

Modern Trends in the Development of Banking Activities

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Abstract. The banking industry is undergoing a transformative phase, driven by technological advancements, changing consumer behaviors, and regulatory reforms. This article investigates the modern trends shaping the landscape of banking activities. From digitalization and fintech disruption to sustainable banking practices and regulatory compliance, we delve into the key developments reshaping the way banks operate and interact with customers. By examining these trends, this article aims to provide insights into the future direction of banking activities and the strategies adopted by financial institutions to thrive in an increasingly dynamic and competitive environment.

Keywords: banking activities, digital transformation, fintech disruption, sustainable banking, Environmental, social, and governance (ESG), regulatory compliance, risk management, Regulatory technology (RegTech), Customer-centric banking, technological innovation, customer experience.

The banking sector is experiencing unprecedented change, propelled by a confluence of factors such as rapid technological innovation, evolving customer preferences, and regulatory pressures. In this article, we explore the contemporary trends driving the evolution of banking activities, shedding light on their implications for financial institutions and the broader economy.

One of the most significant trends reshaping banking activities is the ongoing digital transformation of the industry. Banks are embracing advanced technologies such as artificial intelligence, blockchain, and cloud computing to streamline operations, enhance customer experiences, and develop innovative products and services. Moreover, the rise of fintech startups is challenging traditional banking models, prompting incumbents to collaborate, invest, or compete with these disruptors to stay relevant in the digital age.

Digitalization of the economy “promotes the emergence of new markets and areas of activity and ensures stable development, primarily of the monetary system of the Republic of Uzbekistan. The development of technology in the banking sector has led to the formation of a new financial technology ecosystem” [1, 39].

A more general definition of digitalization can be presented in the following form: “Digitalization is a process and in the broadest sense it is understood as “... a socio-economic transformation initiated by the mass introduction and assimilation of digital technologies, those technologies for creating, processing, exchanging and transmitting information” [2, 59].

The banking system is an important component in the structure of the economy of any country. The activities of the banking sector are associated with the reproduction process. Commercial banks are the connecting link between business entities. Therefore, changes occurring in the development of the national banking system have a significant impact on the current state of the market economy.

Another notable trend in banking activities is the increasing focus on sustainability and environmental, social, and governance (ESG) factors. Banks are integrating ESG criteria into their decision-making processes, investing in green initiatives, and offering sustainable financing options to meet the growing demand from socially responsible consumers and investors. Sustainable banking

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practices not only contribute to positive societal outcomes but also mitigate risks and enhance long-term financial performance.

In the aftermath of the global financial crisis, regulatory scrutiny on the banking sector has intensified, leading to stricter compliance requirements and enhanced risk management practices. Banks are investing significant resources in regulatory compliance, cybersecurity, and data privacy to mitigate operational and reputational risks while ensuring adherence to regulatory mandates. Moreover, advancements in regulatory technology (RegTech) are enabling banks to automate compliance processes and enhance efficiency in regulatory reporting and monitoring.

With the proliferation of data analytics and artificial intelligence, banks are increasingly focusing on delivering personalized and tailored experiences to their customers. By leveraging customer data and predictive analytics, banks can anticipate individual needs, offer customized product recommendations, and deliver seamless omnichannel experiences across digital and physical touchpoints. Customer-centric banking strategies not only drive customer satisfaction and loyalty but also foster deeper relationships and lifetime value.

Any bank is considered a leading financial intermediary and forms an integral part in the economy of the state; banks mediate connections between agriculture and people, as well as industry and trade, therefore, if the banking system is productively organized, then the economic system will have a progressive character. Issues of the efficiency of the banking system are regularly covered in the literature [3;5;6].

Some of the main problems are the population's distrust of banks, a significant amount of non-repayable loans, and the unavailability of banking services or the impossibility of providing them [3].

Getting rid of these problems will lead to the efficient functioning of the banking system. But despite the problems, it is worth noting the possible future development of the Russian banking system. Among the main prospects we highlight the following:

1. The Central Bank reduces the key rate;
2. Improvement of consumer lending, including car loans;
3. Increasing the list of special loan programs;
4. Banks regularly restructure consumer loans by increasing the share of short-term lending;
5. In addition, at present, some banking services are provided by domestic banks. This indicates,

on the one hand, the stability and independence of the system, and on the other hand, a low level of competition. The emergence of a transparent banking system, which allows for the most thorough control of the work of many domestic financial institutions [7];

6. Also, the prospects for the formation of the banking system of the Republic of Uzbekistan are assessed, first of all, with an increase in lending volumes. Refinancing rates on loans are high, and some insignificant companies are completely unable to utilize loans to develop and create a business.

The evolution of banking activities is characterized by a convergence of technological innovation, regulatory imperatives, and shifting consumer expectations. From digitalization and fintech disruption to sustainable banking practices and customer-centricity, banks are navigating a complex landscape fraught with challenges and opportunities. By embracing these trends and adopting agile and innovative approaches, financial institutions can position themselves for sustained growth and competitiveness in the dynamic banking industry of the future.

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