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PRACTICAL AND LEGAL BASIS OF RETAIL BANKING PRODUCTS LAUNCHING AND SALE

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Abstract: This article covers retail banking product introduction and sales services, retail banking product sales strategies, retail loans and non-performing loans, credit policy and credit risk management requirements and research within the topic. In addition, the author has developed conclusions and proposals on the practical and legal basis of the introduction and sale of retail banking products.

Keywords: Banking Products, Retail Banking Products, Financial Ecosystems, Retail Credit, Remote Banking Services, Plastic Card.

Introduction

Economic sectors consist of many different segments. This sector consists of various financial institutions that provide goods and services to consumers. The variety of services provided by credit institutions, brokerage firms, and other businesses is collectively referred to as the financial services sector.

The financial services sector consists of banking, mortgages, credit cards, payment services, financial planning and retail services. Financial services are often limited to the activities of financial institutions and professionals, while financial products are financial instruments that these professionals provide to their clients.

The introduction and sale of banking products is an important part of the services market and plays an important role in providing a source of income for banks and supporting economic activity. Retail banking products are an important part of the financial ecosystem, providing individuals with a wide range of services to manage their money. These products include checking and savings accounts, credit cards, bank loans, mortgages and other products.

Literature review

It is important to consider the practical and legal aspects of creating and selling banking products. Innovative banking services play an important role in increasing competitiveness in the market (Khudayarova X.A., (2023)). In addition, savings accounts are one of the main financial services for customers, these accounts allow customers to save money, make payments and earn interest (Heffernan, S. (2005)). Credit cards are a convenient way to obtain credit for retail customers, which are used to cover daily expenses and make payments (Saunders, A., & Cornett, M.M. (2018)).

Retail loans are given to people to meet their various household needs or to meet unexpected financial needs. These loans often do not require collateral or collateral. The legal basis for the introduction and sale of banking products is determined by the banking laws of the country and the requirements of regulatory bodies. For example, in Uzbekistan, this process is controlled by the Central Bank of the Republic of Uzbekistan (Berger, A.N., (2003)). Mortgage loans help customers buy a home. These loans are long-term and low-interest. Laws and regulations are important in the introduction and sale of banking products. These documents define the procedures to be followed by banks (Mishkin, F.S., (2015)).

In order to implement the following strategies in the sale of retail banking products, first of all, it is necessary to make significant investments in the introduction of digital technologies. Modern digital technologies significantly facilitate the process of selling banking products. Mobile applications and internet banking provide 24/7 customer service (Gomber, P., Koch, J.-A., & Siering, M. (2017)).

Second, conduct data analysis. By analyzing large amounts of customer data, banks will be able to offer customized services and products to customers. This increases customer satisfaction and loyalty. Protecting the rights of customers and ensuring their interests is important in the field of banking services. In this regard, banks have a responsibility to customers and a requirement to provide them with transparent information (Lusardi, A., & Mitchell, O.S. (2014)).

Third, implement a customer-oriented approach. Banks can improve their competitiveness by better understanding the needs of customers and providing them with high-quality service. For this, it is important to actively communicate with customers and take into account their feedback (Berry L.L., Seiders K., & Grewal D.).

Methods

Scientific abstraction, grouping, comparison, retrospective and prospective, empirical analysis and other methods were used in the research. The article examines the practical and legal basis of the introduction and sale of retail banking products . Also, comparative analysis of scientific, historical and practical sources, logical and structural analysis, grouping and segmental analysis methods were used in the research.

Results and Discussion

An appropriate decision on the introduction of new products in the bank should be made, evaluated and documented. That is, when introducing a new product of the bank, the following should be evaluated:

the economic feasibility of the bank's new product introduction project;

compliance of the bank's new product with the requirements specified in the legal documents and internal documents of the bank;

risks associated with the bank's new product, their impact on the bank's risk profile, risk appetite, prudential regulations, including capital adequacy and liquidity indicators, as well as profitability;

availability of internal instruments sufficient to monitor and manage the risks associated with the bank's new product;

the price set for the bank's new product is consistent with the bank's pricing policy;

readiness of the bank to introduce a new product, including the availability of qualified personnel for the introduction of the bank's new product, continuous provision of service and changes to the technological infrastructure of the bank.

