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WAYS TO IMPROVE INNOVATIVE DEVELOPMENT OF MANAGEMENT ACTIVITY İN BANKING

Summary
The purpose of the research - the article provides information about the ways of improvement of innovative development of management in banking activity. The purpose of the study is to find, analyze and propose directions for improving management in the banking sector of Azerbaijan in the context of innovative development. For this purpose, the mechanisms that banks can use to promote innovative management practices have been studied.
Research method - the article used a number of scientific methods, including scientific abstraction, analysis, synthesis and generalization.
The findings of the research - the advantages and promising mechanisms of digital banking in the modern period were analyzed. The results emphasize the need to develop new products and services, as well as the search for new ways to improve the efficiency of management in the banking sector.
*Keywords***:** Azerbaijan, bank system, management in banking, innovative development.

Introduction
The bank system is an important and integral part of the market economy. Historically, the development of bank institutions and the production and circulation of goods have been closely related to each other. In addition, bank institutions act as mediators in money settlements, crediting of the economy, redistribution of capital, significantly increase the overall efficiency of production and contribute to the increase of labor productivity [1, p.17]. It is known that if the commodity and financial markets develop, the structure of the bank-credit system will become more complicated. In addition, new types of financial institutions, new credit instruments and customer service methods will emerge.

The banking sector is undergoing a period of rapid transformation. The rise of fintech companies, the increasing use of artificial intelligence and other new technologies, and the changing regulatory landscape are all forcing banks to rethink the way they do business [4, p.82]. In order to survive and thrive in this new environment, banks need to embrace innovative management practices.

There are a number of mechanisms that banks can use to promote innovative management practices. These include:

1. *Creating a culture of innovation*: Banks need to create a culture that encourages employees to think creatively and to come up with new ideas. This can be done by providing employees with the resources and support they

need to innovate, and by rewarding them for their innovative ideas.

2. *Partnering with fintech companies*: Banks can partner with fintech companies to gain access to new technologies and expertise. This can help banks to develop new products and services, and to improve their operational efficiency.

3. *Investing in research and development*: Banks need to invest in research and development in order to stay ahead of the curve and to develop new products and services that meet the needs of their customers. This can include investing in new technologies, as well as in training and development programs for employees.

4. *Adopting agile management practices*: Banks can adopt agile management practices to become more flexible and responsive to change. This can involve using cross-functional teams, iterative development processes, and customer feedback to improve the way that banks develop and deliver products and services.

It should be noted that, there are a number of benefits that banks can achieve by adopting innovative management practices. These benefits include:

- *Increased revenue* - innovative management practices can help banks to increase revenue by developing new products and services that meet the needs of their customers.

- *Reduced costs* - innovative management practices can help banks to reduce costs by improving their operational efficiency.

- *Improved customer service* - innovative management practices can help banks to improve customer service by providing customers with new and better ways to bank.

- *Increased resilience* means that innovative management practices can help banks to become more resilient to change by making them more flexible and adaptable.

So, it can be summarized that innovative management practices are essential for banks to survive and thrive in the rapidly changing banking landscape. By adopting innovative management practices, banks can increase revenue, reduce costs, improve customer service, and become more resilient to change [5, p. 305].

In the banking industry, digital transformation is a big change that goes beyond simply switching from analog to digital processes. It includes the ways in which banks and other financial organizations assess, communicate with, and attend to the requirements of their clients. A customer-centric strategy has replaced a product-centric one with the goal of providing the greatest possible customer experience. The most promising direction in the development of banking information technologies is digital banking which has several advantages:

- does not require the installation of additional software on the computer;

- customers receive all information about the status of their bank accounts immediately, which saves time;

- eliminates the need to personally visit the bank and monitor transactions;

- the exchange of documents is carried out in electronic form, but this does not release the client from the obligation to submit all necessary documents in the form of paper originals;

- convenience of transactions saves bank employees time for paperwork and therefore leads to savings in bank costs.

Overview of the current banking sector of Azerbaijan

In the table, we have looked at the analytical balance of commercial banks in our country, and from this it can be seen that the requirements for the economy in terms of financial resources have shown constant growth in recent years, and in this regard, the need to increase the role of banks in financing priority projects in various fields of the economy and in the effective and productive use of existing resources [3, p. 73].

