



THE THEORY, METHODOLOGY AND FEATURES OF BANKING PRODUCTS

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Article history:	Abstract:
<p>Received: 4th December 2021 Accepted: 6th January 2022 Published: 16th February 2022</p>	<p>The analysis of approaches to the definition of the main categories of banking products has been carried out. The article is devoted to the analysis of new types of banking products and the features of their creation, as well as the study of banking strategies for promoting new products and services on the market. The main approaches of Russian, local and foreign authors in defining the concept of "banking product" are considered.</p>
<p>Keywords: Banking product, banking operation, transaction, banking service, classification of banking products, retail banking product.</p>	

INTRODUCTION.

The result of the formation and implementation of the policy of the credit institution in the field of attraction and effective use of funds are creating and presenting banking products to customers. Current economic situation is forcing banks to look for new products and apply new methods to achieve desired financial results. As a result of the activities of a credit institution, banking products are represented in the form of individual banking operations, transactions and banking services. At the same time, every banking product designed and introduced for sale to the consumer should serve the main purpose of the credit institution, that is, to increase the quality. This is ensured by creating a competitive, high-tech, efficient banking products.

In recent years, the introduction of banking innovations has become one of the main activities of credit institutions in the Republic of Uzbekistan. The expansion trend of banking innovations in the Republic of Uzbekistan is largely due to changing market environment, competition in the corporate segment of the financial market which is becoming gradually difficult for credit institutions. As a result, there is a problem with providing population with the necessary set of banking products and services. Availability of banking products is one of the main criteria for the socio-economic efficiency of the national credit and financial system. The strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025 provides the introduction of new digital products to improve the quality and speed of banking services.¹

ANALYSIS OF THE RELEVANT LITERATURE.

The result of the activities of a commercial bank is the creation and introduction of banking products. The genesis of banking products is based on the types of banking activities established by law. The concept of "banking product", according to economists, differs qualitatively from the types of activities legally imposed on the credit institution. If the types of activities are only officially permitted and potentially registered, banking products have their own unique characteristics, i.e. for each of them banks independently set specific interest rates, terms of provision, terms, and so on. Modern economists make a worthy contribution to the study of the essence of banking products. A.M. Tavasiev and E.S. Stoyanova defines² a banking product as a technology, ie a banking product is a set of interrelated actions, processes that form the rules of interaction of bank employees with the customer, a single complete technology of customer service.

Professor O.I. Lavrushin noted that "the bank, as a specific enterprise, produces a special type of product in the form of money, a means of payment."³

Foreign economist P.S. Rose defines banking products as banking services and other specific activities: "A bank is a firm that provides financial services, professionally manages a society's monetary resources, and performs many other functions in the

² Банковское дело: базовые операции для клиентов: учеб. пособие / под ред. А.М. Тавасиева. М.: Финансы и статистика, 2005

³ Банковское дело: учебник / под ред. О. И. Лаврушина. 2-е изд., перераб. и доп. М.: Финансы и статистика, 2010.

¹ <https://lex.uz/docs/4811025>



economy.⁴ Such approaches certainly have the right to exist, but they are, on the one hand, incomplete enough and, on the other hand, seem vague.

It is stated in the Dictionary of Banking Terms that "Banking product is a set of interconnected specific banking services that are provided to the customer in a certain sequence and meet his credit needs."⁵

In practice, there are four main approaches to defining the concept of "banking product"⁶:

Monetary approach (O.I. Lavrushin, N.I. Boykova, Yu.V. Golovin). The basis of this approach is the "money" component as the main characteristic of banking activity, "money is a resource" produced "by banks in accordance with the requirements of objective economic laws, ie banking products, including:

- special types of goods in the form of money, means of payment;
- cash and securities sold or provided by banks within the specified period;
- money circulation, including their electronic form;
- a specific bank document (for example, check, promissory note, certificate).

According to this theory, the definition of a banking product does not include areas of banking activity such as value storage, information services, etc. (i.e., the scope of banking is narrowing).

- **marketing approach** (EA Utkin, S.A. Guryanov, Yu.G. Maksutov, R.V.Alekhin, A.N.Ivanov, A.V.Romanov, V.D.Markova). According to one of the concepts of this approach, the terms "banking service" and "banking product" are synonymous: a banking product is considered a set of services for active and passive operations, a banking service is a product that meets the needs of bank customers.

