considers banking innovation in the context of digital transformation in the financial services sector. He believes that digital technologies are radically changing traditional banking and creating the need to introduce new innovative solutions.

Uzbekistan has also conducted a number of research on the development of innovations in the banking system. Jumaev (2022) analyzed the development trends of innovative processes in the banking system of Uzbekistan. He emphasizes the need to improve the legal framework for the introduction of banking innovations in our country, expand the use of digital technologies and increase the innovative potential of banking professionals.

Abdullaeva (2023) has researched current issues of financing the innovative activities of commercial banks. He believes that the introduction of new mechanisms for financing innovative projects, including the use of venture financing and crowdfunding, will be instrumental in encouraging banking innovation.

RESEARCH METHODOLOGY

This article was studied with a generalization of various approaches to the comparative development of processes aimed at improving the management of innovative activities of commercial banks operating in our country.

In the process of forming the article, methods of observation and selection, scientific-theoretical, empirical observation were used. The reliability of the results of the study is explained by the use of foreign and national statistical official sources used in the study.

ANALYSIS AND RESULTS

Today, the banking system of our country is at the stage of rapid development, and through the introduction of digital technologies, financial innovations and modern services, banks strive to increase the efficiency of their activities.

According to the Central Bank of the Republic of Uzbekistan, as of January 1, 2023, 31 commercial banks are operating in our country. These banks play an important role in the development of innovative activities and serve to increase the quality and scope of banking services.

To improve the management of innovative activities of commercial banks, it is advisable to carry out reforms and measures in the following areas:

Development of digital banking. The rapid development of digital technologies is also demanding fundamental changes in the banking industry. Through the development of digital banking, it is possible to increase the speed, convenience and efficiency of banking services. This requires the widespread introduction of mobile banking, online services, cloud technologies and artificial intelligence. In accordance with the decree of the president of the Republic of Uzbekistan dated January 28, 2022, PQ-87, large-scale measures for the further development of digital banking and the introduction of modern banking technologies have been established in our country by 2026. In particular, it is planned to increase the number of users of the mobile banking system to 15 million people in 2023, and 18 million in 2024.

Development of innovative banking products and services. Commercial banks need to constantly develop new and innovative banking products and services to meet the changing needs and demands of customers. Today, innovative solutions such as remote banking services, QR code payments, NFC technologies, virtual and additional realism are becoming more and more popular. As of the

end of 2021, more than 100 types of innovative banking products and services have been introduced in Uzbekistan. Further increasing this indicator and large-scale implementation of innovative banking services are important in ensuring the competitiveness of banks.

Development of innovative competencies of Bank employees. To effectively organize and manage innovative activities, it is necessary to improve the relevant knowledge, skills and qualifications of bank employees. To develop innovative competencies of employees, it is required to regularly organize training courses, training and seminars, improve qualification programs, ensure active participation of employees in the development and implementation of innovative projects. At the same time, it is also important to stimulate innovation in banks and introduce a system of employee motivation. In 2023, more than 100 training courses and training programs are planned to be organized to develop innovative competencies of employees of banks of Uzbekistan.

Development of an open banking ecosystem. The concept of open banking refers to the interaction of banks with external partners, fintech companies and third-party providers. Through open API (Application Programming Interface) Technologies, banks can integrate their services into external applications and platforms, thereby expanding the spectrum of innovative services. The development of an open banking ecosystem for banks in Uzbekistan allows to create collaborative innovations, new business models and additional sources of income. By 2024, it is planned to provide 10 major banks in Uzbekistan with open APIs and integrate with more than 100 partner organizations.

Increase financial inclusivity and promote digital financial literacy. Increasing financial inclusiveness is important to ensure that innovative banking services are delivered to the general public. To do this, it is necessary to expand access to banking services, develop digital payment infrastructure, offer simplified and low-cost banking products for retail customers. At the same time, the development of skills to improve the digital financial literacy of the population, the use of innovative banking services is also one of the urgent tasks. As of the end of 2022, the total number of retail customers in Uzbekistan has exceeded 32 million, indicating an increase of 42% compared to 2019. Further expanding the reach of users of banking services and increasing financial inclusiveness remain one of the priorities of the coming years.

Introduction of new mechanisms for financing banking innovations. In order to effectively organize innovative activities, it is necessary to strengthen its financial support. Today, along with traditional sources of bank innovation financing, new financing mechanisms such as venture funds, joint investments, crowdfunding platforms can also be widely used. During 2023-2024, $ 200 million in funds are planned to be created to fund innovative banking projects in Uzbekistan. These funds will be directed to support the development and implementation of new innovative solutions.