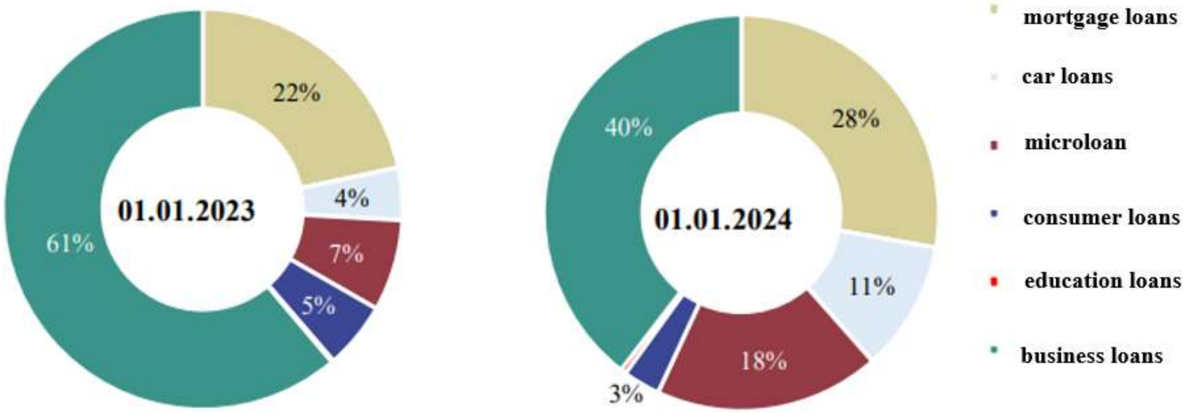

Figure 1. Conversion of loans to individuals into non-performing loans by types of loans (percentage)

The increase in the share of loans allocated to the population in the structure of allocated loans, in turn, is explained by the increase in the volume of loans to the population in the areas of microloans, mortgage loans and car loans due to the simplification of loan allocation processes and the expansion of remote banking services.

In the distribution of problem loans by segments, 85 percent of them (14.1 trillion soums) belong to business entities, and 15 percent (2.5 trillion soums) to individuals.

The problem loans of the population include 1.0 trillion soums (40 percent) of loans allocated for the development of entrepreneurship, 709 billion soums (28 percent) of mortgage loans, 470 billion soums (18 percent) of microloans, 271 billion soums (11 percent) of car loans, and 89 billion soums (3 percent) contributed to other consumer loans.

In order to mitigate the negative effects of external economic risks on the stability of banks, the Central Bank is conducting stress tests on the effects of risks related to the early execution of financial obligations of commercial banks to foreign banks on the liquidity of the banking system.

Also, macroprudential measures are being strengthened in order to ensure the diversification of bank assets and to prevent the increase in the debt burden of the population.

In particular, in order to prevent risks related to the concentration of auto loans, the practice of determining the risk level of auto loans based on their collateral amount was introduced.

As a result, during the first 8 months of 2023, an average of 3.4 trillion soums of car loans were allocated per month, while the monthly allocated amount of loans decreased to 2.4 trillion soums during the months of September-December.

Therefore, banks should develop their credit policy and requirements for credit risk management in order to regulate problem loans and carry out their lending activities within the framework of the credit policy. In particular:

a description of the main directions of allocation of assets with credit risk, including the target directions of lending in the sector of the economy, currency type, term, type of security and (or) credit products;

assessment of borrowers' solvency, general principles of analyzing their financial situation;

the types of security and the requirements for agreeing their prices, the level of security of the loan (debt);

requirements for granting unsecured loans (loans based on trust);

general principles of setting prices (tariffs) for credit products;

clear limits of liability between the main bank and its branches, indicating the criteria for setting the limits of lending when making independent decisions by branches on credit allocation;

powers of all persons responsible for lending;

The credit policy should include the periodicity of credit committee meetings and reporting to the bank's management bodies (Resolution, 2023).

In particular, in recent years, Green Energy Microloan credit products on simplified terms have been introduced for small and medium-sized business entities, designed for the installation of solar panels and the organization of charging stations for electric cars. In order to encourage "green" financing, macroprudential requirements for credit products focused on this sector have been eased. In this:

- solar photovoltaic power stations, solar water heaters, wind generators, micro and small hydropower stations with a capacity of up to 1 MW, biogas production equipment and devices, renewable energy source devices, energy storage systems, household energy-efficient gas-burning devices and boilers for the population Green product credit product for purchase;
- Green Energy Microloan credit products on simplified terms were introduced for small and medium-sized business entities, designed to install solar panels and organize charging stations for electric cars.

In addition, credit organizations are launching "The First Step to Business" aimed at encouraging people with no credit history to start entrepreneurship, microfinance bank products with differentiated loan amounts aimed at expanding entrepreneurial activity and creating additional jobs for borrowers with a positive credit history.

As part of the assessment, information on the types of customers served by the controlled sectors, the products and services offered, their implementation channels, as well as various indicators of control activity are processed and analyzed.

In addition, the increasing use of remote banking services in the retail payment system, in turn, serves to increase the demand for bank cards. In particular, the number of bank cards put into circulation in 2023 reached 46.2 million, which increased by 35% compared to 2022.

