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CURRENT ISSUES OF ENSURING THE COMPETITIVENESS OF BANKING SERVICES

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Abstract
Banking services serve to facilitate the standard of living of the population and improve economic life. Competition in any field was considered a growing and developing link for the system. This article describes in detail the current issues of ensuring the competitiveness of banking services.

Keywords: banking services, competitiveness, bank capital, management system, staff qualifications, customer opinion, etc.

In countries with a highly developed market economy, the market price of the loan is taken into account when determining the price of the loan, but the calculation of the price of the loan to the client consists of several stages, and this indicator is calculated by a deep analysis by commercial banks. The main purpose of determining the price of the loan is to achieve the efficiency of the loan given by the bank, to make a profit and to ensure the liquidity of the bank. This result can identify bank risks in advance and make it possible to prevent them. Banks should first of all calculate the interest rate that can correspond to their own capital when lending. Because the rate of interest or (profit) corresponding to bank capital is the basis for ensuring bank liquidity. Banks often face the risk of unbalanced liquidity as a result of mistakes in customer selection. Such risks usually occur in cases where priority is given to lending to enterprises with an unstable economy. Unbalanced liquidity risk is caused by the shallowness of bank management and staff qualifications, weak organization of bank activity control, lack of improvement of methods used in risk regulation, certain acquired bank operations or their groups. occurs as a result of shortcomings in setting the risk coefficient scales. Banks should beware of the risk of inability to pay due to lack of funds, not being able to continue financial and economic activities must If the bank has given a very large amount of loans without carefully analyzing the given loan application, there is a possibility that they will not be returned, such "bad" loans can cause great damage to the bank. For the bank as a creditor, the increase in interest rates (resources) leads to a decrease in the profit that the bank receives in the operation carried out by the bank. will lead to an increase in prices and the bank will suffer losses.

Experts of the Institute of Forecasting and Macroeconomic Research analyzed the level of competition in the banking system of Uzbekistan. This study uses the Herfindahl-Hirshman Index (HHI), which is one of the commonly accepted measures of market concentration and is used to determine market competitiveness. A market with an HHI below 1500 is considered a competitive market, a market with an HHI of 1500 to 2500 is moderately concentrated, and a market with an HHI of 2500 or higher is highly concentrated. It is noted that in the last five years, competition in the banking system of Uzbekistan has been increasing in terms of assets, loans, and deposits. As of January 1, 2018, the HHI index for assets was 1520, and as of December 1, 2022, it decreased to 1016. In terms of loans, this indicator fell from 1709 to 1082. Due to the operation of the deposit market based on the principles of the market economy, there is a strong competition for deposits between banks, and this competition is increasing year by year. This trend is also evident when the HHI index on deposits fell from 919 to 852. When a banking system does not work well, there is potential for financial instability. Banks have traditionally been considered to be more vulnerable to instability than other industries, for various reasons:

- A bank's balance sheet consists of short-term deposits on the liability side and long-term assets that can be difficult to liquidate quickly. This leaves the bank vulnerable to runs in the absence of deposit insurance or maturity-matching technologies.
- Highly leveraged firms have an incentive to engage in risky behaviour. If the gamble works, shareholders benefit; if it does not work, the lenders bear the cost. This agency problem is particularly strong for banks: banks tend to be very highly leveraged; a large share of the debtholders are depositors who have small claims, are widely dispersed, and may not be wellinformed of a bank's activities and potential risks; and the existence of deposit insurance further lessens depositors' incentives to monitor the risk-taking behaviour of the bank.

Not only are banks potentially more vulnerable, but instability in the banking system can also have more debilitating effects than instability in other industries. Because banks hold financial assets of consumers and producers, and are important to economic growth, bank failures can have substantial economic costs. As well, banks are connected through a variety of networks (such as the interbank markets and payments systems), and so a shock to one bank can lead to shocks to other banks (contagion). This can greatly increase the cost of a crisis. For these reasons, the stability of the financial system has long been a goal of policy-makers. Banks are a service industry. They contribute to economic growth not by producing real goods, but by providing the financial means to facilitate production in other industries. An efficient banking sector will make the largest contribution to economic growth. The effects of a competitive banking system versus one with market power are discussed with respect to allocative and productive efficiency. Capital accumulation depends not only on the volume of credit but on the efficiency of its allocation: that is, the extent to which credit is provided to the most productive projects first. The idea that banks can improve the efficiency of capital allocation is based on the premise that banks not only intermediate savings and investment but that they also produce information that mitigates information asymmetry between lenders and borrowers. Two theoretical approaches in this area focus on the role of relationship lending and of screening. Banks engage in both relationship and transactional lending. Relationship lending involves the development of sector-specific expertise and ongoing relationships with individual firms. This is costly for the bank, but it can also profit from proprietary information gleaned through the relationship. Credit is offered based on the future profit stream of the firm, not just on the net present value of the initial project. Transactional lending involves "arms-length" lending based on readily observable information about the firm, rather than on established relationships.9 Relationship lending is generally considered to be most advantageous to opaque borrowers; this includes young firms that have little credit history or collateral, and privately owned firms. Transparent, high-quality borrowers can more credibly signal their quality and so can choose between relationship and transactional loans.