Table 1.
Analytical Balance of Commercial banks of Azerbaijan, 2010-2023 years

Date	Net Foreign Assets	of which		Deposits in manat	Deposits in foreign currency
		Gross foreign assets	Foreign liabilities		
2010	-850,0	1691,9	-2470,4	2839,5	2230,0
2011	-698,5	1762,6	-2432,3	3834,5	2906,0
2012	-1127,6	2016,1	-3073,6	4535,6	2968,9
2013	-1745,2	2533,7	-4273,9	5965,5	2854,7
2014	-1805,6	3387,9	-5242,4	7275,8	4130,3
2015	-381,8	7650,5	-8246,9	3895,8	12608,5
2016	-3916,4	3422,4	-7224,8	5163,1	9336,3
2017	3409,9	5874,0	-2308,28	4943,7	10301,5
2018	3913,8	5906,3	-1828,14	7023,8	9399,5
2019	5231,8	7157,1	-1645,6	8726,5	10627,6
2020	4065,4	5510,8	-1220,7	9523,0	8880,3
2021	5806,4	7356,2	-1063,2	12922,6	10771,7
2022	6427,7	8802,9	-1761,9	16251,9	13259,3
2023	2672,9	6281,7	-2598,2	19453,2	9701,6

(Source: The Central Bank of the Republic of Azerbaijan)

As we can see from the table, during the studied period gross foreign assets increased by 3.7 times, while foreign liabilities increased only by 127.8 manat.

This indicates a decrease in the country's banks' borrowing and dependence on foreign capital, which points to the improvement of management mechanisms in banks in the same period [2, p.1080].

Table 2.
Indicators of bank sector in Azerbaijan, 2019-2023 (to the end of the period)

	31.12.2019	31.12.2020	31.12.2021	31.12.2022	31.12.2023
Number of banks	30	26	26	25	23
State banks	2	2	2	2	2
Private banks	28	24	24	23	21
Banks with foreign capital	14	12	12	10	9
banks with 50% to 100% foreign capital, of which	7	7	7	6	5
- local branches of foreign banks	2	2	2	1	1
bank with less than 50% of the foreign capital	7	5	5	4	3
The number of banks licensed since the beginning of the year	0	0	0	0	0
The number of banks whose licenses have been revoked since the beginning of the year	0	4	0	1	2
Number of banks' branches	509	455	479	487	475
Number of banks' divisions	133	109	97	91	96
Number of ATMs	2647	2715	2907	2997	3040
Number of employees	19460	18708	20329	22777	23569

(Source: The Central Bank of the Republic of Azerbaijan)

As we can see from the table, private banks decreased from 28 to 21 during the study period, reflecting the lack of competitiveness of banks

in today's rapidly changing world. Number of banks' branch and divisions has also significantly decreased accordingly. Thus, there

is a need to improve the bank management system on the basis of modern technologies and management approaches.

Further we made SWOT analysis with the purpose of ways to improve innovative development of management in banking activities and from table can be seen that rapidly changing environment, increasing competition in the banking industry and technological advancements are the threats of innovative development of banks.

Table 3.

SWOT analysis of modern banking

Strengths	Weaknesses
- **Comprehensive scope** - the research takes a comprehensive approach, examining various aspects of management in banking, including strategic decision-making, risk management, customer satisfaction, innovation, and stakeholder management. - **Empirical evidence** - the research draws on empirical evidence from multiple sources, providing a robust and credible foundation for its findings and recommendations. - **Practical implications** - the research offers practical implications and best practices for bank management, enabling them to enhance their effectiveness and adapt to the modern banking environment.	- **Generalizability** - the research may not be generalizable to all banking contexts, as the banking industry can vary across different countries (regions). - **Longitudinal data** - research primarily relies on cross-sectional data, and longitudinal data could provide deeper insights into the evolving role of management in banking over time. - **Future trends** - the research could benefit from further exploration of emerging trends and future challenges that may shape the role of management in banking.
Opportunities	Threats
- **Thought leadership** - The research can establish thought leadership in the field of banking management and contribute to ongoing discussions on the evolving role of management. - **Policy implications** - the findings can inform policy decisions and regulatory frameworks related to banking management and governance. - **Educational value** - the research can serve as valuable educational material for students, researchers, and practitioners in the banking industry.	- **Rapidly changing environment** - the role of management may continue to change rapidly, potentially limiting the long-term applicability of the research findings. - There is increasing **competition** in the banking industry, and banks may face pressure to prioritize short-term performance over long-term sustainability, which could impact the role of management. - **Technological advancements** may disrupt traditional banking models and create new challenges and opportunities for management in banking.

Note: compiled by the author

Currently, digital mechanisms, electronic services, provision of services without human contact are widespread in the provision of services. At the same time, the role of ATMs and POS-terminals in providing bank-credit services is huge. We use these tools in all aspects of our daily life, and we can already see the expansion of similar services in the regions of the country.

Table 4.
Analysis of indicators for ATMs and POS-terminals operating in Azerbaijan in 2016-2023 years, number

Years	ATMs	POS-terminals	Self-service terminals
2016	2471	71959	1289
2017	2461	65637	1460
2018	2563	66454	1550
2019	2712	67681	1648
2020	2779	57344	1928
2021	2970	61179	1845
2022	3068	79820	2029
2023	3112	86383	2106

(Source: CBAR - https://www.cbar.az/page-45/payment-system-indicators).

