ECONOMIC AND PRACTICAL ASPECTS OF THE RETAIL PAYMENT SYSTEM OF COMMERCIAL BANKS

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A B S T R A C T	K E Y W O R D S
This article analyzes the economic essence and theoretical foundations of the retail payment system in commercial banks. Retail payments, as a key component of financial transactions between individuals, businesses, and banks, play a crucial role in monetary circulation, financial stability, and improving the quality of banking services. The article explores core concepts, functions, and the role of the retail payment system in a market economy, along with theoretical models drawn from international experiences. The author also proposes recommendations for improving retail payment services within the banking system of Uzbekistan.	banking, retail payments, payment system, money circulation, banking services.

Introduction

As a result of the widespread use of digital financial instruments and modern information technologies in the global economy, payment systems have become an integral part of the system of economic relations. In particular, the retail payment system, as one of the main links of the banking system, plays an important role in the implementation of daily payments of the population and business entities. In international practice, retail payments, as a rule, include small-scale, fast and large-scale payments between individuals [1].

Commercial banks act as the main implementing entities in this process. They play an important role in shaping the retail payment infrastructure, providing convenient and safe financial services to customers, as well as ensuring competitiveness. Through retail payment systems, commercial banks are also expanding financial services that serve to increase the level of access to banking services by the population [2].

Uzbekistan has also undergone significant changes in recent years through the modernization of the retail payment system, the introduction of digital payment platforms, payments through mobile applications, and online banking services. The Resolution of the President of the Republic of Uzbekistan No. PP-4848 dated September 23, 2020, sets out specific tasks for the development of the payment infrastructure[3]. At the same time, the Central Bank is also implementing a strategy for the development of the national payment system[4].

This article analyzes the economic content, theoretical foundations, functions, and place of the retail payment system of commercial banks in a market economy. It also assesses the current situation in Uzbekistan based on an analysis of international practices and puts forward practical proposals.

Literature Review

Research on the economic content of retail payment systems and their importance in the banking system has been carried out on a large scale in recent decades. Research in this area is mainly focused on such pressing issues as improving the efficiency of payment systems, introducing digital financial instruments, and expanding financial inclusion.

First of all, reports presented by the European Central Bank analyze current trends in retail payment infrastructure, automated payment systems, as well as practical work such as SEPA (Single Euro Payments Area). According to the ECB, retail payments not only stimulate economic activity, but also strengthen regional integration[1].

The World Bank's Global Findex report focuses on the level of use of digital payments around the world, the imbalance in the use of banking services, and the issues of the population remaining outside financial services[2]. It notes that retail payments are the "starting point" for the digital economy.

The theoretical works of economists such as N. G. Mankiw (2020) and F. Mishkin (2019) have extensively covered issues related to the economic efficiency, liquidity, security, and transaction costs of payment instruments and money circulation. They see payment systems as an important tool in optimizing interbank relations[5,6].

At the national level, the Resolution of the President of the Republic of Uzbekistan No. PP-4848 sets out clear directions for the modernization of the payment infrastructure, and a separate task is to pay great attention to the expansion of digital services in commercial banks [3]. The Central Bank's 2023 report also analyzes the role of national payment systems in retail payments and the level of service provision through modern mobile applications[4].

Also, research by A. Chakravorty (2003) on the competitive environment and the role of innovation in retail payment markets, focusing on issues of effective regulation and security for market participants, provides an opportunity to compare the experience of Uzbekistan with international standards.[7] Thus, the analysis of the available literature shows that retail payment systems not only stimulate economic activity, but also serve as the main foundation of digital financial infrastructure. In improving this system, it is important to harmonize both national and international experiences.

Analysis and Results

In recent years, Uzbekistan has been implementing significant reforms in the digitalization of the banking system, including the expansion of retail payment services. Retail payments are mainly made through mobile applications, internet banking, POS terminals and QR codes. This is increasing the level of access to financial services for individuals and small businesses.