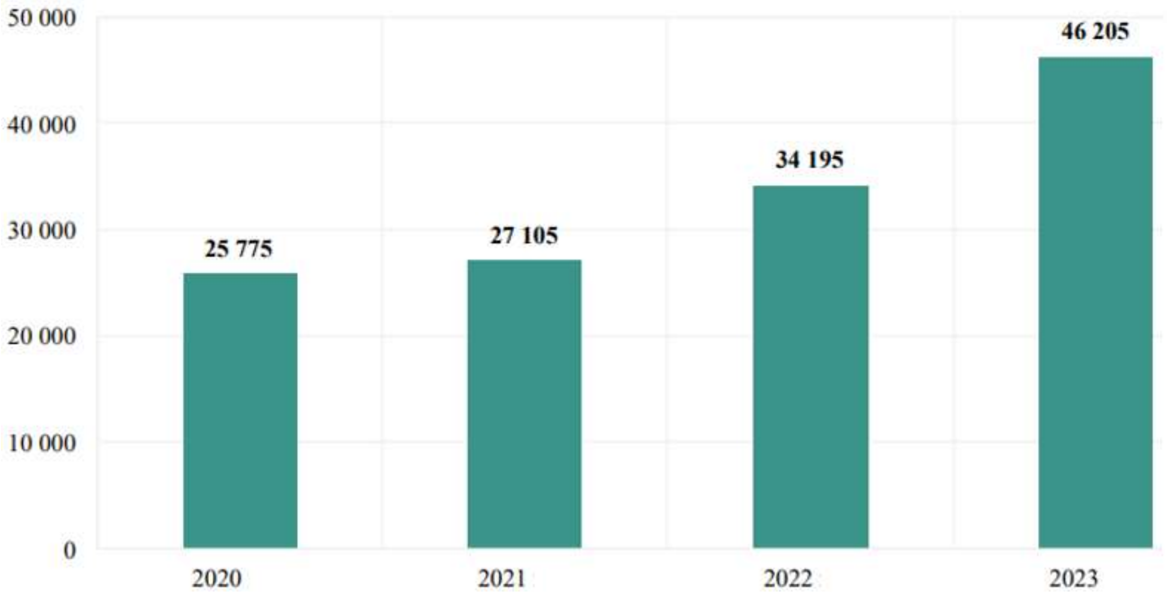

Figure 2. Number of bank cards (thousands)

Source: Compiled based on the information of the Central Bank of the Republic of Uzbekistan.

By 2022, the number of kobeijing bank cards, which allow the population to make calculations using one card in the infrastructure of the republic and foreign payment systems, has increased by 1.7 times to 3.1 million. In 2023, the volume of payments received through 429,000 payment terminals increased by 1.4 times compared to 2022 and amounted to 254.7 trillion soums.

The expansion of the functionality and infrastructure of retail payment systems and the formation of a competitive environment in this market are also observed structural changes in the volume of transactions made by the participants of national payment systems through terminals.

Special attention is being paid to the delivery of banking services provided by banks to all segments of the population, including the expansion of the network of compact and full-service bank offices in areas previously not covered by banking service centers.

As part of the measures implemented for these purposes, the number of banking service points was increased to 13,761, and in 2023, banks established an additional 286 banking service centers across the republic, 88 of them in areas that were not previously covered by banking service centers.

Also, work on protecting the rights of consumers of banking services, increasing financial literacy and financial popularity of the population was continued.

Due to the fact that the digital economy and digital banking services are a new system, there is uncertainty in various laws and regulations. Such cases increase the level of legal risk. There is a lot of work to be done in this regard in Uzbekistan, which requires improvement of regulatory documents (Mamadiyarov, Z. (2024)).

Conclusion

The practical and legal foundations of the introduction and sale of bank products are built on the basis of strategic planning of banks, customer-oriented approach, and effective marketing strategies. The legal basis must be in accordance with the laws governing banking activities and the requirements of regulatory bodies. Considering these factors, banks can increase their competitiveness in the market by effectively introducing and selling their products.

At the same time, as part of the measures to protect the rights of consumers of digital products (services) and to strengthen the fight against offenses committed by means of digital technologies, the Central Bank of Anti-fraud and modern biometric identification systems for the use of transaction anti-fraud systems in payment system operators and session anti-fraud systems in banks and payment organizations should be introduced.

In order to improve the practical and legal basis of the introduction and sale of retail banking products, it is necessary to carry out the following activities:

- use of modern technological innovations;
- adaptation of banking products to customer demand;
- introduction of additional services and bonuses in service provision;
- developing marketing and advertising strategies and spending more in this direction ;
- adaptation and improvement of existing laws and normative legal documents;
- strengthen the rules of customer protection;
- it is necessary to regularly train and improve the skills of bank employees.

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