



**EVOLUTIONARY STAGES OF DEVELOPMENT OF RETAIL
BANKING SERVICES IN COMMERCIAL BANKS**

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ABSTRACT	KEYWORDS
<p>This article analyzes the development process of retail banking services in commercial banks based on an evolutionary approach. The study consistently covers the stages of traditional, technology introduction, internet banking and digital banking services, and shows their main features and specific aspects. Retail banking services are also divided into traditional (stationary) and remote types, and their advantages and limitations are analyzed on a scientific basis. The article studies the impact of digital technologies (artificial intelligence, machine learning, big data analytics, cloud computing and mobile applications) on retail banking services.</p>	<p>Retail banking, commercial banking, digital transformation, traditional banking, remote banking, internet banking, mobile banking, artificial intelligence (AI), machine learning (ML), big data, cloud computing, cybersecurity.</p>

Introduction

In recent years, the profound structural changes taking place in the global and national economy have had a significant impact on the functioning of the banking system. In particular, the rapid development of digital technologies, increased competition in the financial services market, and changes in customer demands and needs are prompting commercial banks to fundamentally reconsider their service model. As a result, significant development and transformation processes are observed in the banking system, especially in the field of retail banking services.

Traditionally, the activities of commercial banks were more focused on servicing large enterprises and legal entities, but today the main focus is on individuals. Increasing incomes, increasing financial literacy, and the widespread use of modern payment instruments have further increased banks' interest in the retail segment. This situation has led to further intensification of competition among banks in order to expand their customer base, making it necessary to constantly improve the quality of services. At the same time, the expansion of retail banking services serves as an important factor in forming a stable source of income for banks. By attracting deposits, developing consumer loans, and improving payment and money transfer services, commercial banks are strengthening their financial stability. In particular, income generated through small-scale, but mass transactions has begun to play an important role in the activities of banks. At the modern stage, retail banking services are becoming not only a means of carrying out financial transactions, but also an instrument for building long-term relationships with customers. Banks are now not just service institutions, but also a comprehensive platform that meets the daily financial needs of customers. In this process, digital banking services, mobile

applications, and remote service channels are gaining particular importance. The above circumstances make it urgent to study the formation and development of retail banking services in commercial banks based on an evolutionary approach.

Literature Review

In many scientific studies, their mass nature is recognized as an important criterion for determining retail banking services. At the same time, special attention is paid to the characteristics of the needs being satisfied within the framework of this approach. In particular, according to I. Osnovin, the retail banking product is based on a single technology for processing banking information and performing banking operations [1].

Foreign scholar A. Omari interprets retail banking services as a type of service that develops in connection with technological progress and increased consumer demand. Although this approach reveals the dynamic nature of the development of services, it does not fully explain their content as a set of practical financial operations [2]. Therefore, it is appropriate to interpret retail banking services not only as a result of technological development, but also as a system of innovative and digital services aimed at meeting the needs of the population.

S. Scott, J. Reenen and M. Zachariadis analyze retail banking services in the context of digital transformation and fintech innovations, emphasizing their transition from the traditional branch model to a multi-channel and platform-based system. In their opinion, artificial intelligence, big data and digital platforms will increase the efficiency of banking services, lead to changes in customer behavior, individualization of services and expansion of financial inclusion [3].

A. Fiador evaluates retail banking services as an important component of the financial services system, noting that their main task is to provide deposit, loan, mortgage and payment services to individuals. He also notes that the development of digital technologies is accelerating the transformation of these services, and the convenience of services through mobile and internet banking is increasing [4].

R. Hepsiba considers retail banking services as the main type of customer-oriented financial activity, noting that their efficiency varies depending on the type of bank [5]. In particular, private banks are more likely to introduce innovative services, while state-owned banks are more likely to focus on coverage and sustainability.