- **legal approach** (the main provisions of this approach are set out in the legislation and in the comments of lawyers). The concept of "banking product" has not yet found its place in Uzbek legislation, and there is no clear approach to defining the categories of "banking services" and "operations".

- **approach of client** (Yu.I. Korobov, Y.S. Maslanchenkov, A.P. Miretsky). In this approach, the main focus is on the customer. However, a banking

product, like a service, is the result of customer service as well as banking operations.

In our opinion, the concept of a banking product is more clearly considered by NP Kazarenkov, that is, "a banking product is a set of complementary banking services aimed at satisfying different interests of the customer. focuses on the relationship between and also emphasizes the customer-oriented direction of the banking product - customer satisfaction⁷. Thus, based on the above, we clarify the definition of the banking product as a specific interrelated set of operations.

RESEARCH METHODOLOGY.

Experimental, dynamometric observation, comparative analysis and factor analysis methods were used in the research process.

ANALYSIS AND RESULTS.

Over the years, the development of the banking business has been accompanied by a theoretical study of the nature of banking products, as well as the impact of banking services, the world economy, the development trends of national economies on them, potential customer needs and other factors. In fact, it is difficult to distinguish banking products and services because many banking operations (services) end with a specific document. However, in most cases, banking services are primary and banking products are secondary.

We, therefore, propose to consider the banking product as a set of services, operations, technologies and documents, the characteristics of the banking product:

- The provision of banking services is associated with the use of money in various forms (cash, non-cash and settlements).
- Intangible banking services have features that are visible through property contractual relations;
- Most banking services have a term: the transaction, as a rule, is not limited to a single action, a more or less long-term relationship is established between the client and the bank.

Given the diversity of banking products and services, it should be noted that their wide range is offered by almost all banks in the US, Europe, Japan and a number of other countries, and the list of these services is growing rapidly. In the process of creation and sale of banking products, along with banking operations and operations recognized at the legislative

⁴ Роуз П.С. Банковский менеджмент : пер. со 2-го англ. изд. М. : Дело ЛТД, 1995.

⁵ Словарь банковских терминов. Режим доступа: <http://bankpress.ru>

⁶ Абаров В.И. Банковский маркетинг / В.И. Хабаров, Н.Ю. Попова. – М.: Московская финансово-промышленная академия, 2004. – 165 с.

⁷ Управление банковским продуктом: учеб. пособие / Ростовский государственный экономический университет; авт.-сост. В.М. Мазняк. – Ростов н/Д : РИНХ, 2007. – 82 с.

level, there is a radically different type of activity - "banking service" (Figure 1).

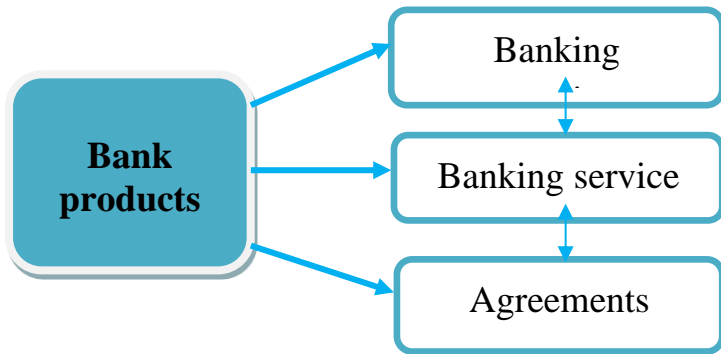


Figure 1. Types of banking products

The concepts of "banking operations", "banking services" and "transactions" described in the figure are defined as follows:

- Banking operations are operations that have received a special status of "banking". In general, the exclusive right to implement them is allowed only to bank credit institutions;
- transactions include activities in which a commercial bank, being a business entity, has the right to carry out on an equal basis with other business entities;

- banking services are not allocated as a separate type of activity of a commercial bank.

