



ACADEMICIA
**An International
Multidisciplinary
Research Journal**
(Double Blind Refereed & Peer Reviewed Journal)



DOI: 10.5958/2249-7137.2021.02284.9

COMPETITION IN THE MARKET OF BANKING SERVICES: THEORY AND PRACTICE

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ABSTRACT

The article discusses one of the priority directions of the strategy of economic development of the Uzbekistan is the activation of the country's financial market and the formation of a global financial center on its territory in the future. At the same time, competition is considered to be the most important factor in expanding and improving business efficiency. Competition encourages constructive action in the market, offering consumers a wider range of products and services at more attractive prices and better quality, which contributes to increasing production efficiency and redistributing financial resources to the most competitive organizations. It is emphasized that competition in the production and sale of goods and services is a fundamental element of the market mechanism for regulating the economy. Banking competition is one of the types of competition in the financial market, in which banks enter into an economic competition for financial assets and customers with all its participants, including non-banking organizations.

KEYWORDS: *Competition, Financial Market, Banking Sector, Banking Services Market, Government Regulation.*

INTRODUCTION

One of the priority directions of the strategy of economic development of the Republic of Uzbekistan is the activation of the country's financial market and the formation in the future on its territory of a world financial center. The most developed sector of the Uzbekistan financial

market at the current stage is the banking services market, which could become the locomotive of the financial market.

Competition is considered to be the most important factor in expanding and improving business efficiency. It encourages constructive actions in the market, forcing them to offer consumers a wider range of products and services at more attractive prices and better quality, which contributes to an increase in production efficiency and the redistribution of financial resources in favor of the most competitive organizations.

The main findings and results

Competition in the production and sale of goods and services is a fundamental element of the market mechanism for regulating the economy. Banking competition is one of the types of competition in the financial market, in which banks enter into an economic competition for financial assets and clients with all its participants, including non-banking organizations. The creation of conditions for the development of competition in the banking market is considered a key factor in the effective implementation of the principle of the unity of the economic space and the free movement of financial services. A retrospective analysis of the nature of interaction between banks in Russia made it possible to identify three stages in the development of interbank competition since the XIX century, to the present day and describe their economic and institutional features.

The beginning of the first stage is associated with the establishment in 1861 of the State Bank and the emergence of various credit organizations: commercial banks, mutual credit societies, city public banks, mortgage credit institutions, credit cooperatives, savings banks, pawnshops. During this period, due to the specialization of their activities, there was practically no competition.

The second stage in the development of the banking system and competition in the banking services market is the Soviet one. It is characterized by a state monopoly on banking. The one-tier banking system was represented by state-owned banks serving enterprises and organizations in industry, agriculture and other sectors of the economy (State Bank), construction and the population (savings bank system). The banking system was organically integrated into the administrative-command model of management, excluding any competition.

The modern third stage in the development of competition in the banking sector of the financial market should be considered the time of the birth of civilized competitive relations. A banking oligopoly was formed in the Republic of Uzbekistan; competition is intensifying in the context of the universalization of banks, as well as the growth of capitalization and centralization of capital.

By historical standards, banks of Uzbekistan are just beginning to compete in the financial market, and this is happening in the context of financial globalization. Domestic credit institutions did not have time to master the methods of competition within the framework of the national financial market, all the more difficult it will be for them to maintain a competitive position in competition with foreign banks.

The following features of competition in the Russian banking services market can be distinguished.

1. Competitors of commercial banks are various institutional structures:

- specialized banks (savings, mortgage, investment banks, serving small and medium-sized businesses, clearing, innovative banks);

- non-bank financial institutions and non-financial organizations (credit unions, pawnshops, leasing companies, clearing houses, financial brokers, investment companies, pension funds, postal organizations, trading houses). However, non-banking organizations do not provide competitive analogs of banking services.

2. Banking markets are markets for a differentiated oligopoly that provide ample opportunities for cooperation and coordination of market policies of various credit institutions, thus, there is both individual and group interbank competition.

3. Competitive space is represented by a number of sectors, in some of which bank act as sellers, placing assets, in others - as buyers, attracting resources.

4. Banking services can interchange each other, but do not have competitive substitutes, in connection with which intersectoral competition is carried out mainly through the flow of capital.

5. A consequence of the legal registration of banking activities as an exclusive type of activity that does not allow for combination with production, trade and insurance activities is the specific nature of interbank competition, differentiated by types of banking services.

6. Competition between banks takes place under conditions of tough (in comparison with other market sectors) regulatory influence from the state (licensing, monitoring, supervision).

Taking into account these distinctive features, as well as the theoretical concepts of scientists on this issue, interbank competition should be understood as a dynamic process of interaction (rivalry and cooperation) of commercial banks in the process of achieving corporate goals related to the expansion of the market for banking services within the framework of certain territorial boundaries or the global economic system.

The analysis of the state of competition in order to establish the dominant position of a credit institution in its banking operations is carried out in accordance with the second regulatory legal act.

The guidelines suggest calculating the following indicators:

- The capacity of the banking market;
- The share of the organization in the given market of services;
- The share of the organization in the total financial resources;
- Market concentration coefficient;
- Index of concentration of the Herfindahl-Hirschman market.