Y. Vinokurova interprets retail banking services as a set of interrelated operations, emphasizing that their main goal is to ensure the movement of funds by satisfying customer needs [6]. However, this definition does not sufficiently reflect the competitive environment of services in the market, customer orientation, and digital factors.

According to N. Keshenkova, retail banking services are a legally formalized process of providing customers with services and products on a mass basis based on standardized banking operations [7]. Although this approach sheds light on the organizational and legal aspects of services, it does not fully cover the issues of modern digital transformation and individualized service provision.

Research Methodology

In order to thoroughly analyze and generalize the results obtained in the process of preparing this article, induction and deduction, systematic and comparative analysis, methods were used. This methodological approach allows for a scientific study of the evolution of retail banking services in commercial banks and the development of conclusions.

Analysis and Results

In the modern economy, retail banking services are becoming one of the most important sources of income for commercial banks. Through these services, banks not only attract funds from the population, but also form their own stable income base by carrying out a wide range of financial transactions. Therefore, studying the development process of retail banking services based on an evolutionary approach is of particular scientific importance (Table 1).

Table 1 Evolutionary stages of retail banking development

Stage Name	Period	Main features
Traditional Banking Stage	Mid-20th century	Cash transactions, deposits, loans
Technology Implementation Stage	1960s-1990s	Bank cards, ATMs, electronic settlements
Internet Banking Stage	1990s-2010s	Internet banking, remote services
Digital Banking Stage	2010s to present	Mobile banking, fintech, AI, big data

At the stage of traditional banking services, retail banking services were mainly limited to traditional operations, which included cash services, attracting deposits and simple lending operations. Banking services were carried out completely offline, and customers were forced to directly contact bank branches to perform all operations. This period can be described as the initial stage of the formation of the banking system and is characterized by a relatively limited scope and variety of services.

The stage of introduction of banking technologies is characterized by the introduction of technological innovations in retail banking services. In particular, the introduction of bank cards, the formation of a network of automated teller machines (ATMs) and the development of electronic settlement systems initiated the process of automating banking operations. As a result, the speed of customer service increased, operational efficiency improved, and the possibilities of using banking services expanded. With the widespread use of Internet technologies, a new stage in the development of retail banking services has emerged. During this period, Internet banking services were formed, allowing customers to perform banking operations remotely. This significantly increased the convenience, speed and popularity of banking services. Also, the interaction between banks and customers has risen to a new level.

The stage of digital banking services is the highest level of development of retail banking services, which is being formed on the basis of digital technologies. The widespread introduction of mobile banking applications, the activities of fintech companies, artificial intelligence and big data technologies has brought banking services to a qualitatively new level. As a result, services have become more individualized, a more customer-oriented approach has been strengthened, and the efficiency and competitiveness of the banking system have also increased significantly.

In order to systematically analyze retail services provided to customers in commercial banks, it is advisable to divide them into two main groups: traditional (stationary) and remote services. This approach allows for a comprehensive study of the organizational form of banking services, mechanisms of use, and methods of provision. Both areas have their own advantages and limitations, and their comparative analysis on a scientific basis is of great importance in increasing the efficiency of the banking system and improving services.