According to the Central Bank, the number of retail payments in the republic in 2023 will reach 1.7 billion, which is 2.3 times more than in 2020[8]. The share of national and private payment systems such as UZCARD, HUMO, Click, Payme in this growth is increasing significantly. This indicates an increase in digital financial literacy among the population and the introduction of innovative solutions by commercial banks.

Table 1

Indicators of commercial banks in Uzbekistan for main retail payment services
(in thousands)[1]

Type of service	2021 y.	2022 y.	2023 y.
Loans to individuals	150	180	210
Plastic card users	500	600	750
Internet banking users	200	250	300
Mobile application users	150	220	280

The analysis of the table shows that the number of users of mobile applications and Internet banking services has increased significantly during 2021–2023. These figures indicate that the demand for digital payment services is growing and that banks are meeting this demand.

Also, the level of use of plastic cards by the population reached 750 thousand in 2023, an increase of 50% compared to 2021. This serves to diversify sources of income for banks through payment commissions.

Practice shows that the development of the retail payment system not only facilitates payment processes, but also has a positive effect on reducing the informal economy, limiting cash circulation, and increasing tax revenues [9].

However, the analysis also shows that the geographical coverage of retail payment services in commercial banks is still limited, especially in rural areas, due to the insufficient development of infrastructure, which limits the use of information technologies. Also, the low level of digital literacy and concerns about cybersecurity remain problems in this area.

The results of research and analysis show that the interbank payment system is an infrastructure formed on the basis of engineering and information technologies that ensures the prompt, accurate and secure execution of settlements between commercial banks and other financial institutions. The forms of payments carried out through this system indicate that the composition, volume and payment discipline of money circulation in the national economy are being effectively organized.

In Uzbekistan, positive changes have been observed in the number and structure of transactions carried out through the interbank payment system in recent years. The following table provides information on non-cash settlement documents carried out through the interbank payment system.

Table 2

Settlements made through the interbank payment system of Uzbekistan[2]
(thousands, share in percent)

Payment method	2020y.		2021y.		2022y.		2023y.		2024y.	
	Number	%	Number	%	Number	%	Number	%	Number	%
Memorial warrant	13 737	26	16 549	29	21 186	33	22 910	34	23 360	31
Payment order	33 842	64	36 353	64	38 370	59	40 168	59	49 220	64
Payment request	232	0	269	0	229	0	193	0	178	0
Letter of credit	0,3	0	0,2	0	0,07	0	0,08	0	0,03	0
Collection	4 833	9	3 882	7	5 079	8	5 079	7	3 714	5
Total	52 647	100	57 054	100	64 865	100	68 353	100	76 474	100

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[1] It was compiled by the author based on the data of the Statistical Bulletin of the Central Bank.
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The table shows that in 2020-2024, the number of settlements made through the payment system increased from 52,647 thousand to 76,474 thousand, which is an increase of 45 percent. This indicates an increase in the level of use of payment systems and indicates a growing demand for interbank transactions.

In particular, the number of payments made through memorial orders, which was 13,737 thousand in 2020, reached 23,360 thousand in 2024. This is an increase of almost 70 percent. Although their share in total payments was 34 percent in 2023, it decreased to 31 percent in 2024. This indicates that some intra-bank payment systems are being optimized.

Payment orders are the most widely used and are developing steadily. For example, this form accounted for 64 percent of total payments in 2020, and it retained the same share in 2024. This indicator indicates the importance of this type of payment as the main means of interbank transactions.

While payments in the form of collection amounted to 4,833 thousand in 2020, accounting for 9 percent, in 2024 they decreased to 3,714 thousand, accounting for 5 percent. This indicates that the level of popularity of this form of operations is decreasing. In this case, it is necessary to develop more effective solutions in terms of the convenience and popularity of collection mechanisms.

Forms such as letters of credit and payment requests have remained statistically minimal over the years. For example, in 2024, the number of letters of credit was only 0.03 thousand, and payment requests were 178 thousand. The lack of development of this type of payment means indicates the need to increase their accessibility and awareness.

