

**IMPROVING THE EFFICIENCY OF COMMERCIAL BANKS THROUGH THEIR
TRANSFORMATION***Usmanova Muslima Abduzoxidovna**Master's student in Bank Accounting,**The Banking and Finance Academy of the Republic of Uzbekistan**usmanova.muslima23@gmail.com***Annotation**

The article describes digital transformation in banking as the integration of digital technologies to modernize operations, improve customer experience, and increase overall efficiency. This process has gained significant momentum in recent years as banks strive to remain competitive in a rapidly evolving financial environment. This scientific article explores how the transformation of commercial banks contributes to improving their overall efficiency in a rapidly changing financial environment. The study focuses on key transformation dimensions such as digitalization, organizational restructuring, innovation in banking services, and modernization of risk management systems. Using qualitative and analytical research methods, the article examines theoretical perspectives and empirical findings from existing literature. The results demonstrate that bank transformation positively influences operational efficiency, cost optimization, service quality, and financial sustainability. The study concludes that systematic and strategic transformation is essential for enhancing the competitiveness and long-term performance of commercial banks.

Keywords

Commercial banks, efficiency, bank transformation, digital banking, innovation, financial performance, economic development, digital technologies, banking services, bank card transactions, bank websites, mobile applications, risk management.

INTRODUCTION

The dramatic changes taking place in the global financial market in recent years require deepening the transformation processes in the activities of commercial banks. Banks should act not only as institutions performing the function of financial intermediaries, but also as drivers of economic development. Therefore, the introduction of digital technologies, improvement of the management system and improvement of the quality of services remain the need of the hour.

Commercial banks play a crucial role in the economic development of any country by mobilizing financial resources, facilitating investments, and supporting economic stability. However, globalization, technological advancements, regulatory pressures, and increasing competition have significantly changed the operating environment of commercial banks. Traditional banking models are no longer sufficient to ensure high efficiency and competitiveness.

In this context, bank transformation has become a strategic necessity. Transformation involves comprehensive changes in business processes, organizational structures, technological

infrastructure, and management systems. Improving efficiency through transformation allows commercial banks to reduce costs, improve service quality, manage risks more effectively, and adapt to dynamic market conditions. This article aims to analyze the role of bank transformation in improving the efficiency of commercial banks.

LITERATURE REVIEW

In recent decades, the financial and banking system has undergone fundamental changes as a result of the rapid development of digital technologies. The growing power of digital technologies is having a profound impact on the global economy, changing the way institutions, companies and customers interact with each other. Digitalization is a multifaceted phenomenon that covers many industries and sectors, and has potentially disruptive effects, especially for doing business. [1] Digital transformation is the process of bringing an organization's activities to a qualitatively new level by integrating digital technologies into business processes, service delivery systems and management (Westerman et al., 2014). In the banking system, digital transformation covers areas such as mobile applications, electronic payment systems, online lending, and services based on artificial intelligence.

Development of digital banking services. The number of bank card transactions using remote banking mobile applications and other Internet applications is increasing day by day. As a result, the possibilities for fast and convenient implementation of deposit-credit operations, currency exchange, international money transfers and payments are expanding. [2] One of the important categories of banking activities is financial stability. It is determined by the resilience of banks to external and internal economic shocks, the ability to fulfill their obligations on time, and the ability to constantly ensure liquidity and capital adequacy (IMF, 2020). Digital transformation can affect financial stability in two ways: on the positive side, the speed and quality of services increase, operating costs decrease, and financial inclusion expands; on the negative side, cybersecurity risks increase, and when the infrastructure is not sufficiently developed, the stability of the system is threatened.

There is extensive research in foreign scientific literature on this problem. Vives (2019) emphasizes that the entry of fintech companies and digital services into the banking system, while increasing competition, affects stability.[3] The OECD (2021) notes that the development of digital finance creates new opportunities for the financial system, but risks increase when regulatory mechanisms are inadequate. The World Bank (World Bank, 2022) highlights the role of digital services in expanding financial inclusion.

