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Improving the Transformation Process of Commercial Bank Operations

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Abstract: This article covers the theoretical, methodological and practical aspects of improving the transformation process of commercial banks. The study analyzes the issues of introducing digital technologies in the banking system, optimizing business processes, expanding the scope of customer-oriented services, improving the quality of corporate governance, and improving risk management mechanisms. It is argued that the transformation of commercial banks is not only the introduction of digital products and services, but also a complex process that requires updating the bank's business model, organizational structure, management system and personnel capacity. During the study, criteria were developed for assessing the digital maturity of banks, customer satisfaction, operational efficiency, financial stability and risk tolerance. Also, practical institutional, technological and management proposals were put forward for the effective organization of transformation processes in commercial banks. These proposals serve to increase the competitiveness of banks, improve the quality of services and strengthen their financial stability.

Keywords: Commercial Banks, Transformation, Digital Banking, Bank Management, Fintech, Corporate Governance, Risk Management, Operational Efficiency, Customer Focus.

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1. Introduction

In the context of global financial modernization, the transformation of commercial banks has become one of the most important conditions for ensuring their competitiveness, financial stability, and long-term sustainable development. Rapid technological progress, the expansion of digital financial services, growing customer expectations, the emergence of fintech companies, and increasing cyber risks require banks to revise their traditional business models and management approaches [1].

Today, commercial banks are not only financial intermediaries that accept deposits and provide loans. They are gradually becoming digital financial ecosystems that offer integrated services related to payments, lending, savings, insurance, investments, and financial consulting. In this process, the effectiveness of banking activities depends not only on the volume of assets, loans, or deposits, but also on the level of digital maturity, customer orientation, operational efficiency, risk management quality, and corporate governance [2].

Digital transformation is considered a complex process that affects all areas of banking activity. It includes the introduction of modern information technologies, automation of business processes, development of mobile banking, use of artificial intelligence and big data technologies, improvement of customer relationship

management systems, and strengthening cybersecurity mechanisms [3]. According to Vial, digital transformation changes the way organizations create value, organize business processes, and interact with customers. Similarly, Verhoef emphasize that digital transformation requires changes not only in technology but also in organizational structure, strategy, and management culture [4].

In Uzbekistan, the banking sector is undergoing significant institutional and structural reforms. The development of digital banking services, expansion of cashless payments, modernization of banking infrastructure, improvement of corporate governance, and strengthening of financial stability are among the priority directions of banking sector development [5]. At the same time, commercial banks face several challenges, including the need to improve the quality of loan portfolios, increase the share of stable deposits, reduce operational costs, strengthen cyber protection, and improve customer satisfaction [6].

Therefore, improving the transformation process of commercial banks is of great scientific and practical importance. The successful implementation of transformation processes can contribute to enhancing the competitiveness of banks, improving the quality and accessibility of financial services, reducing operational risks, and ensuring the sustainable development of the banking system [7].

The purpose of this study is to analyze the theoretical and practical aspects of commercial bank transformation and to develop proposals for improving transformation mechanisms in commercial banks. The study focuses on the development of digital banking services, customer-oriented business models, risk management systems, corporate governance, and operational efficiency [8].

Literature Review: The transformation of commercial banks has become an important research area in modern financial literature. Scholars emphasize that banking transformation is not limited to the implementation of digital technologies; it also includes changes in business models, organizational structures, customer relationship systems, risk management mechanisms, and corporate governance practices. The growing role of financial technologies, artificial intelligence, big data, cloud computing, and mobile banking has created new opportunities and challenges for commercial banks [9].

One of the major theoretical foundations for understanding banking transformation is the concept of digital transformation. Vial defines digital transformation as a process through which digital technologies cause significant changes in the way organizations create value, manage internal processes, and interact with customers. According to this approach, digital transformation affects not only technological infrastructure but also strategic management, organizational culture, and decision-making systems [10].

Verhoef argue that digital transformation should be viewed as a multidimensional process involving digital technologies, changes in customer behavior, new business models, and organizational adaptation. Their study highlights that companies which successfully integrate digital technologies into their core strategies can improve operational efficiency, customer satisfaction, and market competitiveness [11]. This idea is particularly relevant for commercial banks because banking services are increasingly delivered through mobile applications, internet platforms, and automated systems .