In general, based on these analyses, it can be concluded that payment orders are currently in the leading position in the interbank payment system, the number of payments through memorial orders is increasing, but some forms - in particular, collection and letters of credit - are facing difficulties in becoming popular. This, in turn, shows the need to further diversify the banking system, introduce modern payment methods and implement targeted measures to improve customer literacy.

In recent years, the banking system of Uzbekistan has undergone major reforms in the introduction of digital services and the development of remote financial platforms. In particular, the number of users of remote banking services is increasing sharply from year to year, which clearly demonstrates the growing demand for and trust in digital finance. Remote services allow bank customers to carry out various financial transactions without visiting the bank, the following table provides general information about this.

Table 3

Number of users of remote banking services in Uzbekistan [3]

Date	Total	Legal entities and individual entrepreneurs	Individuals
01.01.2020 y.	10 153 458	691 008	9 462 450
01.01.2021 y.	14 571 094	822 518	13 748 576
01.01.2022 y.	20 203 384	968 580	19 234 804
01.01.2024 y.	44 099 600	1 339 609	42 759 991
01.01.2025 y.	52 373 327	1 478 073	50 895 254

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[3] It was compiled by the author based on the data of the Statistical Bulletin of the Central Bank.

According to the table, as of January 1, 2020, the number of users of remote banking services was 10.1 million, while by the beginning of 2025 this figure had reached 52.3 million. That is, the number of users increased by 5.1 times during this period. This growth rate indicates that digital financial services have been widely introduced in Uzbekistan, and digital communication between banks and clients has been activated.

The results of the analysis show that individuals constitute the largest user group. In 2020, their number was 9.4 million, while in 2025 it reached 50.9 million. This is a 5.4-fold increase. The active involvement of individuals in remote services is primarily due to the popularization of mobile banking applications, Internet banking and payment systems.

Growth is also observed in the group of legal entities and individual entrepreneurs. Their number was 691 thousand in 2020, and in 2025 it will reach 1.47 million. This also means an almost two-fold increase. This indicates that the culture of using online banking services is growing among entrepreneurs.

In conclusion, remote banking services are not only a means of increasing the efficiency of service provision for banks, but also an important driver in the digitalization process of the economy. Further expansion of these services, especially by reaching underserved segments of the population in the regions, can further expand financial inclusion. At the same time, areas such as ensuring cybersecurity, increasing digital literacy, and strengthening the legal framework also remain priorities.

Conclusions and Suggestions

The conducted analysis shows that the effective operation of the retail payment system of commercial banks is of great importance in accelerating the circulation of money in the country's economy, expanding the use of financial services, and increasing the efficiency of banks' activities. The introduction of remote payment instruments, Internet banking, mobile applications, and other digital solutions has significantly improved the level of access to financial services for the population and business entities.

At the same time, the level of popularity of some forms of payment (letters of credit, collection, and payment orders) remains low, and the lack of well-developed infrastructure in the regions and the insufficient level of digital literacy remain relevant. In the interbank payment system, payment orders occupy a leading position, however, we believe that it is necessary to further expand the opportunities for the effective use of various forms. Based on the above-mentioned analyses, studies and conclusions, we have developed the following proposals for the development of the retail payment system in commercial banks:

1. It is necessary to expand the digital infrastructure across regions. In particular, it is necessary to improve Internet connectivity in remote and rural areas, expand the infrastructure of POS terminals and QR codes, and expand the opportunities for providing digital payment services to the population.

2. It is necessary to strengthen the promotion of payment forms among entities that have the status of legal entities. In particular, it is possible to encourage their use by informing the public about the advantages, security features and procedure for using forms such as letters of credit, collection and payment requests.

4. In order to strengthen the growth in the number of users of remote services, it is necessary to strengthen cooperation between the public and the private sector to increase digital literacy. In this regard, it is advisable to implement joint projects between the media, banks and educational

institutions.

5. It is necessary to increase the efficiency of settlements by diversifying and increasing the level of automation of the interbank payment system. In this regard, it is recommended to widely introduce automated clearing systems, real-time payment platforms, and intelligent monitoring tools.

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