According to Accenture (2020) [4] and McKinsey & Company (2021)[5], digital transformation in banking involves the integration of advanced digital tools into all aspects of banking operations, from customer service to risk assessment and regulatory compliance. These studies highlight how digital technologies such as artificial intelligence (AI), machine learning (ML), and robotic process automation (RPA) can streamline workflows, reduce human error, and significantly enhance operational efficiency.

Research by Berger and Mester (2017) shows that banks that invest in digital infrastructure tend to report higher productivity, lower transaction costs, and increased customer satisfaction.[6] Similarly, Bunca et al. (2016) found that banks that undergo digital transformation can better respond to market demands and improve decision-making processes through real-time data analytics.[7]

The issue of increasing asset efficiency through bank transformation is one of the pressing issues in the international and domestic economy. If we talk about the research of foreign scientists and the results of their analysis, then the scientist Mishkin (2016), who analyzed bank transformation and digital technologies, analyzed the transformation processes of banks and their impact on economic development in his study entitled *The Economics of Money, Banking, and Financial Markets*. According to him, the process of modernization of the banking system ensures financial stability by increasing capital efficiency and minimizing risks.[8]

Levine R. in his work entitled *Financial Development and Economic Growth* assessed the development of the banking system and the possibilities of attracting capital through the stock market. In his opinion, transformation processes are more effective through integration into the stock market according to Schumpeter (1934).[9]

Claessens and Laeven (2006) in *Financial Development, Property Rights, and Growth*, studied the impact of digital transformation on the lending activities of banks. In their opinion, one of the main factors in the transformation of the banking system is the widespread introduction of financial technologies.

Regarding methods for increasing the efficiency of bank assets, Berger A.N. and Humphrey D.B. in their study entitled *Efficiency of Financial Institutions: International Survey and Directions for Future Research* cite technological modernization and integration with the stock market as important factors for increasing the efficiency of bank activities. Allen and Gale (2000) *Comparing Financial Systems* conducted a study on various models of banking systems and emphasized the significant role of the stock market in increasing the efficiency of assets.[10] King and Levine (2006) scientifically substantiated that the transformation of the banking system in the process of increasing capital efficiency is an important factor in economic growth.[11]

At the same time, research has also been conducted by local scientists of our republic. On the transformation of banks and economic efficiency, Islamov S. (*Transformation processes and prospects of the banking and financial system of Uzbekistan, 2021*) in his study analyzed the adaptation of commercial banks to the digital economic environment and the increase in their economic efficiency due to the transformation.

Abdulkarimov (2020) studied reforms in the banking system of Uzbekistan and their impact on efficiency. He proposes mechanisms for effective asset management by expanding participation in the stock market.[12]

Nuraliev (2020) in his study assesses the role and importance of digital technologies in the transformation of banks.[13]

On digital technologies and modernization of the banking system, Khudoyberganov (*The role and prospects of digital technologies in the banking system of Uzbekistan, 2021*) in his study studied the possibilities of banks to increase the efficiency of their services through digital transformation.

METHODS

This study employs a qualitative research approach based on analytical and comparative methods. The research methodology includes:

- ✓ Analysis of scientific literature on banking efficiency and transformation;
- ✓ Comparative evaluation of traditional and transformed banking models;
- ✓ Systematic analysis of transformation mechanisms affecting efficiency.

Secondary data from academic journals, international financial institutions, and banking reports were reviewed to identify key trends and relationships between transformation processes and efficiency indicators. Logical analysis and synthesis were used to derive conclusions.

RESULTS AND DISCUSSION

According to Appتمبر LLC (Information Technology & Services), a company specializing in researching the financial services market, mobile applications of 14 digital banks located in Europe were downloaded almost 3 million times from November 2021 to January 2022. The bulk of the downloads (94 percent) fell on European countries. The applications of these banks were downloaded 106 thousand times by residents of the United States. This can be explained, first of all, by the active advertising campaign conducted by Revolut, Monzo and Starling Bank in the United States.