The importance of business model innovation in banking transformation is discussed by Berman. The author notes that digital technologies enable financial institutions to develop new revenue sources, improve service delivery, and reduce operational costs. For commercial banks, this means moving from traditional branch-based banking toward platform-based, customer-oriented, and data-driven banking models. Such models allow banks to provide faster, more convenient, and personalized financial services [12].

Hanelt emphasize that digital transformation requires changes in organizational capabilities. According to their research, the successful implementation of transformation

strategies depends on leadership, employee competencies, technological readiness, and the ability to manage organizational change. In the banking sector, this means that banks need not only modern software and digital platforms but also qualified specialists in data analytics, cybersecurity, artificial intelligence, risk management, and digital product development [13].

The role of customer orientation in banking transformation has also been widely studied. Customers increasingly expect financial services to be fast, accessible, personalized, and secure. As a result, commercial banks are required to improve their customer relationship management systems and develop individualized financial products. Digital banking platforms make it possible to analyze customer behavior, identify financial needs, and offer customized loans, deposits, payment services, and investment products [14].

Another important aspect of commercial bank transformation is risk management. The use of digital technologies increases exposure to cyber risks, data leakage, fraud, operational failures, and technology-related disruptions. Basel Committee on Banking Supervision stresses that banks should strengthen operational resilience, cybersecurity systems, information technology governance, and business continuity planning. Therefore, transformation processes should be accompanied by effective risk management mechanisms [15].

Research by Gomber, Koch and Siering shows that fintech companies have significantly changed the competitive environment of the financial sector. Fintech firms offer fast, flexible, and customer-friendly services in areas such as digital payments, online lending, insurance, investments, and financial consulting. As a result, traditional commercial banks are increasingly cooperating with fintech companies instead of competing with them directly. Such cooperation allows banks to access innovative technologies, reduce service costs, and expand their digital product range.

In addition, the literature highlights the importance of corporate governance in ensuring successful bank transformation. Strong corporate governance improves strategic decision-making, transparency, accountability, and risk control. Banks with effective governance systems are better positioned to manage transformation projects, allocate resources efficiently, and respond to market changes. Therefore, corporate governance should be considered an integral part of the banking transformation process.

Despite the growing number of studies on digital banking and financial technologies, several research gaps remain. First, many studies focus mainly on technological innovation and do not fully evaluate the relationship between digital transformation, corporate governance, customer orientation, and financial stability. Second, there is limited research on the transformation of commercial banks in emerging economies, including Uzbekistan. Third, existing studies do not always provide a comprehensive framework for evaluating the effectiveness of transformation processes in commercial banks.

Therefore, this study aims to contribute to the existing literature by examining commercial bank transformation as a complex and interconnected process. The study focuses on digital maturity, customer orientation, operational efficiency, risk management, and corporate governance as the main components of successful transformation. Based on this approach, practical recommendations are developed to improve transformation mechanisms in commercial banks.

2. Materials and Methods

This study applies a mixed-method research approach to examine the transformation process of commercial banks and to identify mechanisms for improving its effectiveness. The methodology combines qualitative analysis of theoretical and institutional aspects

with quantitative evaluation of banking sector indicators. Such an approach makes it possible to assess transformation not only as a technological process but also as a strategic, organizational, financial, and risk-management phenomenon.

The research is based on a descriptive, comparative, and analytical design. The descriptive method is used to identify the main characteristics of commercial bank transformation, including digitalization, customer orientation, operational efficiency, corporate governance, and risk management. The comparative method is applied to analyze differences between traditional banking models and modern digital banking models. In addition, international experience and best practices in banking transformation are compared with the current conditions of the banking sector in Uzbekistan.

The empirical basis of the study includes official statistical data of the Central Bank of the Republic of Uzbekistan, reports of commercial banks, legal and regulatory documents, financial stability reports, international financial institution publications, and academic research papers. The analysis covers indicators such as total assets, loan portfolio, deposits, bank capital, profitability, non-performing loans, digital transactions, number of digital banking users, operational costs, and customer service indicators.

Each component is assessed on a scale from 0 to 100 points. The index allows commercial banks to identify weak areas in their transformation process and develop appropriate strategic measures. A higher index value indicates a more integrated and effective transformation process.

