



SAARJ Journal on Banking & Insurance Research (SJBIR)

(Double Blind Refereed & Peer Reviewed International Journal)



DOI: [10.5958/2319-1422.2021.00035.7](https://doi.org/10.5958/2319-1422.2021.00035.7)

INNOVATIVE MANAGEMENT METHODS OF COMMERCIAL BANKS ARE THE KEY TO DEVELOPMENT

Muminova Masuda Bakhtiyarovna*

*TDIU II stage doctoral Student,
UZBEKISTAN

Email id: mbmuminova@mail.ru

ABSTRACT

This article discusses ways to manage commercial banks based on innovative approaches to increase sustainability and efficiency. At the same time, theoretical and practical proposals for the improvement of innovative management methods have been formed. . Financial assistance was provided to enterprises and organizations to prevent production downtime. It was noted that in the short term, attention should be paid to the financing of profitable projects. Of course, the reforms carried out in the development of the banking system are being implemented systematically.

KEYWORDS: *Innovation, Management, Methodology, Innovative Projects, Innovative Products, Banking Efficiency.*

INTRODUCTION

Today, the basis for economic development of the country is the effective regulation of financial market participants, increasing the stability, liquidity and profitability of the banking system, which is one of the main financial support, is of great importance for every commercial bank.

Especially in the current unstable economic situation, the expansion of the financial crisis through the ongoing Covid-19 pandemic in many countries requires the improvement of socio-economic reforms and increasing the stability of the banking and financial sector.

In this regard, it is expedient to ensure the stability and liquidity of the banking system, as well as the formation of "cushions" against internal and external risks.

At the same time, there are still unresolved problems in the banking system, in which President Shavkat Mirziyoyev said: The quality of banking services is not at the required level due to the use of outdated software.

In order to create a healthy competitive environment in the system, state participation in the activities of banks is gradually being reduced. In particular, the interest rate on loans under government programs has been equated with the refinancing rate and is set to be fully liberalized

from 2021. This will encourage banks to find more customers, attract resources, search for and develop loans”[1].

The process of providing loans to sectors that are economically viable and effective in solving the problems that existed before and caused by the pandemic, as mentioned above, continues. Deferment of loan payments was also allowed. Financial assistance was provided to enterprises and organizations to prevent production downtime. It was noted that in the short term, attention should be paid to the financing of profitable projects.

In this regard, the draft law "On Innovative Activity" has been developed in our country. The law provides for targeted soft loans as a source of funding for innovative activities, which sets tasks for the development of new innovative goods and services.

LITERATURE REVIEW

Today, the development of the economy requires an increasingly serious impact from an innovative point of view, because the specificity of certain operations has a positive impact on the growth of the economy, the sustainable operation of all its segments [2].

As for the concept of "innovation", it is interpreted as "the end result of innovative activity integrated in the form of a new or improved product or technological process introduced in the market, applied in practice [3]".

Innovation is a set of knowledge and actions that lead to the creation or expansion of new products, services, processes and markets. Thus, innovation is recognized as one of the competitive forces of the organization [4].

According to economist I. Balabanov (2001) "innovation is a tangible result of the introduction of capital into new techniques or technologies, new forms of organization of production, labor, services and management, methods of planning and analysis [5]".

"Innovation is the result of positive activity aimed at the development, creation and dissemination of new products, technologies, the introduction of new organizational forms [6]," described the economist A.B. Borisov (2006).

At present, technological innovation is one of the most important tools influencing the economic sector, as well as the banking sector. According to De Young (2001), technological advances eliminate the models used in the development and provision of services in banks and replace them with new and alternative ones [7].

As economists I.Hobe and R.Alas (2016) have pointed out, innovation is one of the key factors in the profitability of banks and in the 21st century it is becoming increasingly crucial in terms of performance and competitiveness [8].

Commercial banks are one of the main subjects of innovation. Innovation is the interconnectedness of business models, the creation and implementation of organizational, functional products, completely new operational innovation services (Fliginskix T.N. 2016) [9].

