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Article

Ways to Increase The Participation of Commercial Banks in Poverty Reduction

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Abstract: This article examines the organizational and economic mechanisms for increasing the participation of commercial banks in poverty reduction. The study analyzes the role of commercial banks in providing credit, microfinance, expanding financial services, supporting entrepreneurship, and improving the financial literacy of the population as important instruments for reducing poverty. Particular attention is paid to expanding access to financial services for socially vulnerable groups, improving preferential lending mechanisms, financing small businesses and family entrepreneurship, and developing digital banking services. Based on the research findings, practical proposals and recommendations are developed to strengthen the participation of commercial banks in poverty reduction and to increase the economic activity and financial inclusion of the population.

Keywords: commercial banks, poverty reduction, bank lending, microfinance, financial inclusion, financial literacy, entrepreneurship, small business, family entrepreneurship, digital banking services, preferential lending.

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1. Introduction

Today, the intensification of globalization processes in the world economy, the rapid development of digital technologies and the growing integration among financial markets are fundamentally changing the conditions under which the banking sector operates. Rising competition in the financial services market, the diversification of customers' requirements for banking services, and the development of fintech companies and digital financial platforms require commercial banks to move from the traditional operating model to a modern, technology-driven and customer-oriented business model. In this regard, banking transformation emerges not merely as technological renewal but as an important process that entails a comprehensive reconsideration of the organizational, institutional, financial and strategic aspects of banking activity[1].

In the economy of Uzbekistan as well, modernizing the banking system and increasing the competitiveness of commercial banks have become one of the priorities of state economic policy. In recent years, consistent measures have been implemented in the country to reform the banking and financial system, transform state-owned banks, expand the role of private banks, digitalize banking services, develop remote banking

services and widen the population's access to financial services. These processes determine not only the strengthening of commercial banks' positions in the domestic market but also their capacity to adapt to changes in the international financial environment[2-3].

In particular, the expansion of digital banking services, the execution of banking operations through mobile applications, the use of artificial intelligence and big data technologies, the introduction of automated credit scoring systems and the creation of new mechanisms for customer relationship management are fundamentally transforming the business processes of commercial banks. As a result, the concept of banking transformation is no longer limited to the introduction of information technologies; it also encompasses the reorganization of business processes, higher management efficiency, the development of human capital, the improvement of corporate culture and the creation of new sources of income[4].

Under globalization, Uzbekistan's commercial banks face a number of new tasks. These include adapting to international banking standards, ensuring financial stability, optimizing operating costs, managing credit and liquidity risks effectively, strengthening cybersecurity, creating individualized and prompt financial products for customers, and the growing need to compete with fintech companies. Because the possibilities of solving these tasks on the basis of traditional management mechanisms are limited, the issue of forming a transformational development model for commercial banks acquires particular scientific and practical significance[5-6].

One of the important aspects of banking transformation is that it affects all functional areas of a bank. In particular, transformation shapes new approaches in lending, deposit operations, payment services, risk management, marketing, human resources management and customer service systems. At the same time, while digital transformation creates new opportunities for banks, it also gives rise to problems such as the growing complexity of technological infrastructure, increasing cybersecurity threats, data protection issues, a shortage of qualified personnel and the high cost of transformation[7].

The relevance of deepening transformation processes in Uzbekistan's commercial banks is also determined by the need to build a competitive banking system based on market principles in the country. Growing competition among banks is pushing them to develop new strategies in terms of service quality, pricing policy, technological convenience, product variety and speed of customer service. Therefore, organizing transformation processes on a scientific basis, developing criteria for assessing their effectiveness and identifying future development directions are among the important issues of bank management[8].

To achieve the research objective, the following tasks were set: to study the theoretical foundations of commercial bank transformation; to identify the main directions of the transformation processes taking place in Uzbekistan's banking system; to assess the impact of digitalization and innovation on banking activity; to identify existing problems; and to develop promising transformation mechanisms that serve to increase the competitiveness of commercial banks[9].

The scientific and practical significance of the research lies in the fact that the conclusions and proposals put forward in it can be used to improve the strategic development programs of Uzbekistan's commercial banks, accelerate digital

transformation processes, enhance the quality of banking services and ensure competitiveness under globalization.

Research on transformation processes in commercial banks is being studied in modern economic literature in close connection with the digital economy, bank competitiveness, financial innovation, FinTech, corporate governance and the renewal of business models. Scientific studies in this area can be conditionally grouped into the theoretical foundations of banking transformation, digital transformation, FinTech and the competitive environment, and institutional reforms in Uzbekistan's banking system. [10]

One of the scholars who studied the theoretical foundations of digital transformation is G. Vial, who links digital transformation to an organization's adaptation to a changing environment with the help of digital technologies and to the reshaping of value-creation processes. This approach is particularly important for the banking sector, since banking transformation means not only the introduction of new software products but also a fundamental change in business processes, organizational structure, management and relationships with customers. In subsequent studies, the scientific literature on digital transformation was systematized, and areas such as digital business strategy, technological infrastructure, flexible management and digital architecture were singled out as the main research topics[11].