The digital maturity component includes indicators such as the share of digital transactions, mobile banking users, online lending services, digital payment tools, and automation of internal processes. Customer orientation is assessed through service accessibility, customer satisfaction, response time, complaint management, and the availability of personalized financial products.

Risk resilience is evaluated through indicators related to cybersecurity, credit risk management, liquidity management, operational risk, and business continuity systems. Corporate governance is measured by the transparency of decision-making, the effectiveness of internal control, the independence of supervisory bodies, and the quality of strategic planning. Operational efficiency is assessed through cost-to-income ratio, employee productivity, automation level, and the ability to reduce transaction processing time.

The study also uses statistical analysis to identify trends in the development of the banking sector. Growth rates, structural changes, comparative indicators, and correlation analysis are applied to determine the relationship between digital transformation and bank performance. In addition, expert assessment is used to evaluate the practical relevance of proposed transformation measures.

The methodological framework of the research makes it possible to assess commercial bank transformation comprehensively. It provides a basis for developing practical recommendations aimed at improving digital banking services, strengthening risk management, enhancing corporate governance, increasing customer satisfaction, and ensuring the long-term sustainability of commercial banks.

3. Results

The analysis shows that the transformation of commercial banks is increasingly becoming a strategic necessity rather than an optional development direction. The modernization of banking services, rapid growth of digital payments, expansion of mobile banking, and increasing competition from fintech companies require commercial banks to revise their traditional operating models.

The results indicate that digital transformation has a positive effect on the efficiency of banking operations. Banks that actively introduce mobile applications, online lending systems, digital payment instruments, and automated customer service platforms are able to reduce transaction processing time and improve service accessibility. Digital channels also help banks reduce dependence on traditional branch networks and lower operating costs.

At the same time, the analysis demonstrates that technological development alone is not sufficient for successful transformation. Commercial banks need to integrate digital solutions with customer-oriented strategies, effective corporate governance, qualified human resources, and reliable risk management systems. In cases where banks focus only on introducing new technologies without changing internal processes and management structures, transformation outcomes remain limited.

The assessment of banking transformation using the proposed Transformation Balance Index shows that the effectiveness of transformation depends on the balance between digital maturity, customer orientation, risk resilience, corporate governance, and operational efficiency. Banks with higher levels of digital maturity generally demonstrate better customer service quality and faster transaction processing. However, their performance may still be weakened if cybersecurity systems, internal control mechanisms, or employee competencies are insufficient.

Table 1. Main Results of Commercial Bank Transformation Analysis.

Transformation component	Main findings	Expected impact on bank performance
Digital maturity	Expansion of mobile banking, internet banking, online payments, and automated services	Faster service delivery and reduced operational costs
Customer orientation	Increasing need for personalized products and rapid response systems	Higher customer satisfaction and loyalty
Risk resilience	Growing cyber risks, fraud risks, and operational disruptions	Improved financial stability and business continuity
Corporate governance	Need for stronger strategic control and transparent decision-making	Better resource allocation and accountability
Operational efficiency	Automation of internal processes and reduction of manual operations	Increased productivity and lower cost-to-income ratio
Human capital	Demand for specialists in IT, analytics, cybersecurity, and digital product management	Higher adaptability and innovation capacity

Source: Compiled by the author based on Central Bank of Uzbekistan data.

The results also reveal that customer orientation is one of the weakest areas in many traditional commercial banks. Although digital banking applications are widely introduced, customers often face difficulties related to service delays, limited functionality,

insufficient personalization, and slow complaint resolution. Therefore, banks should move from a product-centered model to a customer-centered model. This requires the use of customer relationship management systems, behavioral analytics, and personalized financial offers.

Another important result concerns risk management. The transformation process increases the importance of cybersecurity, operational resilience, data protection, and fraud prevention. Banks that actively expand digital channels face higher exposure to cyber threats and technological failures. Consequently, transformation strategies should include regular stress testing, cybersecurity audits, data protection mechanisms, and business continuity plans.

The analysis further indicates that corporate governance plays a critical role in transformation success. Banks with clear decision-making procedures, effective internal audit systems, and strong supervisory boards are more capable of implementing strategic transformation projects. Corporate governance ensures that technological investments are aligned with long-term business objectives and risk management requirements.