It is necessary to identify the types of innovations in the banking system, including information technology (primarily bank cards, internet banking, mobile banking), consumption (mortgage, fast credit, leasing) and management (monitoring and control).

From the above definitions, we can see that one of the main sources of economic development in all areas today is innovative management.

Analyzing the scientific and theoretical views of economists, the author's approach to the innovative management of the banking system was formed. *"Innovation management is to increase the income of customers and the bank through the effective transfer of the pyramid of innovative ideas, technologies, services, products to the banking system"*.

Research methodology.

This article uses methods such as analysis of scientific works, scientific monographs, textbooks and articles of foreign and domestic scientists, statistical analysis of commercial banks, analytical comparison of tables, grouping, calculation of quantity and quality indicators, comparing them with each other.

Analysis and discussion of results.

But the innovation will have a strong impact on the financial segment of the market. It should be noted that the minimal and short-term dynamics of some processes in the financial sector stimulate significant economic changes not only at the level of interstate regulation, but also in the entire international financial system [10]. Therefore, change in every sector of the economy is an impetus for rapid development, which is also closely linked with the banking system.

1-TABLE ANALYSIS OF CAPITAL AND ASSET PROFITABILITY OF COMMERCIAL BANKS[11]

Indicators	2016	2017	2018	2019	2020
ROE	12,6%	10,8%	12,8%	16,9%	10,1%
ROA	2,02%	1,7%	1,6%	2,0%	2,3%

In the banking system, the main focus will be on the bank's capital base and asset profitability.

In this table, the trend of changes in the profitability indicators of capital and assets of commercial banks for 5 years is presented. According to the state of January 1, 2020 year, ROA amounted to 2,3%, ROE 10,1%. Between the years 2016-2020, we can see that the level of profitability of capital of commercial banks decreased by 2,5 percent, while the profitability of banking assets increased by 0,3 percent. This is evident from the fact that banks do not have sufficient income from their capital and assets. In this regard, the use of innovative management techniques and the solution of problems related to the management of bank assets and liabilities is relevant.

Of course, the reforms carried out in the development of the banking system are being implemented systematically. It is desirable to focus the main attention on improving the ways of innovative management of banks and the practice of foreign countries.

In the practice of foreign countries, there is a policy aimed at developing a system of priorities and incentives that will direct their resources to support innovative development. The implementation of such a system requires the implementation of the following measures:

- ✓ Promoting public awareness of the establishment of specialized innovation banks;
- ✓ Encourage the state to create funds for long-term lending to banks by establishing appropriate tax incentives for funds allocated to achieve technological change. Economic-based taxes, which serve as an incentive, strengthen investment and innovation processes;
- ✓ Differentiation of the tax rate on the profit of banks depending on the area of use of resources - reduction of the rate in the allocation of resources for long-term lending to innovative

projects;

- ✓ Creation of a system of preferential guarantees for banks that provide soft loans for the implementation of investment projects for the development and introduction of innovative products;
- ✓ Introduction of a mechanism of state insurance of loans to entrepreneurs working in the development and production of high-tech products;
- ✓ Incentives for banks in the purchase of shares of enterprises producing innovative products by exempting the bank's income from the tax on income from shares in these enterprises;
- ✓ Improving the legal regulation of loan collateral for the development of innovative activities;
- ✓ Reduction of the reserve ratio for banks lending to innovative projects [12].

The implementation of these measures will lead to the fact that in the near future the main source of financing innovative projects in the conditions of an innovative economy will be bank loans.

Also, the analysis of economic resources and modern research shows that the structure of innovation strategy and subsequent stages of effective management in the Commercial Bank innovation process:

- identify changes in the bank's activities and needs by monitoring the external and internal environment of the bank;
- teamwork in developing a strategy and program of change to achieve the goal;
- support of innovative activity of personnel [13].

At this stage of development, the introduction of modern technologies and business processes in the financial sector will allow banks to operate effectively in two directions. In this case, banks will have to buy existing fintex startups or finance startups independently [14].

