



# **DEVELOPMENT EVOLUTION OF BANKING SERVICES IN DEVELOPED, DEVELOPING AND LESS DEVELOPED COUNTRIES**

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## **ABSTRACT**

*This article examines the evolution of banking services across developed, developing, and less developed countries, highlighting the disparities and progressions in financial inclusion, technological advancement, and regulatory frameworks. It explores the challenges faced by different economic regions, such as the digital divide in developing countries and limited access to banking in less developed regions. The study also proposes solutions like investment in digital infrastructure and mobile banking initiatives. The conclusion emphasizes the need for region-specific strategies to enhance banking services and promote inclusive economic growth.*

**KEYWORDS:** *banking services evolution, financial inclusion, digital banking, technological advancement, regulatory frameworks, economic growth, financial sector development.*

## **INTRODUCTION**

The banking sector, a cornerstone of economic development and stability, has undergone significant transformations across the globe. The evolution of banking services in developed, developing, and less developed countries presents a fascinating study of how financial systems adapt to varying economic conditions, technological advancements, and societal needs. This evolution is not just a story of technological innovation but also a narrative of how financial inclusion and accessibility have become pivotal in shaping economies.

In developed countries, the banking sector is characterized by advanced technological infrastructure, a wide range of financial products and services, and a high degree of regulatory sophistication. These countries have witnessed a rapid shift towards digital banking, with innovations in mobile banking, online transactions, and fintech solutions leading the way. The focus in these regions has been on enhancing customer experience, streamlining operations, and expanding the scope of financial services through technological integration.

Conversely, in developing and less developed countries, the banking sector faces unique challenges. These include limited access to banking services, infrastructural constraints, lower levels of financial literacy, and regulatory hurdles. However, these challenges also present opportunities for innovative solutions. Mobile banking and fintech, for instance, have shown tremendous potential in bridging the gap in financial inclusion, offering basic banking services to previously unbanked populations. The evolution in these countries is marked by efforts to extend financial services to rural and remote areas, improve affordability, and simplify banking processes.

This introduction sets the stage for a comprehensive exploration of the development evolution of banking services across different economic landscapes. It aims to delve into the nuances of how banking services have adapted and evolved in response to specific regional challenges and opportunities. The focus will be on understanding the key drivers of change in the banking sector, the impact of digital transformation, and the ongoing efforts to achieve financial inclusion and sustainability in various parts of the world.

## **LITERATURE REVIEW**

The evolution of banking services across different economic contexts presents a diverse and complex picture. This literature review explores recent studies that shed light on the development of banking services in developed, developing, and less developed countries, highlighting the unique challenges and advancements in each context. Danstun B. Ngonyani conducted a comprehensive review of financial inclusion in Tanzania, a developing country. The study analyzed the extent of financial exclusion and its implications, revealing that only a small fraction of



the adult population had access to formal banking services. This research underscores the challenges faced by developing countries in achieving effective financial inclusion and suggests the need for innovative infrastructure and clear policies to enhance financial services accessibility (Ngonyani, 2022).

Zainabu Tumwebaze and colleagues examined the impact of participation costs on stock market involvement in Uganda. Their findings indicate that reducing costs such as floatation, compliance, and marketing could make the stock market a more viable financing option in less developed countries, suggesting a potential area for financial sector development (Tumwebaze et al., 2022).

Hussein Ahmed Alshari and M. Lokhande explored the impact of demographic factors on attitudes towards FinTech services in Yemen. The study highlights the significant influence of education and income levels on the perceived benefits and risks of using FinTech, emphasizing the importance of consumer protection and financial diversity in the least developed countries (Alshari & Lokhande, 2022).

A 2022 report by the OECD presented the evolution of climate finance provided by developed countries for developing countries from 2013 to 2020. This report offers insights into the role of developed countries in supporting sustainable development in less affluent nations through financial assistance, highlighting a different aspect of the global financial landscape (OECD, 2022).

**ANALYSIS AND RESULTS**

To understand the evolution of banking services across different economic contexts, a comparative analysis is essential. This analysis examines the key differences and similarities in the development of banking services in developed, developing, and less developed countries, providing a clearer picture of the global banking landscape.