Banks used social networks to promote their mobile applications (almost 70 percent of downloads were carried out precisely through social networks) and advertising networks such as Admob, Applovin, Unityads, Rayjump, Chartboost, Duapps, Fuber, Startapp, Appnext used mobile applications of other banks on a paid basis. 74 percent of mobile applications for Android and 80 percent of iOS applications were downloaded through social networks.[14]

The Alexa analytics report provides an analysis of web traffic classified as Personal Finance. According to it:

1. The majority of traffic for banks specializing in retail services is Direct (52 percent) and Organic search (32 percent). This indicates that banks are prioritizing marketing activities through incentive mechanisms such as referral companies (referral referrals, advice) and user recommendations. Although, when analyzing social traffic, we can see that Facebook and Youtube cover 74 percent of traffic.

2. There are no sharp deviations in terms of traffic channels. However, it is possible to observe that the situation in individual banks differs from the general trends. In particular, 40 percent of traffic in Bunq fell on the Referrals channel, and 10 percent of traffic in Soldo and Goheny - on the Paid search channel.

In terms of the volume of visitors to the official websites of banks that specialise in retail services, Revolut, Monzo, and N26 were discovered to be the top three. It should be mentioned that efforts are being made to establish channels for marketing banking services via YouTube video hosting, Instagram, Facebook, Twitter, and LinkedIn. Specifically, Instagram (2.3 percent), Facebook (1 percent), Twitter (0.7 percent), and LinkedIn (2.9 percent) showed the highest growth rates in terms of months.

The analysis of this traffic indicates that direct access to bank websites and downloading mobile applications through them occupy the main place. Their share in total traffic was 52.29 percent.

The banks will benefit from time as well. People all around the nation will have the chance to raise their level of living as digital banking and other advantages of bank privatisation and the growth of the Uzbek economy grow. The banking industry will provide its corporate customers with an increasing number of services. These services will be used by corporate clients to generate employment. The population's income level will rise and there will be more job opportunities, both of which will naturally boost the economy. The country's financial arteries will be more effective banks.

In addition to being a provider of workers to other industries, the banking industry is the driving force behind the development of digital and technical solutions. Leading banks will be able to increase the variety of goods and services they offer by putting digital transformation into practice. their own ecology. Outside of the ecosystems of major banks, medium-sized and tiny banks will emerge as distinct entities. Non-banking firms will offer an increasing number of financial services and develop into serious rivals of established banks. In consequence, customers will have access to more bank services in the areas of healthcare, education, retail, and telecommunications. Personalised offers will be made, and banking transactions will happen much more quickly.

The main areas of business model transformation in the banking industry are the formation of their own ecosystem, the development of partnerships with other companies, such as IT companies, and the creation of fundamentally new business lines based on the use of end-to-end technologies, such as blockchain.

Leading national commercial banks are developing the following 4 strategic directions, which are chosen by the bank as the most important for transformation:

- treasury ensuring the compliance of banks' assets and liabilities in terms of maturity. introduction of modern methods of liquidity management, diversification of the resource base, expansion of liquidity management methods;
- retail business formation of a retail business system, expansion of types of retail products, creation of modern centers for the provision of modern services;
- risk management creating a risk management infrastructure, managing risk appetite by limiting and restricting, training underwriters;
- HR-system optimization of staff and operating costs, attracting young professionals through coaching, the formation of corporate values and others.

Digital banking includes the introduction of an IP-telephony system and an increase in efficiency in the exchange of information, improvement of the CRM system, expansion of 24/7 customer self-service centers, creation of a Soft collection service for preventing problem loans, and creation of a corporate information database.

The analysis shows that transformation significantly improves the efficiency of commercial banks in several ways. First, digital transformation reduces operational costs by automating routine processes and minimizing manual errors. Online and mobile banking platforms enhance service accessibility and speed, leading to higher customer satisfaction.

Second, organizational transformation improves internal efficiency by simplifying management structures and enhancing decision-making processes. Banks that adopt flexible organizational models and invest in employee skills demonstrate higher productivity and adaptability.

Third, innovation in banking products and services expands revenue sources while reducing service delivery costs. Cooperation with fintech companies enables banks to introduce innovative solutions without excessive capital investment.

