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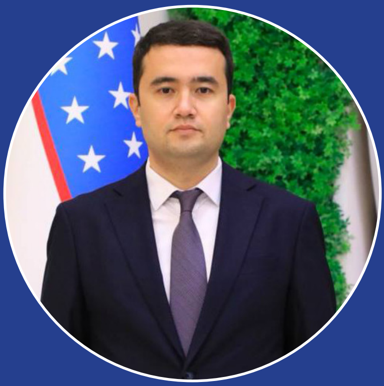

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MECHANISMS FOR ENSURING THE COMPETITIVENESS OF COMMERCIAL BANKS IN THE FINANCIAL MARKET BASED ON DIGITAL FINANCIAL SERVICES

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Abstract: This article examines the role of digital financial services and their implementation mechanisms in enhancing the competitiveness of commercial banks in the financial market environment. The study analyzes the impact of digitalization of banking services, the development of fintech technologies, and the introduction of digital banking services on the efficiency of banking activities. In the course of the research, methods such as comparative analysis, statistical analysis, a systematic approach, and expert evaluation were applied. The results of the study demonstrate that expanding digital banking services, effectively utilizing fintech technologies, and developing digital customer service infrastructure are among the key factors for increasing the competitiveness of commercial banks in the financial market. In addition, scientifically grounded recommendations were developed to improve the development of digital financial services in the banking system.

Key words: financial market, commercial banks, digital banking services, fintech technologies, competitiveness, digital financial services, banking innovation.

INTRODUCTION

In the digital economy, the competitive environment in the financial services market has significantly intensified, requiring banks to introduce new types of financial services based on innovative technologies. In particular, the development of fintech technologies, the widespread use of electronic payment systems and remote banking services are emerging as important factors in ensuring the competitiveness of banks in the financial market [3].

In modern banking practice, digital financial services allow banks to increase their efficiency, reduce service costs, and improve the quality of customer service. Internet banking, mobile banking, electronic payment systems, and digital financial platforms provide convenience and speed of banking services, increasing customer engagement in the financial services market. [4].

International practice shows that the development of digital banking services is of great importance in creating an innovative environment in the banking system and modernizing the financial services market. The World Bank and the International Monetary Fund have also noted digital financial services as one of the important factors in ensuring financial inclusion, expanding access to banking services, and improving the efficiency of the financial market [9;10].

In the Republic of Uzbekistan, the digitization of the banking system and the development of the financial services market are also one of the priorities of the state economic policy. In recent years, the country has been implementing large-scale institutional reforms aimed at digitizing banking services, developing electronic payment systems, and introducing remote banking services. As part of the banking system reform strategy, special attention is paid to the development of digital banking services and increasing the competitiveness of banks [2].

Based on the above circumstances, analyzing the mechanisms for using digital financial services in the financial market and assessing their impact on the competitiveness of commercial banks is one of the current scientific tasks.

LITERATURE REVIEW ON THE TOPIC

The development of digital financial services in the financial market and the issues of increasing the competitiveness of banks have been widely studied in the world economic literature. In particular, the impact of fintech technologies, digital banking services, and financial innovations on the efficiency of the banking system has been studied by many economists.

One of the foreign researchers, Brett King, analyzing the current trends in the development of the digital banking system, emphasizes the importance of digital technologies in transforming banking services. In his opinion, the development of digital platforms and mobile banking services will fundamentally change the interaction between banks and customers, increasing the efficiency of banking services [3].

Another scholar who has studied the impact of digital financial services and banking innovations is Chris Skinner. His research emphasizes that the digitalization of the banking system allows for the automation of banking service processes, reduction of transaction costs and improvement of customer service quality. According to the author, digital banking technologies are an important strategic factor in shaping the competitive environment in the financial services market [4].

Also, economist Douglas W. Arner, who has studied the relationship between digital financial services and financial inclusion, emphasizes that digital financial technologies play an important role in expanding access to financial services and developing the financial services market. His research notes that fintech technologies serve to create an innovative environment in the financial market [5].