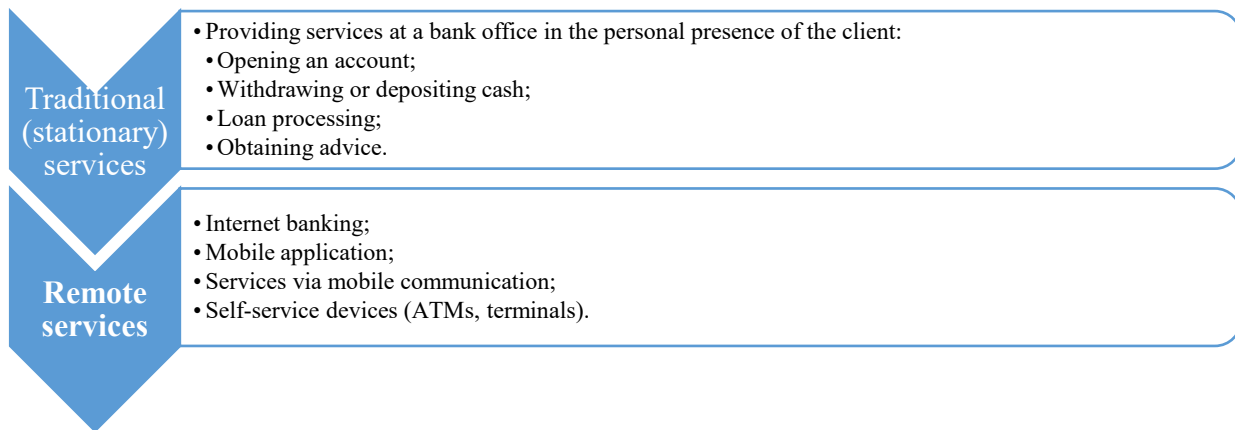


Figure 1. Types of retail banking services and their forms of provision

Traditional (stationary) banking services play an important role in the financial system, providing direct contact between the client and the bank. Through these services, clients can personally visit a bank office and use account opening, cash transactions, loan processing and advisory services. Direct communication increases trust in the service and serves to accurately perform complex operations. However, the need for personal participation of the client creates limitations such as loss of time and waiting in line, which reduces the efficiency of the service.

Remote banking services, on the other hand, are formed on the basis of digital technologies and allow for remote operations. Through Internet banking, mobile applications, ATMs and terminals, clients can manage accounts, make payments and money transfers. The main advantage of these services is their 24/7 availability, speed and resource saving, which increases customer convenience and satisfaction. At the same time, they are dependent on technological infrastructure and cybersecurity, which also poses certain risks.

In recent years, digital transformation has significantly changed retail banking services, enabling automation, customization and efficiency improvements based on technologies such as artificial intelligence, machine learning, big data and cloud computing. This serves to ensure the innovative development and competitiveness of banks.

Table 2 The impact of digital technologies on retail banking services

Digital Technology	Impact on retail banking	Impact on customer experience	Impact on bank efficiency
Artificial Intelligence (AI)	Credit and risk assessment, financial advice automation	Personalized services, fast response	Improve decision-making efficiency, reduce operational costs
Machine Learning (ML)	Transaction analysis, fraud detection	Increase customer security and trust	Reduce operational errors, manage risks
Big Data	Customer behavior forecasting, product segmentation	Personalized recommendations, adaptation to customer needs	Improve marketing efficiency, expand cross-sell opportunities
Cloud Computing	Centralized data management, rapid application deployment	Continuous and stable service for customers	Reduce operational costs, optimize IT infrastructure
Mobile Banking Apps	Remote billing and payments	Convenient and fast services, increase customer satisfaction	Improve operational efficiency, retain customers for a long time

The table shows that digital technologies play a significant role in improving the efficiency of retail banking services and improving the customer experience. Artificial intelligence (AI) automates credit and risk assessment processes, speeds up decision-making and reduces operational costs, while providing personalized services to customers.

Machine learning (ML) enhances bank security by detecting fraud and analyzing transactions, helps manage risks and reduce operational errors. Big Data, on the other hand, increases marketing efficiency and has a positive impact on profitability by predicting customer behavior, segmenting and providing individual recommendations.

Cloud computing (Cloud Computing) allows centralized data management and rapid system deployment, optimizing IT infrastructure and ensuring uninterrupted service. Mobile banking applications, on the other hand, allow customers to make payments and settlements at any time, increasing convenience, speed and loyalty.

In general, digital technologies are a strategic tool for optimizing banks' internal processes, reducing costs and increasing profitability. Advanced foreign experience shows the importance of seamless communication with customers through mobile applications, chatbots and virtual assistants, as well as ensuring the same customer experience across all channels through an omnichannel banking approach. From the point of view of financial efficiency, automation reduces human error and reduces operational costs. At the same time, blockchain and biometric technologies enhance security and increase the level of trust. However, issues such as data security, regulatory requirements and digital inequality remain relevant.

