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Disintermediation as a Brand in the Banking Sector: Essence and Peculiarities of Manifestation

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Abstract: *The article discusses the essence of disintermediation in the banking sector and the features of its manifestation in developed and developing countries, formulates the conditions necessary for the effective implementation of intermediary functions by financial institutions.*

Keywords: *bank, commercial bank, banking system, banking sector, banking intermediation, dysfunction of banking intermediation, disintermediation, financial intermediation, financial intermediation functions, competition, competition methods.*

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Introduction. In the 21st century, most of the world community is striving for the digitalization of their national economies, this trend is accompanied by fundamental changes in the financial and technological space. According to Freely, 76% of marketers believe that marketing has changed more in the last 2 years than in the previous 50 years. Experts predict that e-commerce sales will grow to $6.51 trillion in 2023 [1].

In Uzbekistan, digitalization is becoming a driver of the digital marketing market. The proof of this is that in 2022 the number of Internet users in the country grew by 23%, this is already 25.3 million people, about two-thirds of the entire population of the country[2].

These changes are associated, firstly, with the development of information technology, which provides radically new opportunities to attract consumers, and secondly, the emergence of globalization of economic processes and increased competition, which made it necessary to look for new ways to attract consumers.

In this context, the world economy is experiencing a rapid development of financial instruments and markets, which has led to the fact that many scientists call the trend of disintermediation, i.e. the elimination of intermediaries in business activities from the chain, as the main characteristic of the financial intermediation system in developed countries at the present stage. supplies, or "cutting out the intermediary" [3].

In this process, the term "disintermediation" first began to be used in the mid-60s. XX century in the United States and originally arose to describe the outflow of funds from the deposits of financial intermediaries to invest them in investments with higher returns.

In recent decades, foreign authors have conducted research aimed at studying disintermediation in different countries and its impact on the economy [4], however, in their works there is no clear definition that characterizes the essence of this phenomenon.

The modern economic dictionary gives the following definitions of "disintermediation" [5]:

- rejection of the intermediation of banks in the loan capital market in favor of direct issuance, distribution, sale of securities by their issuers;
- withdrawal by clients of deposits from banks for placement in money market instruments during a period of rising interest rates;
- outflow of a part of credit resources outside the national banking system; a situation where financial institutions are unable to perform their intermediary functions.

Thus, disintermediation is a phenomenon caused by economic, socio-political factors, the result of which is the dysfunction of banking intermediation. Great importance in this process is given to banks, which play a key role in the system of financial intermediation. Therefore, great importance in this process is given to banks, which play a key role in the system of financial intermediation.

It should be noted that in the national scientific literature, insufficient attention is paid to identifying the functions of the bank as an intermediary and evaluating the effectiveness of banks in terms of the implementation of intermediary functions. In addition, the role of such a factor in the development of banking intermediation as trust has been little studied.

In this context, the task of studying the essence and functions of banking intermediation, developing mechanisms for its development and increasing its role in the modernization of the economy is of particular relevance, theoretical and practical significance.

Literature review. According to the theory of economic dysfunction, the foundations of which were developed by O.S. Sukharev, dysfunction should be understood as a decrease in the qualitative characteristics of a particular economic institution, systems of rules, organizations, and the economy as a whole.

The advantages of including an intermediary in the system of relations between suppliers and consumers of capital have been studied in detail by foreign scientists in the framework of the theory of financial intermediation, the founders of which are J.G. Gurley, E.S. Shaw, J. Tobin and other scientists [6], who formed the basic concepts and approaches of the theory of financial intermediation. In the theory of finance, John G. Gurley, Edward S. Shaw [7] and the 1981 Nobel Prize in Economics James Tobin [8] preconditions for the development of financial intermediation is considered the availability of complete information on the market. As the main function of financial intermediation, the function of transferring financial resources from institutions with a surplus of funds to institutions with a deficit is considered. As the main channel for the impact of financial intermediation on the economy, the promotion of the exchange of goods and services is considered. However, these scholars do not consider the differences between banks and non-bank financial intermediaries. The latter could fulfill the functions of the former under certain conditions, and the rationale for the existence of banks is derived from a situation where they are the only intermediaries and a situation in which the financial sector does not exist at all and financing takes the form of self-financing or direct financing.

The reasons for this process may be different, but a sign is the loss of the goal by the institution, the blurring of the area of application of efforts, functions, with the resulting increase in transaction costs and a decrease in resistance to random modifications [9].

Thus, disintermediation in the banking industry is manifested in the loss and decrease in the effectiveness of the functions of banks as financial intermediaries. The features and nature of the manifestation of disintermediation in different countries are different, since the factors leading to a decrease in the implementation of intermediary functions by banks are different.

In developed foreign countries, the trend of disintermediation developed under the influence of changes that took place in international financial markets in the last decades of the 20th century. Under the influence of technological innovations, liberalization and globalization of financial markets, alternative options for financing and investing funds for borrowers and investors have opened up, the participation of financial intermediaries in financial markets has intensified, and competition between banks and non-banking financial intermediaries has intensified.

Main part. Banks are increasingly moving away from their traditional functions of accepting deposits and issuing loans, switching to activities that provide fee and commission income. Bank asset securitization operations, primarily mortgage and consumer loans, have become widespread. There is a change in the structure of the financial sector: there is an evolution from credit to securities, among which derivative financial instruments are becoming the most popular. The scope of banking intermediation is shifting towards financial markets. Under these conditions, the traditional intermediary functions of banks are being transformed.