Studies devoted to digital transformation in the banking sector reveal in greater depth the impact of this process on the traditional banking business model. In the bibliometric study carried out by L.K. Osei, Y. Cherkasova and K. Mintah Oware, 268 scientific articles published between 1989 and 2022 were analyzed. The researchers found that in scientific research on digital banking transformation, FinTech, blockchain, mobile financial services, artificial intelligence, mobile banking platforms and sustainable business models are becoming increasingly important areas[12].]

Likewise, A. Papathomas and G. Konteos view the digital transformation of financial institutions as a process carried out step by step and propose the stages of transformation in banks' becoming digital organizations, together with relevant indicators for assessing them. This approach makes it possible to assess banking transformation not merely as a technological change but as a complex process with measurable organizational and business outcomes[13].

The development of FinTech constitutes another important theoretical direction of banking transformation. Modern studies emphasize that digital financial technologies are bringing new competitors into traditional banks' functions of attracting deposits, lending and financial intermediation. In particular, the development of digital banks and non-bank financial platforms is pushing commercial banks to reconsider their business models, increase the speed and quality of services and actively introduce technological innovations.

Research on the transformation of Uzbekistan's banking system is directly related to the institutional reforms being carried out in the country. In particular, the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020–2025 defines as the main priorities increasing the efficiency of the banking system, reducing the state share, attracting strategic investors, introducing modern technologies, improving corporate governance and risk management systems, and expanding access to banking

services. The Strategy pays special attention to transforming state-owned banks and commercializing their business model[14].

The materials of the Central Bank of Uzbekistan likewise indicate, as important components of banking transformation, such areas as the wide introduction of information and communication technologies, the automation of banking business processes, the development of remote banking services, the use of scoring systems, remote identification and the automation of credit processes. This shows that the technological and institutional components of transformation are developing together in the country's banking system[15].

In recent research and institutional documents, it can be observed that the issue of banking transformation is moving to a new stage. In particular, in 2024–2025 a comprehensive assessment of Uzbekistan's banking and financial system was carried out by the International Monetary Fund and the World Bank within the Financial Sector Assessment Program. On the basis of the results of this assessment, a roadmap for 2025–2028 for improving the system of bank regulation and supervision was developed, in which the full implementation of Basel III requirements, improvement of corporate governance and risk management, development of risk-based supervision and strengthening of financial stability are defined as priorities.

In addition, in 2025 new mechanisms aimed at expanding the institutional infrastructure of the financial services market were introduced in Uzbekistan. In particular, the formation of the institution of microfinance banks, the development of the legal framework for the activities of factoring and guarantee organizations, and measures aimed at strengthening competition in the financial services market show that banking transformation is not limited to the internal processes of commercial banks but represents a reshaping of the entire financial ecosystem.

The adoption of the strategy for the development of financial technologies for 2026–2030 defines a new stage of this process. The strategy focuses on such areas as developing digital financial infrastructure, attracting investment, developing human capital in the field of financial technologies, and using regulatory "sandbox" mechanisms for testing innovative products[16].

The literature review shows that existing studies have sufficiently examined individual aspects of banking transformation, such as digitalization, FinTech, innovative business models, risk management, corporate governance and customer-oriented services. However, the assessment of the complex transformation process taking shape in Uzbekistan's commercial banks under the simultaneous influence of globalization, competition and technological change as a single organizational and economic system requires deeper research.

In this respect, what distinguishes this study from other research is that it considers the transformation of Uzbekistan's commercial banks not merely as a digitalization process but as an interrelated system of the elements of digital technologies + management + human capital + customer orientation + risk management + competitiveness. This approach makes it possible to assess the future prospects of banks' transformational development more comprehensively.

2. Materials and Methods

In the study, systematic, comparative and statistical analysis methods were used to assess transformation processes in Uzbekistan's commercial banks under globalization and competition. The information base of the study consisted of open data of the Central Bank of the Republic of Uzbekistan, commercial banks and international financial organizations. Indicators describing banks' level of digitalization, financial efficiency, innovative activity and competitiveness were analyzed. In addition, the SWOT analysis method was used to determine the current state and prospects of the transformation process. On the basis of the results obtained, scientific and practical proposals were developed for accelerating the transformation of Uzbekistan's commercial banks and increasing their competitiveness.