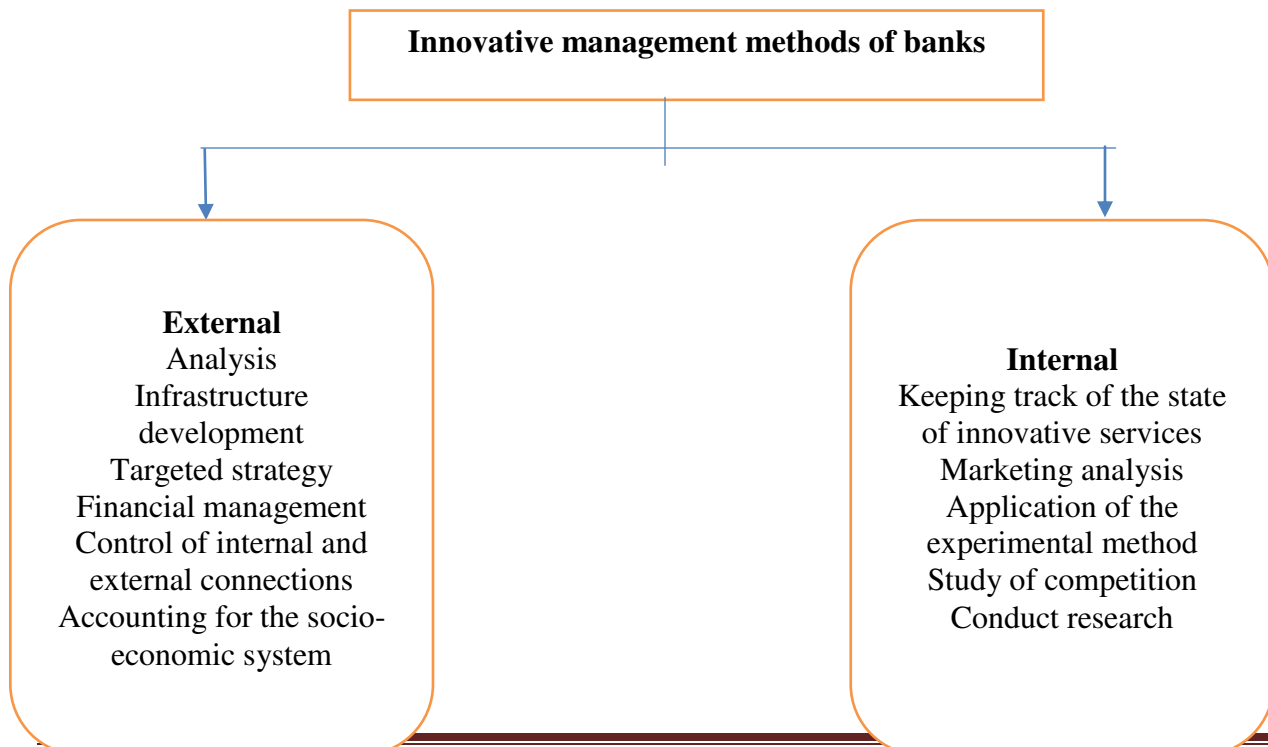


Figure 1. Innovative management methods of commercial banks [15]

Of course, banks are not ready for such decisions, it is a very complicated process, and today only the largest banks, which are the main link in the state banking system, are ready. At the same time, the use of innovative management methods in the management of commercial banks has a positive effect. It is expedient to divide the methods into internal and external types. In the method of external innovation management, first of all, the analysis should be carried out. Because the analysis allows us to identify all the problems and study the causes of their origin. The analysis of the internal and external environment of the financial market by banks is a key factor in determining the future tasks of foreign banks, countries, relations, as well as the study of the current economic situation in the country.

Infrastructure development is one of the most important tasks today, and foreign operations also show the need to pay special attention to infrastructure. In the banking system of the country, more attention is paid to the number of branches and financial resources are directed. In this case, it is advisable to use foreign experience.