Finally, modern risk management transformation enhances financial stability and efficiency. Advanced analytical tools allow banks to identify, measure, and manage risks more effectively, thereby reducing potential losses and improving capital allocation. Overall, the results confirm that transformation is a key driver of efficiency improvement in commercial banking.

CONCLUSION

To conclude, a bank's digital transformation effort shouldn't be seen as a one-time endeavour that can be finished by implementing a number of software items. It is futile to attempt to use many software products to address the entire spectrum of digital transformation requirements. Dozens of projects will need to be carried out in this manner within a few years. However, success cannot be guaranteed without careful planning and skilled resource allocation. As a matter of fact, digital transformation is an ongoing process. This is the ongoing battle for existence, the ongoing evolution of information systems, and the constant adaptability to quickly changing circumstances.

It should be understood that the quality of the digital transformation project implementation is weakly dependent on the chosen software solution and, on the contrary, strongly depends on the quality of planning the digital transformation project, the quality of the task setting and the quality of resource management. The main thing is not to stop halfway and not to deplete the financial resources of the bank without reaching the intended goals.

The study concludes that improving the efficiency of commercial banks is closely linked to their successful transformation. Digitalization, organizational restructuring, innovation, and advanced risk management systems collectively enhance operational performance and financial sustainability. In a highly competitive and dynamic financial environment, continuous transformation should be regarded as a strategic priority for commercial banks. Policymakers and bank managers should support transformation initiatives to strengthen the resilience and efficiency of the banking sector.

REFERENCES:

1. Bontadini, F., Filippucci, F., Jona-Lasinio, C., Nicoletti, G., & Saia, A. (2024). Digitalisation of financial services, access to finance and aggregate economic performance (OECD Economics Department Working Papers No. 1818). OECD Publishing. <https://doi.org/10.1787/10c7e583-en>
2. Nozimov, E. A. (2022). Transformation of the Banking Sector in Uzbekistan in the Context of Covid-19 Corona virus Pandemia. *Academic Journal of Digital Economics and Stability*, 13, 76-85. <https://doi.org/10.51699/ajdes.v13i1.398>

3. Vives, X. (2019). Digital disruption in banking. *Annual Review of Financial Economics*, 11, 243–272.
4. Accenture. (2020). *The Future of Banking: Digital Transformation for Growth*. Accenture Insights.
5. McKinsey & Company. (2021). *The 2021 McKinsey Global Banking Annual Review: The Last Pit Stop? Time for Bold Late-Cycle Moves*, Peer Reviewed International Journal, Volume 45
6. Berger, A. N., & Mester, L. J. (2017), What Explains the Dramatic Changes in Cost and Profit Performance of the U.S. Banking Industry?. *Journal of Banking & Finance*, 62, 75-93.
7. Bunca, S., Kogan, B., & Stolin, D. (2016). Banks Transition to the Digital Age: A Strategic Perspective. *Journal of Financial Transformation*, 44, 35-43.
8. Mishkin, F.S. (2016). *The Economics of Money, Banking and Financial Markets*. Pearson, 12th Edition.
9. Schumpeter, J.A. (1934). *The Theory of Economic Development*. Harvard University Press.
10. Allen, F., & Gale, D. (2000). *Comparing Financial Systems*. MIT Press.
11. King, R.G., & Levine, R. (1993). Finance and Growth: Schumpeter Might Be Right. *The Quarterly Journal of Economics*, 108(3), 717-737.
12. Nuraliev I. (2020) Raqamli transformatsiya sharoitida tijorat banklarining investitsion siyosati. *Iqtisodchi nashriyoti*.
13. Abdukarimov I. (2020). Bank tizimining transformatsiyasi va raqamli moliyaviy xizmatlar. Tashkent: Iqtisodiyot va moliya.
14. Based on data from <https://www.apollo.io/companies/Apptember-LLC/5d9f14801abcea009896df01chart=count>
15. Bekmurodov A. A. IMPROVING THE INTRODUCTION OF DIGITAL TECHNOLOGIES IN COMMERCIAL BANKS //Galaxy International Interdisciplinary Research Journal. 2021. T. 9. №. 10. S. 355-357.