Based on the analytical results, the following priority areas for improving commercial bank transformation were identified:

1. Expanding integrated digital banking platforms that combine payments, lending, deposits, insurance, and investment services.
2. Introducing customer data analytics systems to develop personalized products and improve service quality.
3. Strengthening cybersecurity systems and operational resilience mechanisms.
4. Improving corporate governance and establishing transformation committees at the board level.
5. Developing employee digital competencies through continuous training and cooperation with universities and technology companies.
6. Expanding partnerships between commercial banks and fintech companies.

Overall, the findings confirm that commercial bank transformation should be implemented as a comprehensive and balanced process. The most effective transformation model is one that combines digital technologies, customer orientation, strong corporate governance, risk resilience, and operational efficiency. Such an approach can improve the competitiveness of commercial banks, strengthen financial stability, and support the long-term development of the banking sector.

4. Discussion

The findings demonstrate that the transformation of commercial banks in Uzbekistan is associated with measurable improvements in financial scale, profitability, funding capacity, and foreign-currency risk reduction. However, the results also indicate that growth in banking indicators should not be interpreted only as evidence of successful transformation. Sustainable transformation requires the simultaneous development of digital infrastructure, customer-oriented services, operational resilience, risk management, and corporate governance.

Table 2. Key Banking Sector Indicators and Transformation Implications.

Indicator	June 1, 2025	June 1, 2026	Change	Transformation implication
Total assets, billion UZS	829,813	984,351	+19%	Expansion of financial intermediation capacity

Total loan portfolio, billion UZS	567,685	635,978	+12%	Continued credit activity, but slower than deposit growth
Total deposits, billion UZS	345,642	460,600	+33%	Strengthening of domestic funding and public confidence
Total capital, billion UZS	121,491	145,510	+20%	Improved capital base and shock-absorption capacity
Foreign currency share in assets	40%	35%	-5 percentage points	Reduced foreign exchange exposure
Foreign currency share in loans	41%	39%	-2 percentage points	Gradual decline in currency-induced credit risk
Foreign currency share in deposits	24%	19%	-5 percentage points	Increased confidence in national-currency savings

Source: Compiled by the author based on Central Bank of Uzbekistan data.

The statistics show that the total assets of the banking sector increased from UZS 829.8 trillion in June 2025 to UZS 984.4 trillion in June 2026, representing a 19 percent increase. During the same period, the loan portfolio grew by 12 percent, while deposits increased by 33 percent. The faster growth of deposits compared with loans is a positive signal because it indicates an improvement in the domestic resource base of commercial banks. In particular, deposits accounted for approximately 46.8 percent of total banking assets in June 2026, suggesting that banks are gradually strengthening their funding structure through customer deposits rather than relying excessively on external borrowings.

The growth of deposits can be interpreted as evidence of increasing public confidence in commercial banks and wider use of formal financial services. Nevertheless, the transformation process should focus on increasing the share of long-term and stable deposits. Short-term deposits may create liquidity pressure, especially during periods of economic uncertainty. Therefore, banks should introduce flexible savings products, digital deposit services, loyalty programmes, and individualized interest-rate offers.

Another important result is the reduction in the foreign currency share of banking assets, loans, and deposits. The share of foreign currency assets declined from 40 percent to 35 percent, while the foreign currency share of loans decreased from 41 percent to 39 percent. This trend indicates a gradual reduction in exchange-rate-related risks. Such a result is important because high dollarization may increase the vulnerability of banks and borrowers to exchange-rate fluctuations. The decline in foreign currency deposits from 24 percent to 19 percent also reflects a stronger role of national-currency financial instruments.

The transformation process has also been associated with improved profitability indicators. Net profit in the banking sector increased from UZS 6.97 trillion in January 2025 to UZS 15.50 trillion in January 2026, which represents an increase of approximately 122.5 percent. Return on assets increased from 1.4 percent to 2.2 percent, while return on equity rose from 6.6 percent to 12.4 percent. These results indicate that banks have improved their ability to generate income from available assets and capital.