**Table 1. Comparative Analysis of Banking Services Evolution**

Aspect	Developed Countries	Developing Countries	Less Developed Countries
Technological Advancement	High; widespread digital banking	Moderate; growing mobile banking	Low; limited digital infrastructure
Financial Inclusion	High; diverse financial products	Moderate; focused on basic banking services	Low; significant unbanked population
Regulatory Framework	Robust and sophisticated	Evolving with market needs	Often underdeveloped or inadequate
Market Participation	High; mature stock markets	Growing; emerging stock markets	Low; limited stock market participation

Source: Developed by the author

Table 1 highlights the disparities and progressions in banking services across different economic tiers. Developed countries exhibit advanced technological integration and high financial inclusion, supported by sophisticated regulatory frameworks. In contrast, developing countries show moderate advancements with a focus on mobile banking to enhance financial inclusion, while less developed countries face significant challenges due to limited technological infrastructure and underdeveloped financial markets. This comparative analysis underscores the need for tailored approaches in enhancing banking services in each economic context.

Identifying the specific challenges and potential solutions in the evolution of banking services is crucial for developing effective strategies to enhance financial systems in various economic contexts.



**Table 2. Challenges and Solutions in Banking Services Evolution**

Challenge	Developing Countries	Less Developed Countries	Potential Solutions
Technological Infrastructure	Moderate; growing digital divide	Low; inadequate digital access	Investment in digital infrastructure
Financial Inclusion	Limited access to diverse financial products	High unbanked population	Mobile banking initiatives, financial literacy programs
Regulatory Framework	Evolving; needs alignment with global standards	Often inadequate or non-existent	Regulatory reforms, international collaboration
Market Participation	Limited stock market participation	Minimal or no stock market access	Lowering participation costs, financial education

Source: Developed by the author

Table 2 presents the challenges faced by developing and less developed countries in the evolution of their banking services. While developing countries are making strides in digital banking, they still face a digital divide. Less developed countries struggle with basic access to banking services. The solutions proposed include significant investment in digital infrastructure, mobile banking initiatives, regulatory reforms, and financial education programs to enhance market participation. These solutions aim to bridge the gap in financial services and promote inclusive economic growth.

The analysis and discussions presented in the tables provide a comprehensive overview of the evolution of banking services across different economic contexts. The contrast between developed, developing, and less developed countries in terms of technological advancement, financial inclusion, regulatory frameworks, and market participation highlights the varied stages of banking evolution. Addressing the specific challenges in each context through targeted solutions is key to advancing the banking sector globally and achieving inclusive financial growth.

## CONCLUSION

The comprehensive analysis of the evolution of banking services across developed, developing, and less developed countries reveals a multifaceted and dynamic global financial landscape. This evolution is characterized by varying degrees of technological advancement, financial inclusion, regulatory development, and market participation, each influenced by the unique economic and societal contexts of these regions.

In developed countries, the banking sector has reached a high level of sophistication, with advanced technological infrastructure, a wide range of financial products and services, and robust regulatory frameworks. These countries have successfully integrated digital banking solutions, leading to high levels of financial inclusion and market participation. The challenge for these nations lies in maintaining their competitive edge and continuing to innovate in the face of rapidly evolving technology and changing customer expectations.

Developing countries, on the other hand, are in a transitional phase. While they have made significant strides in adopting mobile banking and other digital financial services, they still face challenges related to technological infrastructure, financial literacy, and regulatory alignment. The key to progress in these regions lies in continued investment in digital infrastructure, the development of inclusive financial products, and the establishment of regulatory environments that support innovation and protect consumers.

Less developed countries face the most significant challenges in their banking evolution. Limited access to basic banking services, inadequate technological infrastructure, and underdeveloped regulatory frameworks are major barriers to financial inclusion and economic growth. For these countries, the focus should be on building foundational financial infrastructure, leveraging mobile banking to reach unbanked populations, and developing regulatory policies that encourage financial sector growth.

The global banking landscape is at a critical juncture, where the adoption of digital technologies and the pursuit of financial inclusion have become imperative for economic development. For countries at all stages of economic



development, the path forward involves not only embracing technological innovation but also ensuring that these advancements lead to inclusive and sustainable financial growth.

In conclusion, the evolution of banking services across different economic contexts underscores the need for a tailored approach that considers the unique challenges and opportunities of each region. By learning from the experiences of others and adapting strategies to local contexts, countries can enhance their banking sectors, promote financial inclusion, and contribute to broader economic development. As the world continues to navigate the complexities of the digital era, the banking sector remains a key player in shaping the economic future of nations.

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