If a bank fails, an important concern is whether the financial system is resilient to the shock. Contagion is defined in this context as the risk that a credit or liquidity shock to one financial system participant leads to substantial shocks to other participants. One way for this to occur is through direct linkages between participants that arise from a network of explicit (although perhaps hard-to-measure) interbank networks. Three examples of such networks are the interbank markets (short-term and medium-long term), payments systems, and derivatives. The way in which banks are connected can affect the system's resilience to a shock. Overall, it is not clear what effect the competitive structure of a banking system has on the pattern of interbank linkages. A larger number of banks can decrease the risk of contagion, but only when the linkages remain complete and connected. A more consolidated system with fewer banks may be more likely to maintain such linkages. The empirical literature largely focuses on the relationship between concentration (as a proxy for market power) and profits. In some studies, concentration is indeed associated with higher profits. There is evidence, however, that the negative effects may be mitigated (or eliminated) by a well-developed financial system and by policies that increase competition, such as low barriers to entry and few restrictions on bank activities. Very little empirical work has been done on the relationship-lending and screening theories. Whereas there is some evidence that opaque borrowers benefit from a banking sector that exhibits some degree of market power, it is not clear that such a sector improves allocative efficiency across all firms, and hence growth in the overall economy. In general, it appears that a competitive environment is useful in promoting allocative efficiency, although the concentration of banks in the market may not be a good indicator of a competitive environment. As well, a banking sector that exhibits some degree of market power may improve credit availability to certain firms, and it may promote more efficient allocation by providing incentives to screen loans. Productive efficiency, according to the traditional IO framework, is maximized by perfect competition. To the extent that there are economies of scale in banking, however, efficiency may be improved by fewer, but larger, banks. The empirical evidence suggests that there are currently productive inefficiencies in banking, but whether this is caused by a lack of competition or by unrealized scale

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economies is unclear. As the studies discussed with respect to allocative efficiency suggest, it may be that a market can exhibit both competitive behaviour and concentration. If that is the case, it may be possible to benefit from both competition and economies of scale.

As the bank of banks, the Central Bank ensures the stability of banking and financial institutions. First of all, it should prevent the emergence of financial confusion when the majority of financial institutions and banks face financial problems, and banks are unable to fulfill their obligations to depositors. In order to solve this issue, the Central Bank, first of all, performs regulatory and control functions in relation to the second level - the system of commercial banks. The central bank's duty is not to interfere in the day-to-day operations of commercial banks. The Central Bank should monitor the regulatory management of commercial banks, ensure their solvency and liquidity, and protect the interests of depositors. All this is carried out with the help of a system of control norms and delivered to the level of commercial banks. Banks manage all money movements by attracting and depositing funds. The main activity of the bank is related to mediation, which consists in carrying out operations related to the transfer of funds from the lender to the borrowers. Foreign banks and banks based on any form of ownership can operate in the Republic of Uzbekistan. Commercial banks operating in the Republic of Uzbekistan and their form of ownership are based on different ownership. Usually, banks in Uzbekistan are organized in the form of a joint-stock company. Funds of state bodies, funds of collectives, associations and funds, pledges and borrowed funds cannot be used to form the authorized capital of the bank.

The bank is managed by the board of directors. In addition, he is assigned the responsibility of monitoring and controlling the management of the bank. The composition and term of election of the members of the board of directors is determined by the charter of the commercial bank. The Bank Council deals with issues such as review of the main direction of the bank's activity, credit policy and other plans of the bank, approval of income, expenses, profit plans, opening and closing of branches. The Bank Management directs the bank's activities. The bank's management is responsible to the general meeting of shareholders and the board of directors. The general meeting of shareholders, the bank's board and management are the bank's governing bodies. The executive body of the bank is the management of the bank, which is the operational leader of the bank and is responsible for its activities. The management is accountable to the bank board and the general meeting of shareholders. In all countries based on the market economy, commercial banks occupy a leading place in the payment mechanism of the economy. The role of commercial banks in the payment system of our country is expanding by reforming and developing the payment system of our country's economy. In addition, commercial banks can operate in the financial and foreign exchange market, i.e. issue and place and buy securities, provide various information and advice to clients. Today, in our country, the role of microfinance services is gaining importance in materially supporting the low-income population and ensuring their well-being. In turn, the growing demand for microfinance services among the population requires bringing the activities of local microcredit organizations and lenders to the level of international requirements and offering quality services. Non-bank credit and financial institutions are not officially banks (they do not have a bank license), but their main activity is the provision of financial services, which are largely dependent on and alternative to banks. Therefore, non-bank credit and financial institutions are mentioned in many English-language literature as the main competitors to banks, and these are: pawnshops, microcredit organizations and credit unions (now defunct).

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