At the same time, the growth in profitability should be evaluated cautiously. Higher profits may result from increased interest income, expansion of the loan portfolio, improved non-interest income, or reduced provisions for possible loan losses. For example, interest income increased from UZS 111.9 trillion to UZS 127.7 trillion, while non-interest income increased from UZS 55.1 trillion to UZS 73.1 trillion between January 2025 and January 2026. This shows that commercial banks are increasingly diversifying their income sources beyond traditional lending operations.

However, the increase in profitability should not lead banks to underestimate operational and cyber risks. The expansion of mobile banking, online payments, remote lending, and digital customer services creates new vulnerabilities related to data protection, fraud prevention, technology failures, and cyberattacks. Therefore, digital transformation must be accompanied by continuous investment in cybersecurity systems, internal control, digital identity verification, fraud monitoring, and business continuity planning.

The discussion also confirms that the transformation of commercial banks should be evaluated not only through financial indicators but also through qualitative parameters. Banks may demonstrate high asset growth and profitability while still experiencing challenges in customer satisfaction, digital service quality, complaint management, employee digital skills, and risk culture. Consequently, the proposed Transformation Balance Index is relevant because it combines five dimensions: digital maturity, customer orientation, risk resilience, corporate governance, and operational efficiency.

The findings suggest that the most effective transformation model for commercial banks in Uzbekistan should include the following directions:

1. Increasing the share of digital banking services and fully automated customer journeys.
2. Developing customer data analytics systems for personalized loans, deposits, payment services, and financial advice.
3. Strengthening deposit mobilisation through mobile applications, digital savings products, and customer loyalty programmes.
4. Reducing foreign currency exposure and expanding national-currency lending and deposit products.
5. Improving cybersecurity, operational resilience, and fraud monitoring mechanisms.
6. Establishing transformation committees under supervisory boards to ensure strategic oversight of digital and organizational changes.
7. Improving employee competencies in data analytics, artificial intelligence, cybersecurity, digital product management, and risk modelling.

Overall, the statistical results confirm that Uzbekistan's banking sector is demonstrating positive transformation trends. The growth of assets, deposits, capital, and profitability creates a favourable basis for further modernization. Nevertheless, the long-term success of commercial bank transformation will depend on whether financial growth is supported by digital maturity, customer trust, risk resilience, effective governance, and innovation-oriented human capital.

5. Conclusion

This study examined the transformation process of commercial banks and identified the main mechanisms for improving its effectiveness. The findings show that banking

transformation should not be understood only as the introduction of mobile applications, online payments, or automated services. It is a comprehensive process that includes changes in business models, customer service systems, corporate governance, risk management, operational processes, and human capital.

The analysis indicates that the banking sector in Uzbekistan has demonstrated positive trends in terms of asset growth, deposit mobilization, capital strengthening, and profitability. The faster growth of deposits compared with loans suggests an improvement in the domestic funding base of commercial banks. In addition, the gradual reduction in the share of foreign currency assets, loans, and deposits indicates a decrease in currency-related risks and a strengthening role of national-currency financial instruments.

At the same time, the study confirms that financial growth alone does not guarantee effective transformation. Commercial banks need to improve the quality of digital services, ensure cybersecurity, enhance customer satisfaction, reduce operational costs, and strengthen internal control systems. The successful implementation of transformation strategies depends on the coordination of technological innovation with effective governance, risk resilience, and qualified personnel.

The proposed Transformation Balance Index can be used as a practical tool for evaluating the level of transformation in commercial banks. The index combines digital maturity, customer orientation, risk resilience, corporate governance, and operational efficiency. It enables banks to identify weaknesses in their transformation process and make evidence-based strategic decisions.

Based on the research findings, commercial banks should focus on developing integrated digital ecosystems, expanding personalized financial services, strengthening cybersecurity mechanisms, improving customer relationship management systems, and increasing the digital competencies of employees. In addition, banks should establish transformation committees at the supervisory board level to ensure strategic control and effective monitoring of transformation projects.

In conclusion, the transformation of commercial banks is a key factor in increasing their competitiveness, strengthening financial stability, and improving the quality of banking services. A balanced combination of digital innovation, customer orientation, effective governance, risk management, and human capital development will create a solid foundation for the sustainable development of commercial banks in Uzbekistan.

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