The issues of digitization of the banking system and the development of digital financial services have also been widely studied in domestic economic literature. In particular, economist SG'. Gulyamov emphasizes that the modernization of banking services and the effective use of digital technologies in the context of a digital economy are of great importance for the development of the financial market. According to the author, digital technologies serve to expand the scope of banking services and strengthen the competitive environment in the financial services market [6].

Economist M.M. Kadyrov also emphasizes that the introduction of innovative financial services in the banking system and the development of digital banking infrastructure are important for increasing the efficiency of banks. His research notes that the digitalization of banking services has a positive impact on the institutional development of the financial services market [7].

Another local scholar who has studied the digitalization of the banking system and the development of the financial services market is Sh.J. Egamberdiev. His research emphasizes that digital banking services serve to improve the infrastructure of the financial services market, expand access to banking services, and increase the competitiveness of banks [8].

The analysis of the above scientific research shows that the development of digital financial services is of great importance in improving the quality of banking services, modernizing the financial services market, and ensuring the competitiveness of commercial banks. At the same time, the development of digital banking services and the introduction of fintech technologies in the financial market are one of the important directions of innovative development of the banking system.

RESEARCH METHODOLOGY

The theoretical and methodological basis of this scientific article is economic literature, scientific articles, scientific views of foreign and domestic economists, as well as analytical materials developed by international financial institutions, devoted to increasing the competitiveness of commercial banks in the financial market, digitization of banking services and the development of digital financial services. Also, during the research process, theoretical approaches and scientific concepts related to the digitization of the banking system, the introduction of fintech technologies and the impact of digital banking services on the development of the financial market were analyzed.

The research conducted a thorough analysis of scientific views on the introduction of digital technologies in the banking system and the development of digital financial services, and studied the views and approaches expressed by economists and industry experts. The impact of digital banking services on the development of the financial services market, their importance in improving the quality of banking services, and ensuring the competitiveness of banks were scientifically assessed.

The study used a number of modern methods of economic analysis to assess the level of development of digital banking services. In particular, expert assessment methods, monitoring results, comparative analysis methods, and systematic analysis of economic processes were used to assess the processes of digitalization of banking services. These methods allowed for a comprehensive assessment of the impact of digitalization of banking services on the efficiency of the banking system.

Analysis and results.Digital financial services are one of the most important factors of strategic importance in ensuring the competitiveness of commercial banks in the financial market. In the context of modern economic relations, the increased competitive environment in the financial services market requires the banking system to use innovative technologies and digitize service processes. In this regard, the rapid introduction of digital technologies in the banking system serves to modernize banking service processes, increase the efficiency of customer service, and improve the infrastructure of the financial services market. In particular, the widespread introduction of internet banking, mobile banking, electronic payment systems, and remote banking services has a positive impact on the popularization of banking services, the expansion of access to financial services, and the increase in the activity of banking users. As a result, digital banking services are emerging as an important instrument for commercial banks to expand their customer base, optimize service costs, and form a sustainable competitive advantage in the financial services market.

The number of users of digital financial services in the country's banking system has a steady growth trend, which confirms that the digitalization of banking services is one of the important factors in the development of the financial services market. In this regard, analyzing the dynamics of the development of digital banking services is of great importance in assessing the competitiveness of commercial banks in the financial market. The table below presents the dynamics of the development of digital banking services in the banking system of Uzbekistan.