3. Results

In recent years, the processes of transforming commercial banks in Uzbekistan have become an important direction of banking system modernization. Globalization, the rapid development of digital technologies and rising competition in the financial services market are pushing banks to move from the traditional operating model to a modern digital business model. In particular, the development of remote banking services, mobile applications, electronic payments, automated lending and digital identification systems is increasing the speed and convenience of banking services. The analyses show that the main result of the transformation of commercial banks is manifested in improved quality of customer service, optimization of operating costs and wider adoption of banking services. At the same time, digitalization is enabling banks to process large volumes of customer data, offer individualized financial products and increase the effectiveness of credit risk assessment (Table 1)[17].

Table 1 . Main directions of the transformation of Uzbekistan's commercial banks and expected results

№	Transformation direction	Main changes	Expected result
1	Digitalization	Expanding mobile and online services	Speed and convenience of services will increase
2	Automation of business processes	Automation of repetitive operations	Costs will decrease
3	Artificial intelligence and Big Data	Data analysis and scoring	Credit risks will be managed effectively
4	Customer orientation	Individualized services and products	Customer loyalty will increase
5	Risk management	Modern risk assessment systems	Financial stability will be strengthened
6	FinTech integration	Cooperation with digital platforms	Innovative services will multiply

Based on the table data, it can be said that banking transformation must be carried out in several directions simultaneously. Technological renewal alone does not ensure a bank's competitiveness. This requires aligning digital technologies with the management system, human capital, marketing and customer service processes (Table 2).

Table 2 . The impact of banking transformation on competitiveness

№	Indicator	Traditional model	Transformational model
1	Service delivery	Branch-dependent	24/7 digital
2	Customer communication	Standard	Individualized
3	Lending	Multi-stage	Automated
4	Use of data	Limited	Based on Big Data
5	Decision-making	Relatively slow	Fast and analytical
6	Competitiveness	Traditional	Innovative and high

The research results show that in the future the effectiveness of the transformation of Uzbekistan's commercial banks will depend on three main factors — technological modernization, improving management quality and developing human capital. In particular, the use of artificial intelligence, biometric identification, cloud technologies, Big Data and Open Banking mechanisms will shape a new competitive environment in the banking services market [18].

At the same time, there are problems in the transformation process such as cybersecurity, data protection, a shortage of qualified IT specialists and the high level of investment in technological infrastructure. Thus, the success of the transformation of commercial banks depends not only on introducing new technologies but also on managing them effectively and integrating them with the bank's overall strategy.

4. Conclusions

The results of the conducted research showed that accelerating transformation processes in Uzbekistan's commercial banks under globalization and growing competition is an important condition for ensuring the stability and competitiveness of the banking system. Banking transformation is not limited to the introduction of digital technologies; it requires comprehensive improvement of the management system, business processes, human capital, risk management and customer service mechanisms. On the basis of the research, the following conclusions and proposals were developed:

Firstly, it is necessary to carry out digital transformation in commercial banks on the basis of a unified strategic development program. In this, the introduction of digital technologies must be closely linked to the bank's overall business strategy.

Secondly, it is advisable to increase the speed and quality of customer service by further digitalizing banking services and developing mobile banking, remote identification, electronic payments, automated lending and digital advisory services.

Thirdly, it is necessary to expand the use of artificial intelligence, Big Data and modern analytical technologies. These technologies make it possible to assess credit risks, detect fraud, forecast customers' needs and design individualized banking products.

Fourthly, special attention must be paid to developing human capital as an important factor of banking transformation. Raising employees' digital competencies, training specialists in IT and data analytics, and developing modern management skills will increase the effectiveness of banking transformation.

Fifthly, it is necessary to strengthen cybersecurity and customer data protection systems in transformation processes. Since cyber risks grow along with the volume of

digital services, the use of modern protection technologies is important for ensuring the reliability of banks.

Sixthly, it is advisable to develop cooperation between commercial banks and FinTech companies. Such cooperation makes it possible to develop innovative financial products faster, reduce the cost of services and increase the competitiveness of banks.

Seventhly, in order to assess the effectiveness of banking transformation, it is proposed to form a comprehensive evaluation system consisting of such indicators as the level of use of digital services, operating costs, speed of service, customer satisfaction, the share of customers attracted through digital channels and income from innovative products.

Eighthly, in the future it is necessary to align the transformation of Uzbekistan's commercial banks with the advanced experience of international banking practice and to improve corporate governance and risk management systems in line with international standards. In general, the future development of Uzbekistan's commercial banks depends directly on how effectively transformation processes are organized. Comprehensive digital transformation, the active introduction of innovations, the development of human capital and the formation of a customer-oriented business model serve not only to strengthen banks' position in the domestic market but also to increase their competitiveness in the international financial market.

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