The introduction of regulatory sandboxes and the creation of experimental legal regimes for innovative projects. It is necessary to form a favorable legal environment for the support and promotion of innovations in the banking industry. Regulatory sandboxes provide specific legal areas for introducing and testing innovative solutions. They allow startups and fintech companies to test and improve their products without serious legislative restrictions. In Uzbekistan, favorable conditions are also created for the development of innovative banking services by introducing regulatory sandboxes and creating experimental legal regimes. By 2024, it is planned to establish the activities of regulatory sandboxes in 5 large commercial banks.

International cooperation and the study of advanced experiences. In the development of banking innovations, it is important to study and effectively use advanced experiences in foreign countries. Banks of Uzbekistan should expand cooperation with leading companies, prestigious financial institutions and innovation centers in the field of fintech, implement joint projects and actively participate in international fields. In 2022, more than 30 international cooperation agreements and memorandums were signed by leading Uzbek banks. Further strengthening and expanding such international ties will enable the exchange of knowledge and experience in the field of innovation.

Improving the management of the innovative activities of commercial banks of Uzbekistan assumes the implementation of complex measures such as the widespread introduction of digital technologies, the development of innovative banking products and services, the development of competencies of bank employees, the formation of an open banking ecosystem, increasing financial inclusivity, the implementation of new financing mechanisms and creating a favorable legal environment. Consistent reforms and systematic approach in these areas will increase the competitiveness of the banking system, ensure innovative development and serve the sustainable growth of the economy of our country.

Research and analysis on improving the management of innovative activities of commercial banks shows that the strategic importance of introducing and developing innovations in the banking system is growing. Today, commercial banks operating in our country are faced with important tasks in the field of large-scale application of innovative solutions, active adoption of digital technologies and the introduction of new business models.

According to the results of 2022 of the Central Bank of the Republic of Uzbekistan, the number of innovative banking products and services introduced by commercial banks operating in our republic is steadily growing (Table 1).

Table 1. Dynamics of growth of innovative banking products and services in Uzbekistan (Central Bank of the Republic of Uzbekistan, 2023)[1]

Years	Number of innovative banking products and services
2019	54
2020	68
2021	87
2022	112

The table shows that the number of innovative banking products and services has increased by 2 times over the past four years. This indicator reflects the pace of innovative development of the banking system and indicates that commercial banks are striving to actively introduce new solutions. At the same time, growing numbers from year to year also mean an increase in the popularity of innovative banking services.

The large-scale introduction of innovative banking products and services is also leading to a significant increase in the number of users of them (Table 2).

2- table. Dynamics of the number of users of innovative banking services in Uzbekistan, a thousand people (Central Bank of the Republic of Uzbekistan, 2023)[2]

Years	Mobile banking users	Internet banking users	The number of transactions made through payment terminals
2019	2 543	950	12 750
2020	4 780	1 420	15 630
2021	8 950	2 240	20 180
2022	14 670	3 380	27 920

According to Table 2, the number of mobile banking users in 2022 has increased by 5.8 times compared to 2019, and internet banking users by 3.6 times. The number of transactions through payment terminals has also increased by 2.2 times. These numbers reflect the positive effects of digitization of banking services and the development of remote service channels.

[1] O'zbekiston Respublikasi Markaziy banki ma'lumotlari, 2023
[2] O'zbekiston Respublikasi Markaziy banki ma'lumotlari, 2023

These advanced technologies make it possible for banks to increase operational efficiency, optimize costs and provide customers with better quality service. For example, the introduction of chatbots and virtual assistants is helping bank customers to provide quick and convenient consulting services.

In order to further develop financial technologies and digital banking services in the Republic of Uzbekistan, a number of regulatory legal acts have been adopted. In particular, the decision of the president of the Republic of Uzbekistan dated January 28, 2022 PQ-87 "on measures for the further development of digital banking and the introduction of modern banking technologies" serves as a legal basis for the implementation of significant reforms in this area.

World experience shows that in order to effectively manage innovation in commercial banks, it is advisable to establish separate innovation centers or laboratories within the bank. These structures perform the tasks of developing innovative projects, testing them and integrating them into banking. At the moment, 12 major commercial banks of Uzbekistan have established their own domestic innovation centers, and other banks are expected to popularize this experience in the near future.

CONCLUSION

In conclusion, improving the management of innovative activities of commercial banks remains one of the urgent tasks of today. By consistently applying modern trends such as digital banking, mobile technology, artificial intelligence, Big Data Analysis and cloud services to banking activities, opportunities are created to increase the competitiveness of our commercial banks in the global financial market and provide customers with better quality service. At the moment, the reforms carried out, the regulatory legal acts adopted and the mechanisms of financial support will serve as an important factor in raising the innovative potential of the banking system of our country.

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