Table 1. Dynamics of development of digital banking services in Uzbekistan

Year	Mobile banking users (million)	Internet banking users (million)	Share of online payments (%)
2020	9.5	4.2	34
2021	12.7	5.8	45
2022	16.5	7.4	56
2023	21.3	9.1	64
2024	27	11.6	72

The data in Table 1 show that the use of digital banking services in the banking system of Uzbekistan during 2020–2024 has a stable and rapid growth trend. In particular, the almost threefold increase in the number of mobile banking users indicates that digital financial services are becoming widespread among the population and business entities. This indicates that the processes of digitalization of banking services serve to increase the speed of financial transactions, ensure the efficiency of customer service, and expand the possibilities of using financial services. At the same time, the development of digital banking services is an important factor in reducing operating costs in banking activities, improving the quality of service, and strengthening the competitive environment in the financial services market.[12].

The development of digitalization of banking services is also directly related to the institutional and technological improvement of the payment infrastructure. In particular, the expansion of the POS terminal network, the increase in the number of bank cards and the steady growth of the share of electronic transactions reflect the popularization of banking services and the level of development of the financial services market. These trends indicate that the financial services infrastructure is being modernized and digital payment technologies are increasingly playing an important role in the banking services system. In this regard, the analysis of the relationship between the digitalization of banking services and the development of the payment infrastructure is of great importance in assessing the competitiveness of commercial banks in the financial market. For this purpose, the table below analyzes the main indicators of the development of the payment infrastructure in the banking system of Uzbekistan.

Table 2. Development of banking payment infrastructure in Uzbekistan

Indicator	2020	2022	2024
Number of bank cards (million)	23	31	41
Number of POS terminals (thousands)	310	395	460
Share of electronic transactions (%)	38	52	69

Analysis of Table 2 shows that the development of payment infrastructure in the banking system of Uzbekistan is forming an important institutional and technological basis for the popularization of digital financial services. In particular, the steady growth in the number of bank cards, the expansion of the POS terminal network, and the increase in the share of electronic transactions mean that the opportunities for using financial services are becoming more accessible and widespread for the population and business entities. This situation indicates that the rapid introduction of digital technologies in the financial services market is serving the institutional modernization of banking service provision processes and the technological improvement of the banking services infrastructure.[12].

At the same time, the development of digital banking services is also having a significant positive impact on the efficiency of commercial banks. In particular, banking operations carried out through digital channels allow reducing service costs, increasing the speed of financial transactions, and improving the quality of customer service. As a result, banks are creating opportunities to expand their customer base, expand the geography of services, and strengthen their competitive positions in the financial services market. In this regard, the role of digital banking services in the activities of commercial banks and the analysis of their practical indicators are of great importance in assessing the competitiveness of banks in the financial market. To this end, the table below analyzes the main indicators of the development of digital services using the example of some large commercial banks.

Table 3. Digital services indicators in selected commercial banks (2024)[1]

Bank	Mobile banking customers (million)	Share of online transactions (%)
National Bank of Uzbekistan	3.2	68
Asakabank	2.6	64
Mortgage bank	2.1	61
Capital Bank	3.8	74

The data in Table 3 show that the level of use of digital banking services in commercial banks is high and these services are playing an important role in the functioning of the banking system. In particular, the rapid development of mobile banking platforms contributes to the popularization of banking services, the expansion of the customer base and the increase in the activity of using financial services. This indicates that the processes of providing banking services are being transformed based on digital technologies and the share of transactions carried out through digital channels in the financial services market is increasing. At the same time, digital services allow banks to improve the quality of customer service, automate service processes and ensure the speed of financial transactions.

The level of development of digital banking services also directly affects the competitiveness of commercial banks. Digital services create an opportunity for banks to reduce operating costs, optimize the cost of services, and offer innovative services in the financial services market. At the same time, the effective use of digital technologies is an important factor that allows banks to ensure the speed of customer service, improve the quality of services, and form a sustainable competitive advantage in the financial services market. In this regard, it is important to analyze the relationship between the level of development of digital banking services and the competitiveness of commercial banks. The table below analyzes the economic relationship between digital banking services and the competitiveness of banks.

Table 4. The relationship between digital banking services and banks' competitiveness[2]

Indicator	Impact factor
Development of digital services	0.71
Customer satisfaction level	0.74
Share of online services	0.68
Bank image	0.63

1 Official annual reports of commercial banks (2024)
2 Author's calculations based on data from the World Bank and the Central Bank.