When determining the capacity of the regional market of banking services, one should take into account the volume of services provided by banks registered in the region under consideration (taking into account the volume of financial services of their branches, branches, representative offices, operating cash desks, additional offices, etc., located in this region), and the volume of services provided by branches (branches, representative offices, operational cash desks, additional offices, etc.) of organizations located in another region. To do this, it is necessary to

remove from the balance sheet indicators of local banks the indicators of their structural subdivisions in other regions and not include in the balance indicators of branches of foreign banks registered in this region, indicators of their structural subdivisions (for example, operating offices of branches in another region).

In order to avoid distorting the calculations of the capacity of the banking market and the share of each representative of the banking sector, it is necessary to calculate the “net balances” on the accounts of banking services, which are determined for each bank (branch) separately - by subtracting from the total balance on the accounts of banking services of a bank or a bank branch of the balance of its internal structural subdivisions located outside the territory under consideration.

In the absence of information, it is possible not to adjust the balances on the accounts of banking services, but to additionally analyze the dynamics of competition indicators. A more accurate estimate can be obtained by the average annual indicators of the total balances on the accounts of banking services, calculated using the chronological average.

Banking competition, obeying the general principles of economic rivalry in the market, is specific both in terms of the object (assortment of services and products) and the scale, which are determined by the globalization of the financial market. However, even perfect competition, including in the banking services market, without government intervention in the form of direct management or indirect regulation, over time is transformed into an oligopoly and even a monopoly.

State regulation should be understood as one of the functions of public administration. Its main meaning and content is the establishment and provision by the state of equal rules of behavior (activity) of the subjects of banking relations and their adjustment depending on changing conditions. However, this function of public administration is not limited to this alone. It also includes:

- Comprehensive control over the fulfillment of the requirements contained in the norms of law governing certain relations in the field of interbank competition;
- Coordination and establishment of the general direction of activities of participants in interbank competition;
- Comprehensive protection of their legal interests and rights, normative consolidation of the general principles of creating equal conditions for the functioning of all participants in the banking services market.

To determine the most significant parameters of the financial market, which must be taken into account in the process of regulating interbank competition, on the basis of correlation and regression analysis, paired linear regression equations were constructed that characterize the direct and inverse dependence of indicators of interbank competition in the Samara region on a number of micro - and macroeconomic indicators. The reliability of the regression equation was assessed by the Fisher-Snedekor criterion, the statistical significance of the model parameters - by the Students't-test.

The results of the correlation and regression analysis are summarized in table 1.

Thus, the growth of household incomes strengthening of interbank competition in the regional market, and the concentration of banking capital contributes to the weakening of competition. Inflation rates have a multidirectional impact on interbank competition in the markets for attracting funds and lending to individuals.

TABLE 1 RESULTS OF CORRELATION AND REGRESSION ANALYSIS OF INDICATORS OF INTERBANK COMPETITION

Competition indicator in the regional banking market	Dependence type	Influencing economic factor	Probable ratio of the indicator and the studied economic factors
Market concentration attracting funds from individuals	Straight	Inflation rate in the country	$\hat{y} = 829,15 + 151,15X_8$. A 1% increase in inflation will lead to an increase in market concentration by an average of 151.15 units.
	Reverse	Cash income per capita in the region	$\hat{y} = 4812,69 - 0,14X_3$. An increase in per capita income of the region by 1% will lead to a decrease in market concentration by an average of 0.14 units.
Market leader share raising funds from individuals (branch of Sberbank)	Straight	Inflation rate	$\hat{y} = 26,90 + 1,82X_5$. A 1% increase in inflation will lead to an increase in the share of the considered leader in the market for attracting funds from individuals by 1.82%
		The size of the charter capital of bank of Uzbekistan	$\hat{y} = 5,85 + 0,51X_2$. Growth of the authorized capital by 1 billion rubles. will lead to an increase in the market share of the Bank of Uzbekistan branch by 0.51%
	Reverse	Cash income per capita	$\hat{y} = 75,43 - 0,0018X_{11}$. An increase in per capita income of the region by 1% will lead to a decrease in the share of bank of Uzbekistan in the market by an average of only 0.0018 units.

Competition indicator in the regional banking market	Dependence type	Influencing economic factor	Probable ratio of the indicator and the studied economic factors
Leader's share in the retail lending market (VTB 24 branch)	Straight	The amount of the authorize	$\hat{y} = -44,31 + 1,53X_2$. Growth of VTB-24's authorized capital by 1 billion rubles. will lead to an increase in the share of the leader in question in the

		d capital of VTB-24	regional retail lending market by 1.53%
		Net profit of VTB-24	$\hat{y} = 5,95 + 1,32X_1$. Net profit growth of VTB-24 by 1 billion rubles. will lead to an increase in the share of VTB-24 branch in the market by 1.32%
	Reverse	Inflation rate in the country	$\hat{y} = 73,22 - 5,33X_5$. A 1% rise in inflation in the country will lead to a decrease in VTB-24's share in the regional retail lending market by an average of 5.33%

CONCLUSION

In conclusion, the greatest attention in the management of interbank competition within the framework of the antimonopoly policy of the constituent entities of the Republic of Uzbekistan should be paid to the regulation of the process of bank mergers, relying on the equity capital adequacy standards and the Herfindahl-Hirschman index.

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