In general, the experience of US, European and Asian banks confirms that digital transformation is an important factor in improving customer satisfaction and financial results. In the European Union, the main direction is the provision of services through mobile and online platforms, which helps to reduce time and costs, as well as improve service quality and security.

Research conducted by the FinTech Association shows that in 2025, the global banking system will enter a deep transformation phase, and new digital trends are emerging. In particular, competition between BigTech companies and traditional banks is emerging as one of the main trends in the financial market. Large technology companies are seeking to expand their customer base by offering financial services through their platforms, which is creating a new competitive environment for banks.

At the same time, the concept of embedded finance is becoming widespread. According to this model, banking services and financial products are integrated into the platforms of non-financial companies. As a result, customers will be able to use banking services directly in the process of using other services, that is, in a “seamless” (continuous) way. This simplifies the service process and significantly improves the customer experience.

Another important direction is multisegment banking services, which involves adapting banking products to different social groups. In particular, there is an expansion of family banking products, special services for children and the elderly, as well as financial services for previously underserved groups - freelancers and self-employed individuals. This will serve to increase the level of financial inclusion.

In general, these areas are seen as key trends that determine the future development of the banking system. They will make financial services more flexible, faster and customer-oriented, while taking cooperation and competition between banks and technology companies to a new level.

Table 3 Assessment of the impact of digital transformation trends in the banking system

№	Trends	Improve customer experience	Business growth and transformation	Improve operational efficiency	Risk management	Employee skills development	Score
1	BigTech vs BigBanks	3	4	2	2	1	12
2	Integrated Financial Services	3	4	2	2	0	11
3	Multi-Segment Banking	3	2	0	0	1	6
4	QR Payments (QR-ization)	3	3	2	2	1	11
5	Multimodal Bioacquiring	4	3	2	1	1	11
6	Digital Currencies	3	3	3	2	0	11
7	Tokenization of Real Assets	3	3	3	2	0	11

This table allows for a comprehensive assessment of the impact of digital transformation trends on various functional aspects in the banking system. As can be seen from the analysis, the trend with the highest overall impact is the competition between BigTech companies and traditional banks. This indicates that the active participation of technology giants in the banking sector has a significant impact on customer experience and business model transformation.

At the same time, the trends of integrated financial services and QR-payments also have high performance indicators. These trends create convenience for customers through the integration of financial services into everyday platforms and the simplification of payment systems, and contribute to the popularization of banking services.

The retail banking sector is currently undergoing unprecedented transformation, becoming one of the most dynamic segments of the global financial system. The rapid development of digital technologies in the banking industry is not only optimizing operational processes, but also fundamentally reshaping the service model. At the same time, customers' demands for financial services have also risen to a new level in terms of quality, with factors such as speed, convenience, transparency, and individualization becoming a priority.

Conclusion

Retail banking services are of strategic importance in the activities of modern commercial banks and are one of the main areas ensuring their profitability and sustainable development. These services have undergone several evolutionary stages, going through a complex transformation from traditional operations to a fully digital banking system.

The joint development of traditional and remote banking services has ensured the transition of the banking system to an omnichannel model, increasing the convenience and variety of services for customers. At the same time, this approach has allowed banks to study customer needs more deeply and customize services.

Digital technologies, in particular artificial intelligence, machine learning, big data and cloud computing, are helping to bring banking services to a qualitatively new level. They not only increase operational efficiency, but also create the opportunity to provide personalized and fast service to customers.

At the same time, the digital transformation process also raises issues such as cybersecurity, data protection and digital inequality. This requires banks to implement modern security systems and strictly comply with regulatory requirements. In general, international experience shows that the combination of digital transformation and a customer-centric approach is a key factor ensuring the sustainable development and competitiveness of retail banking services.

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