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CLASSIFICATION APPROACHES TO RETAIL SERVICES AND BANKING PRODUCTS IN COMMERCIAL BANKS

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Retail banking services are one of the most attractive and highly profitable areas of activity of commercial banks. Therefore, despite the difficulties in the banking sector, credit institutions are paying special attention to the development of this segment and are consistently expanding the range of services provided to individuals. As one of the main areas of retail activity of commercial banks, the provision of deposit, loan and settlement and cash services to individuals occupies an important place. Along with these operations, banks also offer customers various additional financial services, including money transfers, bank cards, investment and advisory services. This serves to diversify the activities of banks in the retail segment, comprehensively meet the needs of customers and increase profitability.

Depending on the recipient, retail banking services can be divided into the following groups:

Services for legal entities - corporate settlements, long-term lending, account management and servicing;

Services for business partners and financial market entities - lending, currency exchange operations;

Services for individuals - consumer and mortgage loans, deposit acceptance and payment to individuals and legal entities.

Also, services for individuals are divided into services for entrepreneurs, personal and retail services.



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Depending on the characteristics of the services provided, they can be classified as traditional, special and additional services. Traditional services include settlement operations, lending and deposit acceptance; special services include trust management services, pledges, storage of values through bank rooms; additional services include currency operations, transactions with precious metals and stones.

The classification of retail banking services according to their target audience is practical and theoretically expedient in the field of finance and banking. This classification system allows you to increase the efficiency of banking services, identify customer segments and optimally allocate resources. Retail banking services are divided into two main groups: direct financial services to individuals and corporate-retail services.

Direct financial services to individuals are provided by banks and other financial institutions to meet the personal consumption needs of citizens. The scope of these services includes retail lending, deposits, settlement and cash transactions, currency exchange, transactions through bank cards, Internet banking and mobile banking services. These services serve to meet the daily financial needs of individuals, ensure financial stability and simplify personal financial management. At the same time, financial services provided to individuals are also important from the point of view of financial inclusion, as they attract a wider social stratum to the banking system.

Corporate-retail services are aimed at meeting the consumer needs of employees through legal entities and mainly include payroll and corporate financial services. For example, paying employees' salaries through bank cards, providing corporate credit and deposit products, as well as creating insurance and investment opportunities for employees are the main manifestations of corporate-retail services. These types of services optimize financial relations between employers



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and employees, increase the financial comfort of employees and support corporate social stability.

Both types of services are interconnected in the modern financial system and serve to implement the general strategic goals of banks. Services aimed at individuals allow banks to expand their retail client base, while corporate-retail services strengthen work with institutional clients and ensure long-term financial stability. At the same time, technological advances, digital banking services and automated operations act as a means of unifying these two types of services, increasing convenience and speed for customers.

Thus, the classification of retail banking services by individuals and corporate clients is not only of theoretical importance, but also an important tool in the processes of strategic planning, resource management and service diversification of banks. This approach allows banks to strengthen an individual approach to clients, manage risks and increase their competitiveness. In order to better understand the composition of services provided by commercial banks to individuals, it is appropriate to consider separately the main types of their operations (Figure 1).

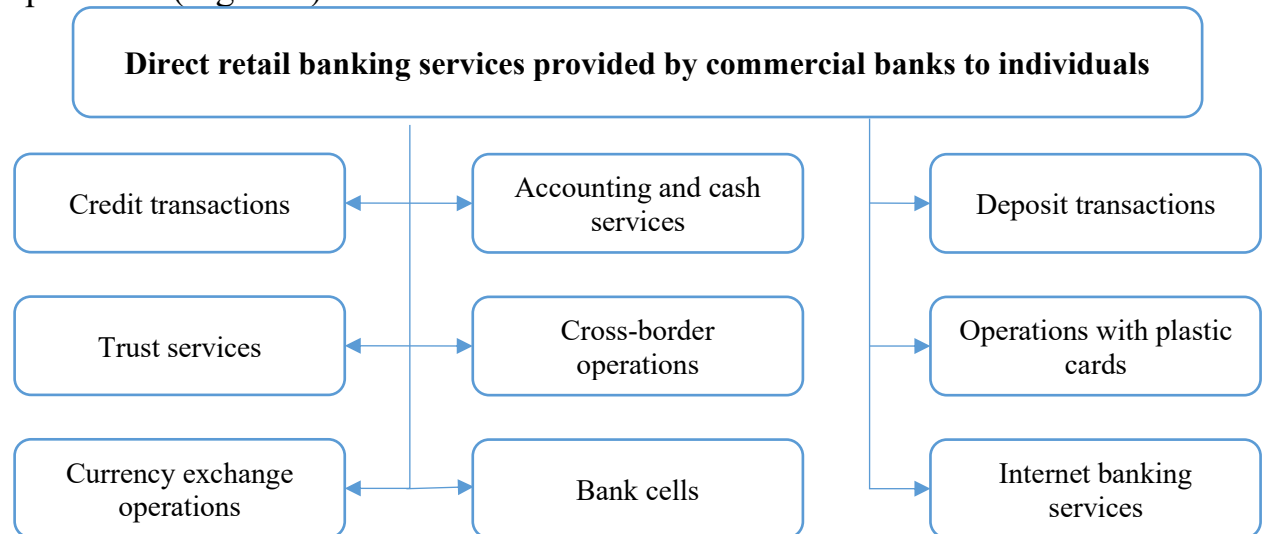


Figure 1. Direct retail banking services provided by commercial banks to individuals