The use of derivative financial instruments that allow redistribution of risks reduces the bank's incentives to monitor customers and implement the information function. The growth in the volume of financial transactions, which are predominantly speculative in nature, leads to a separation of the financial sector from the real one and a decrease in the function of creating new economic value. N.I. Parusimova characterizes this stage in the development of banking as a transition from financial to information and guarantee (virtual) business [10].

In developing countries, the low level of implementation of financial intermediation functions by banks is due to the state of the economy, in which financial institutions are not able to perform their intermediary functions.

The necessary conditions for the implementation of intermediary functions by financial institutions are:

1. availability in the economy of effective mechanisms for accumulating the monetary savings of society, excluding the possibility of bypassing the financial system;
2. availability of objects of investment of funds that provide an acceptable level of risk and income for investors;
3. availability of institutional mechanisms that ensure the implementation of the rights of economic entities;
4. availability of a favorable competitive environment that helps reduce transaction costs and improves the quality of services.

In realizing the task of accumulating society's monetary savings, banks are faced with the problem of a general long-term distrust of financial institutions, low financial literacy of the population, and a high level of questionable transactions. This causes a high share of cash in money circulation of 22.3% (Fig.1).

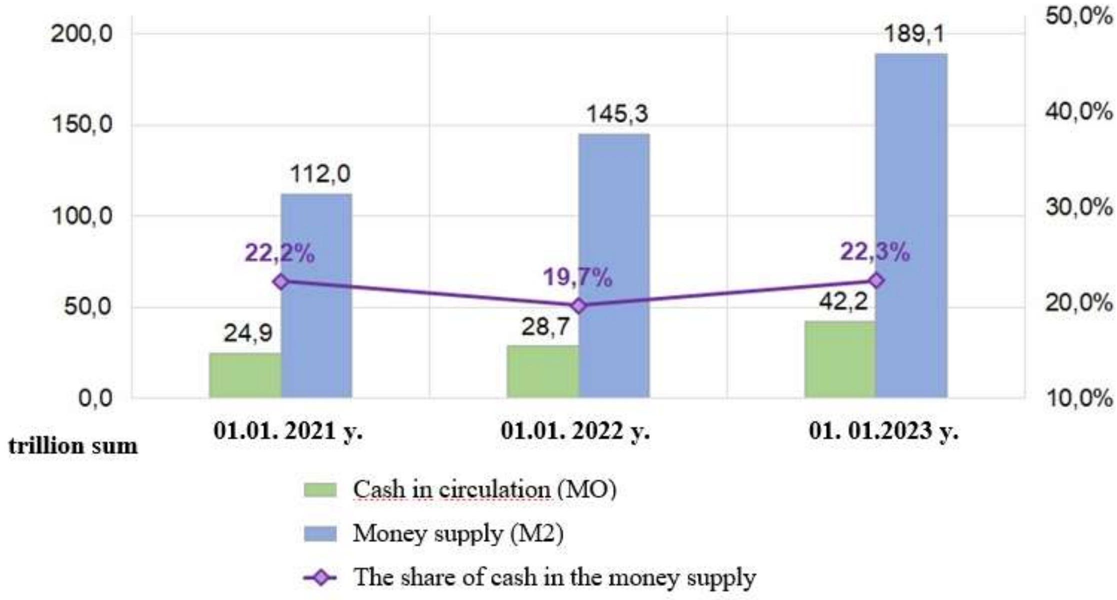

Figure 1. The share of cash in circulation in the total money supply [11]

In 2022, the volume of banking cash turnover amounted to 700.3 trillion. soums, and increased by 38.1 percent compared to 2021.

As a result, a significant part of society's savings is withdrawn from the financial system, which limits the resource base of commercial banks and narrows the possibilities for banking intermediation.

High credit risks of investments in the real sector, low profitability of most economic entities, technological backwardness of production, which causes increased production costs, its low competitiveness, lack of demand, and insufficient level of managerial experience prevent banks from effectively investing accumulated funds. The consequence of this is a fundamental gap between the ability of the banking sector to provide financial resources and the ability of the non-financial sector to effectively use and service them.

The interaction between banks and borrowers is also complicated by significant gaps in legislation that protects the rights of creditors. In particular, we are talking about the legal norms governing the rights of creditors in the event of bankruptcy of the debtor [12], collateral relations [13].

The system and infrastructure for providing banking services remains underdeveloped. Significant operating and overhead costs of banking activity cause high cost of services. The competitive environment necessary for the effective functioning of financial intermediaries has not been formed. Despite a significant number of entities, the banking market is highly monopolized due to the dominant role of state-owned banks, as well as a pronounced segmentation of customers. This causes unequal access to state aid based on criteria of size and significance, and contributes to the development of non-economic methods of competition.

Conclusions. Currently, in order to stimulate banking intermediation in the real sector of the economy, there is a need to develop guarantee mechanisms for active operations. The problems described above indicate that the conditions for the effective implementation of intermediary functions by banks have not been formed in the country's economy.

Despite the positive dynamics of macroeconomic indicators of the banking sector in the last decade, the banking business has not been transformed from a deposit to interest-bearing business, and commercial banks have not been transformed from exchange offices into a world standard exchange center, the main purpose of which is to create new value. This is evidence that the banking sector of the economy is characterized by disintermediation, which manifests itself in the dysfunction of banking intermediation.

At the same time, the modernization of the economy is impossible without the active participation of financial intermediaries and, above all, commercial banks in this process. In this regard, the task of providing in the economy the conditions necessary for the implementation of intermediary functions by commercial banks is of particular relevance, which requires a set of measures of a general economic and institutional transformative nature.

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