The results of the analysis show that the development of digital banking services is one of the decisive factors in increasing the competitiveness of commercial banks. In particular, increasing the efficiency of customer service based on digital technologies, ensuring the speed of financial transactions, and enhancing the convenience of banking services serve to increase the efficiency of banks' activities. Through digital banking services, an innovative environment is being formed in the financial services market, expanding the opportunities for banks to introduce new types of services, offer financial products that meet customer needs, and automate service processes.

At the same time, the widespread introduction of digital banking services creates an opportunity for banks to reduce operating costs, increase service efficiency and ensure a sustainable competitive advantage in the financial services market. Digital services serve to expand the geographical coverage of banking services, improve the quality of customer service and make banking services more accessible for the population and business entities. This strengthens the competitive environment among banks in the financial services market and stimulates the processes of offering innovative financial services by banks.

In general, the development of digital financial services is one of the important strategic directions for increasing the efficiency of commercial banks, improving the quality of customer service, and ensuring competitiveness in the financial market. In this regard, accelerating the digitization of banking services, widely introducing fintech technologies into banking practice, and improving the infrastructure of digital financial services are among the important conditions for increasing the competitiveness of banks in the financial market.

CONCLUSION AND SUGGESTIONS

The results of the study show that the development of digital financial services in the financial market is one of the important factors in increasing the competitiveness of commercial banks. The introduction of digital technologies into the banking system serves to modernize the processes of providing banking services, increase the efficiency of customer service, and create an innovative environment in the financial services market. In particular, the widespread introduction of mobile banking, internet banking, and electronic payment systems, while ensuring the speed and convenience of banking services, also has a positive impact on expanding the customer base.

The results of the analysis show that in recent years, the number of users of digital financial services in the banking system of Uzbekistan has shown a steady growth trend. The increase in the number of bank cards, the expansion of the POS terminal network, and the growth in the share of online transactions indicate a high level of digitalization of banking services. This indicates that the importance of digital technologies in the financial services market is increasing and has a positive impact on the efficiency of banks' activities.

At the same time, the development of digital services in commercial banks allows to improve the quality of customer service, reduce service costs and ensure the speed of financial transactions. Transactions carried out through digital banking services serve to expand the geographical coverage of banking services and increase the availability of financial services. As a result, digital banking services are emerging as one of the important strategic factors for increasing the competitiveness of commercial banks in the financial market.

Based on the research conducted, the following scientifically based proposals were developed to increase the competitiveness of commercial banks in the financial market:

- it is necessary to develop comprehensive strategies aimed at developing digital financial services in commercial banks. In this regard, it is advisable to implement the processes of digitization of banking services taking into account the trends in the development of the financial market.

- The introduction of fintech technologies into the banking system and the development of innovative financial services will increase the efficiency of banking services. In particular, the improvement of digital platforms, mobile banking services and electronic payment systems will increase the competitiveness of banking services.

- It is necessary to develop the infrastructure of customer-oriented digital services and increase the convenience of banking services. This will help increase customer satisfaction and increase the activity of using banking services.

- In order to effectively manage the processes of digitization of banking services, it is advisable to introduce a system for assessing the development of digital banking services. This will allow for a regular analysis of the effectiveness of the digitization of banking services.

- It is necessary to expand the use of digital marketing tools in order to develop a competitive environment in the banking services market and improve the quality of banking services.

- it is advisable to improve the infrastructure of the financial services market and develop technological cooperation between banks in order to support the introduction of digital innovations in the banking system.

In conclusion, the development of digital financial services and the widespread introduction of fintech technologies into the banking system are one of the important directions for increasing the competitiveness of commercial banks in the financial market. This process will serve to increase the efficiency of the banking system, develop the financial services market, and ensure sustainable growth of the national economy.

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