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In the practice of commercial banks, it is advisable to study retail services provided to customers in general terms by dividing them into two main groups. This approach allows for a systematic analysis of the organizational form of banking services, methods of their use, and mechanisms for providing them to customers¹. In particular, these services are divided into traditional (stationary) and remote forms, each of which has its own characteristics, advantages, and limitations. Therefore, a comprehensive study of these two areas in the banking system, as well as their assessment and improvement of their effectiveness, is of significant scientific and practical importance (Figure 2)

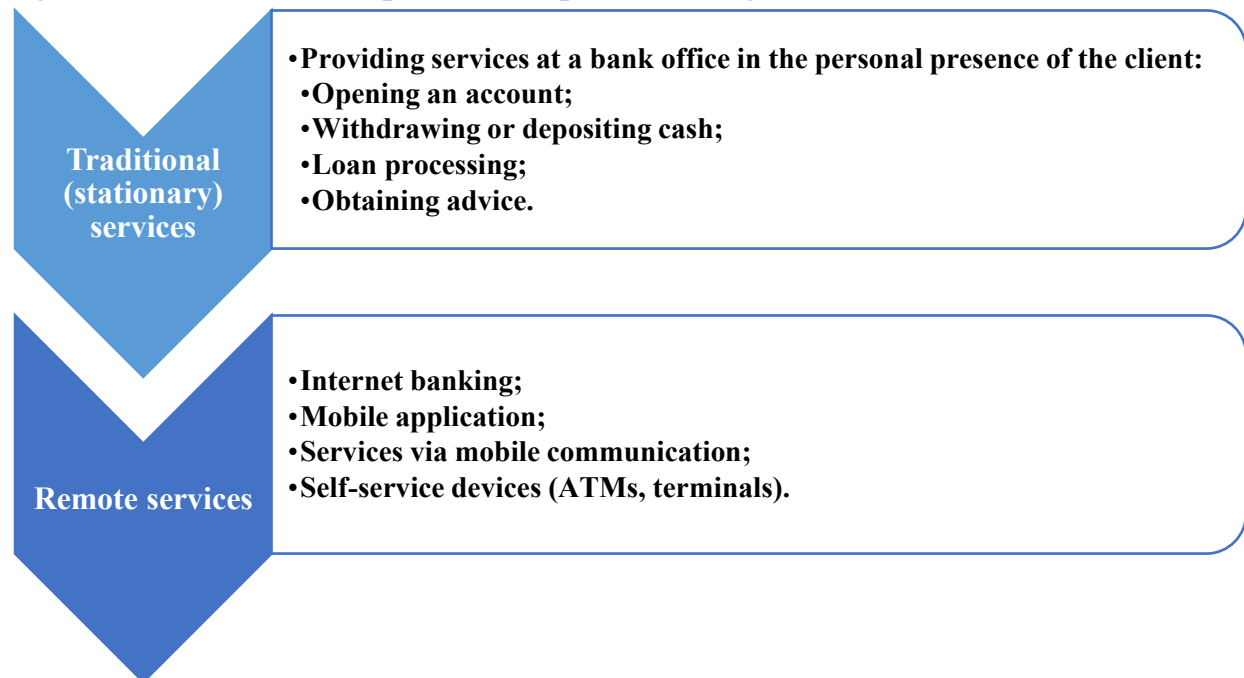


Figure 2. Types of retail banking services and their forms of provision

¹ Charlier J. *From persistent homology to reinforcement learning with applications for retail banking* [Electronic resource]. — arXiv, 2019. — URL: <https://arxiv.org/abs/1911.11573>



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Traditional (stationary) banking services occupy an important place in the financial system, providing direct socio-economic contact between the client and the bank. Within the framework of this type of service, clients have the opportunity to personally visit the bank office, open an account, carry out cash transactions, issue a loan, and receive professional advice. The presence of direct communication increases confidence in the quality of service and serves to accurately perform especially complex financial transactions.

At the same time, there are some limitations of traditional services. In particular, the requirement for the physical presence of the client increases the time spent and creates the need to wait in line at bank branches. This situation can reduce the efficiency of using services, especially inconvenient for working segments of the population. Therefore, the modern banking system seeks to reduce these shortcomings.

Remote banking services, on the other hand, have been formed as a result of the development of digital technologies and allow banking transactions to be carried out remotely. Through Internet banking, mobile applications, mobile communication tools and self-service devices (ATMs and terminals), customers have the opportunity to manage their accounts, make payments, transfer money and check their balance. This significantly increases the convenience of financial services.

The main advantage of remote services is their constant (24/7) availability, speed and resource saving. Customers can perform banking operations at any time, regardless of their geographical location. As a result, time and transportation costs are reduced, the efficiency of using services increases and the overall level of customer satisfaction increases.

However, remote banking services also have certain risks and limitations. They are highly dependent on the Internet and technological infrastructure, and



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technical failures can lead to service interruptions. In addition, there are risks associated with cybersecurity, including the possibility of data theft or fraud. Therefore, banks are paying special attention to minimizing these risks by introducing modern protection mechanisms.

The results of the study show that retail services of commercial banks are one of the most important and steadily developing areas of the modern banking system. The expansion of retail banking services serves to diversify the sources of income of banks, expand the customer base and increase financial inclusion. Deposit, loan, settlement and investment services aimed at individuals are one of the main factors ensuring the competitiveness of banks in the market.

In general, the main areas of improvement of retail banking services are diversification of services, deepening of digitalization processes and effective risk management. This serves to ensure the long-term sustainable development of commercial banks and competitive advantage in the market.