Through a targeted strategy, commercial banks need to develop the bank's micro, meso and macro strategies, taking into account external and internal influences and factors.

TABLE 2. FORECASTING PERIOD OF THE BANK'S ASSETS AND LIABILITIES [16]

№	Planning period	Planning time	Form of implementation of results
1.	Macro planning	3-5 years	Active and passive operationsdeveloping a shaping strategyexit
2.	Mezo planning	1 year	Active and passive operationsdevelop a current plan of structure and size
3.	Micro planning	Month, quarter	Active and passive operationsfast in structure and sizeddevelop planned tasks exit

In financial management, the control, distribution and redistribution of cash flows also depend on the proper focus of revenue and expenditure.

Control over internal and external relations It is advisable to strengthen relations with correspondent banks and establish contacts with new banks.

If we talk about the methods of internal innovation management of a commercial bank, we must first keep track of the state of innovative services. Today, it is expedient to increase the share of innovative services in our banks and implement foreign experience.

Marketing analysis is a key factor in all areas. Therefore, ensuring the continuity of marketing analysis in innovative management methodology will only give a positive result and make it possible to avoid problems.

The main processes in the methodology of internal management are the introduction of a new idea or type of service in the bank branch by applying the experimental method in banking activities to reduce the level of risk.

It also allows banks operating in the financial market to maintain the stability and increase

profitability of banks through the study of competition.

It is advisable to conduct research and create new innovative programs and services. In foreign experience, too, commercial banks develop their own new types of services and sell them to other banks as an author. This will bring additional income to the banks.

CONCLUSIONS AND SUGGESTIONS

In improving the specifics of the banking sector and the process of innovative management methodology, we offer the following:

- Satisfaction of previously undisclosed needs of consumers through banking products with attractive consumer properties;
- development of new markets through regional expansion of banking activities and diversification of services;
- development and improvement of service tools that increase the efficiency of the bank;
- formation of an innovative system of management of the scope of innovative investment services, bank loans and risk;
- It is necessary to expand the organizational structure of the bank, which will ensure sustainable growth of financial results, economic efficiency and depending on the size of the consumer market.

REFERENCE:

1. <https://pv.uz/uz/news/opredeleny-zadachi-po-povysheniju-investitsionnoj-aktivnosti-bankov>
2. Askinadzi V.M. Investment banking strategies. Monograph (Series «Akademicheskaya seriya»). - M.: Market DS Corporation, 2015.
3. Dictionary of modern economic terms / Pod. ed. B.A. Reisberga. - M.: Ayris-press, 2006.
4. Christensen, C. M. (1997). The innovator's dilemma: when new technologies cause great firms to fail. Harvard Business Press.
5. Balabanov I.L. Innovative management. Spb.: Peter, 2001.
6. Borisov A.B. Big Dictionary of Economics. Moscow: Book World, 2000.
7. DeYoung R (2001) The Financial Performance of Pure Play Internet Banks. Econ Perspectives 25: 60-75.
8. Hobe I., Alas R. (2016) A Financial Innovation Management Model For Banks. J Manage p: 138-155.
9. Fliginskikh T.N., Tarasova T.Yu. Factors Determining the Development of Innovations in the Form of New Banking Products // Creative Economy. - 2016. - T. 10. - No. 10. - P. 1157–1168. - DOI: 10.18334 / ce.10.10.36906 (date accessed: 02/08/2020).
10. Achkasov A.I. General characteristics and technique of making use of plastic cards. // Bank for Foreign Economic Affairs. - M.: Consult Banker, 2018. -- 471 p.
11. Compiled by the author. Source: www.cbu.uz
12. <https://review.uz/post/banki-i-innovatsii>

- 13.** Vikulov V.S. Innovative activity of credit institutions // Management in Russia and abroad. - 2001. - No. 1
- 14.** Hamel, Gary Leading the Revolution. How to succeed in turbulent times by turning innovation into a way of life; SPb: BestBusinessBooks - M., 2017 .-- 370 p.
- 15.** Author's development.
- 16.** Author's development.