Classic innovative banking products have always been a technological breakthrough based on revolutionary ideas, and their search and implementation are often associated with a waste of resources. The bank's ability to implement an effective product policy largely depends on the degree of universalization of product banking technologies. The current state of affairs with banks' product lines is characterized by the lack of real consumer-oriented segmentation and the difference between similar products. Often in one bank, one product begins to compete with another. Areas of improvement of financial institutions may include increasing specialization in various products and individual market segments, development of new banking technologies, as well as the development of banks in the regions. The issues of forming an effective methodology for creating the image of banking products are at the center of marketing analysis of any financial institution. Forming an attractive image of the bank is a long-term strategy of customer relations based on high trust and mutual understanding. Banking products are not homogeneous in their characteristics, the following classification can be given as examples (Figure 2):

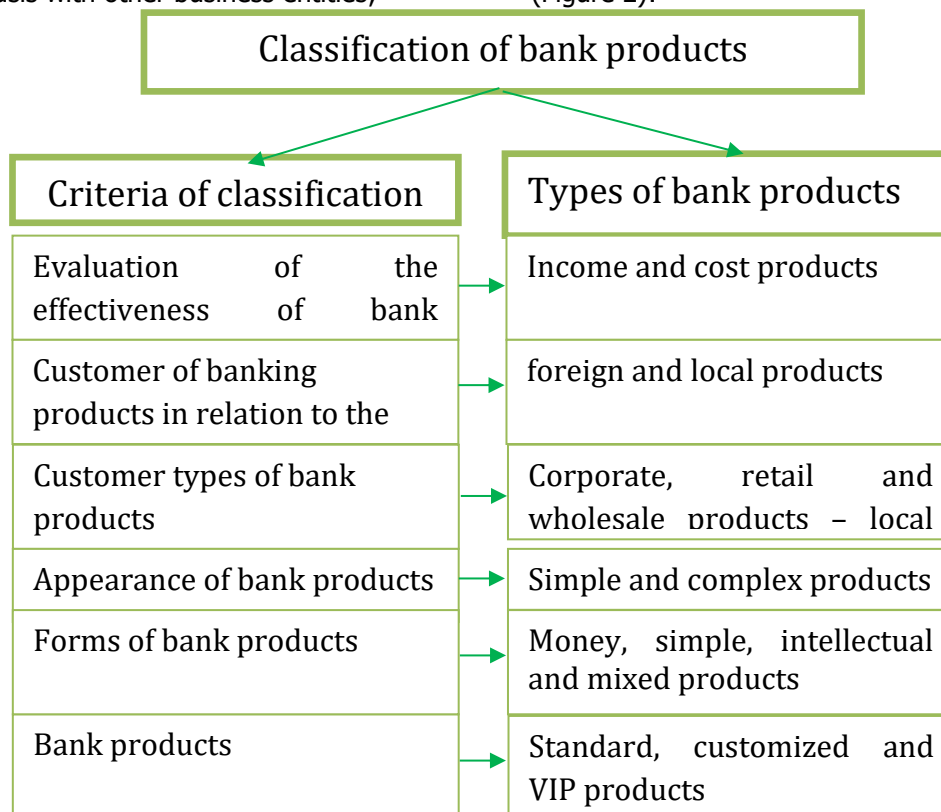


Figure 2. Classification of bank products



Based on the above classification of banking products, it is expedient to model banking activities and expand the range of complex products. The choice of this type of banking products allows us to study banking activities in different functional areas, to take into account the specifics of the interests of all contact audiences and to achieve our goals. The classification of the categories considered in the textbooks is built mainly for cognitive purposes - to reveal the existing theoretical views on the nature of banking services and products. According to the generality of the classification marks, it is possible to distinguish groups of objects with the same set of symbols - in our case, these are integral segments of banking services and products. It should be clarified that the proposed classification applies to the services and products of a modern universal bank. Since the strategies of specialized banks can vary significantly, the classification can be clarified (they can be combined, divided, or, conversely, the basis of division can be combined).

CONCLUSIONS AND SUGGESTIONS.

Financial institutions that can create innovative banking products are in demand by the real sector and are gaining additional competitive advantages. This will allow enterprises to participate in the share of profits obtained as a result of technical re-equipment and significant expansion of the supply of competitive products, ie increase the capitalization of the banking business. The formation of the proposed bank retail product based on the analysis of theoretical views has been confirmed in practice. Banks systematically distribute a wide range of products for retail, from classic services for individuals to high-tech acquiring solutions that fall into the segment described by the authors.

It should be noted that the product policy includes not only a standard set of banking products of a particular institution, but also an assortment policy, ie the distribution of banking products across different regional markets. One of the main ways to stimulate sales of banking products is to provide customers with up-to-date, complete information about the bank and banking products. The commercial bank's retail service promotion strategy should be based on a combination of all of the above approaches, using image and product advertising, new e-commerce technologies and public opinion formation, and proper placement of retail offices. Advertising of banking products should be designed taking into account the characteristics of the media in the region and the information preferences of the customer group.

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