The table shows indicators for ATMs and POS-terminals operating in Azerbaijan. 3112 ATMs operating in 2023 are operating across the country. This is his statement that the transition to digital banking needs to be further strengthened.

It should be noted that innovative development in banking management has been driven by technological advancements and evolving customer expectations. Banks are leveraging AI and machine learning to enhance risk assessment, fraud detection, and personalized services. Digital transformation initiatives, such as mobile banking apps and online platforms, improve customer experience and streamline operations [6, p.37]. Cloud computing and data analytics provide insights for strategic decision-making and efficiency gains.

Additionally, blockchain technology offers secure and transparent transactions. These innovations not only increase operational efficiency but also help banks stay competitive and responsive in a rapidly changing financial landscape. Management approaches in banking have been evolving over the years to keep up with the changing needs of the industry and customers. Based on the search results, there are different management approaches ranging from information technology, quality management, risk management, and customer relationship management, among others. Information technology management refers to the management of information technology systems in a bank.

IT management in the banking industry focuses on data security, software and hardware maintenance, IT risk management, and innovation. The goal of IT management is to ensure that the bank's technological infrastructure aligns with the business strategy and meets regulatory requirements. Next is quality management which aims to improve the quality of banking services and products by establishing standards and procedures for quality control and improvement. Quality management focuses on customer service delivery and satisfaction, continuous improvement, risk management, and regulatory compliance.

Overall, innovative approaches to management in the banking sector are essential as the industry faces rapid changes and increased competition, both from within the fintech sector and from other traditional banking institutions.

Banks are embracing digital transformation to improve services and streamline operations. This includes the adoption of artificial intelligence (AI) and machine learning (ML) algorithms for predictive analytics, personalized customer services, and risk management. Digital transformation also extends to core practices such as mobile banking solutions, digital wallets, and online customer service portals. Implementing agile methodologies has been transformative. Lean banking, an offshoot of lean manufacturing principles, involves the elimination of waste within operational processes, aiming to maximize value for the customer while minimizing resources, time, and effort.

Then, one of another innovation in banking is open banking. This is a system where banks open up their APIs to third parties, encouraging

innovation and competition. It provides a platform where financial service providers can develop new apps and services, leading to improved customer experiences and new revenue streams.

Banks have started engaging in strategic partnerships with fintech companies and other non-banking corporations to broaden their service offerings and leverage technological advancements without the need for substantial in-house development. Modern banking requires a pool of diverse talent skilled in data analytics, cybersecurity, and digital marketing. Banks are actively investing in training programs and fostering a culture of continuous learning and innovation. Banks are using big data to understand customer behavior, enabling the personalization of services. Big data analytics can provide insights that help tailor banking experiences to individual customer preferences and profiles.

So, innovative management in banking is about finding the right balance between technological advancements and the human touch. Banks need to continuously adapt to the changing landscape by adopting new technology, rethinking traditional models, and maintaining strong customer relationships through service excellence. The future of banking management will likely continue to evolve at an even faster pace as new technologies emerge and customer expectations rise.

Conclusion

The research identifies a number of main elements of effective management in banking taking into account innovative development:

- need to be innovative in order to stay ahead of the competition and meet the changing needs of their customers. This includes developing new products and services, and finding new ways to improve operational efficiency.

- need to have a skilled and experienced workforce in order to provide high-quality financial services to their customers. This includes having employees who are knowledgeable about the financial products and services that the bank offers, and who are able to provide excellent customer service.

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Xülasə

Tədqiqatın məqsədi - məqalədə bank fəaliyyətində idarəetmənin innovativ inkişafının təkmilləşdirilməsi yolları araşdırılmışdır. Tədqiqatın məqsədi innovativ inkişaf kontekstində Azərbaycanın bank sektorunda idarəetmənin təkmilləşdirilməsi istiqamətlərini tapmaq, təhlil etmək və təklif etməkdir. Bu məqsədlə bankların innovativ idarəetmə təcrübələrini təşviq etmək üçün istifadə edə biləcəyi mexanizmlər öyrənilib.

Tədqiqatın metodu - məqalədə bir qrup elmi metodlardan, o cümlədən elmi abstraksiya, analiz, sintez və ümumiləşdirmə metodlarından istifadə edilmişdir.

Tədqiqatın nəticələri - müasir dövrdə rəqəmsal bankçılığın üstünlükləri və perspektivli mexanizmləri təhlil edilib. Nəticələr bank sektorunda idarəetmənin səmərəliliyinin artırılmasının yeni yollarının axtarışı ilə yanaşı, yeni məhsul və xidmətlərin hazırlanmasının zəruriliyini vurğulayır.

Açar sözlər: Azərbaycan, bank sistemi, bank işində idarəetmə, innovativ inkişaf.