

### Analysis of the Current State of Deposit Operations of Commercial Banks of Uzbekistan

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#### ABSTRACT

*The paper presents an analysis of deposit operations of banks, the importance of deposits in the activity of commercial banks, the composition and dynamics of deposits attracted by commercial banks of Uzbekistan. Moreover, the article reflects the analysis of interest rates of deposits accepted by domestic commercial banks in national currency.*

## 1. INTRODUCTION

The experience of developed countries shows that the development of the national economy of each country is significantly affected by the amount of funds attracted to deposits by banks. In order to attract free funds of individuals and legal entities to deposits, it is important to pay them interest and introduce new types of banking services.

At present, one of the most effective ways to attract people's free funds in banks is deposits. Firstly, it is a direction aimed at harmonizing the interests of the population and suppliers of money and goods, and secondly, it is the most effective and safe way for people to keep their personal funds in banks.

Extensive work aimed at stimulating the growth of the volume of deposits in banks by the population and economic entities, including offering permanent attractive types of deposits, issuing long-term bank deposit certificates and bonds, and wide media coverage of the introduced benefits and favorable conditions in this regard is giving its positive results.

## 2. THEORETICAL ASPECTS

The growing real income of the population, the fact that deposits in banks are fully guaranteed

by the state, the return of deposits according to the first demand of customers, and the exemption of interest income from bank deposits from taxation ensure a steady increase in the volume of deposits of the population in commercial banks.

Deposits form the basis of the development and success of the bank's activities. Deposits are a separate statement of the bank's balance sheet, which clearly distinguishes banking from other forms of business. In Uzbekistan, only banks have the right to engage in the activity of attracting funds to savings, i.e. deposits.

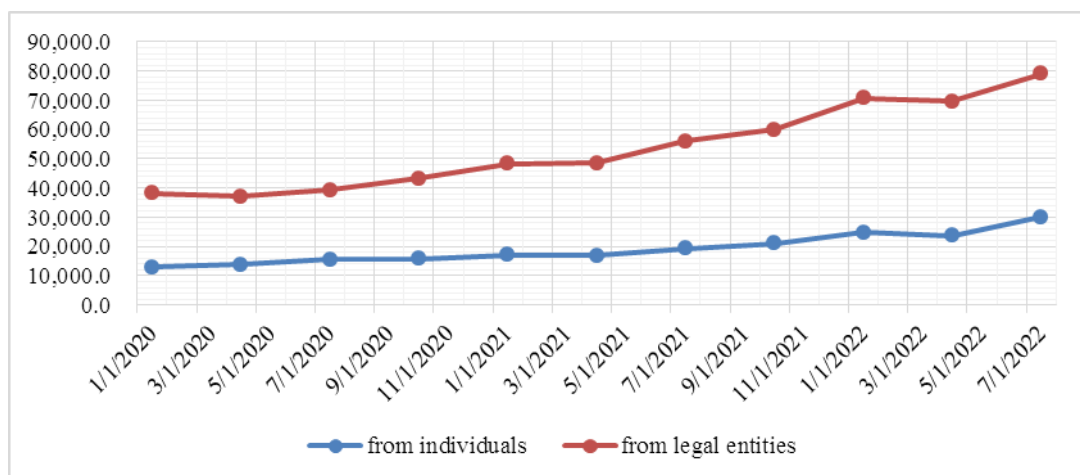
A deposit refers to deposited funds that meet all of the following conditions:

- funds that must be returned at the customer's request or after the deadline, with or without interest or other income, or on the basis of agreed terms between the depositor or its authorized representative and the bank receiving the funds;
- funds that are not subject to subordinated debt, ownership rights or services, including insurance services;
- funds confirmed in writing with the relevant document of the bank receiving the funds.

### 3. ANALYSIS AND RESULTS

Today, the banking system of Uzbekistan consists of 33 commercial banks that provide traditional banking services - lending, deposit operations, settlement and cash.

The effect of measures taken to increase the deposit base of banks can be observed on the balance of deposits and certificates of deposit of commercial banks.



**Fig. 1. Balance of deposits in commercial banks in national currency (in billion soums)**

From the data of Fig.1, it can be observed that the balance of national currency deposits in commercial banks as of July 1, 2022 totals 109,076.4 billion soums, that is, the increase was 114% compared to the beginning of 2022, 145% compared to July 1, 2021, and 199% compared to July 1, 2020. In particular, by the end of the first half of 2022, the volume of deposits of individuals in commercial banks increased by 121% compared to January 1, 2022, and by 155% compared to the corresponding period of the previous year; the amount of deposits of legal entities in banks also increased by 112% compared to January 1, 2022, and by 141% compared to the corresponding period of the previous year.

The maturity of the funds attracted by commercial banks is important in liquidity management. For banks, it is desirable that the stability and term of the funds be clear when placing the funds.

**Table 1. Balance of deposits in commercial banks  
(by types and duration)  
in billion soums**

Date	Total	including:			
		Demand deposits	of which on bank plastic cards	Saving deposits	Time deposits
01/01/2021	114,746.9	53,819.2	7,515.2	11,115.6	49,812.1
01/04/2021	115,088.5	50,519.5	6,512.4	10,873.0	53,696.0
01/07/2021	126,114.5	54,153.7	7,619.2	11,325.9	60,634.9
01/10/2021	134,405.8	58,201.8	8,241.0	11,400.9	64,803.1
01/01/2022	156,189.8	69,207.7	10,179.6	13,746.4	73,235.7
01/04/2022	153,790.2	59,927.3	8,447.2	12,814.2	81,048.7
01/07/2022	185,062.1	83,759.0	12,688.8	13,947.1	87,356.0

According to Table 1, as of July 1, 2022, the balance of deposits of individuals and legal entities in national and foreign currency in commercial banks is 185.1 trillion soums. The share of time deposits is 47%, the share of demand deposits is 45%, and the share of saving deposits is 8%. Compared to the beginning of 2022, the balance of deposits has increased by 28.9 trillion soums, in particular, the volume of demand deposits, saving, time deposits also increased.

A number of factors can be cited as the reason for this, including curbing inflation rates, increased public trust in banks, interest rates, terms of deposits, etc. It should be noted that large-scale works are being carried out by commercial banks to introduce new types of deposits based on the demand and needs of the population and to further improve the quality of services provided in this direction.

**Table 2. Interest rates on bank deposits in national currency  
(weighted average interest rates, annualized)**

Deposit type and term	2021				2022		
	Jan	Apr	July	Oct	Jan	Apr	July
<b>Weighted average interest rates on total term deposits up to 1 year</b>	<b>16.0</b>	<b>16.8</b>	<b>15.5</b>	<b>15.2</b>	<b>15.2</b>	<b>18.7</b>	<b>18.3</b>
<b>Weighted average interest rates on total term deposits above 1 year</b>	<b>15.9</b>	<b>18.1</b>	<b>17.9</b>	<b>17.6</b>	<b>18.4</b>	<b>19.7</b>	<b>20.0</b>
Weighted average interest rates on term deposits of individuals	17.0	19.3	20.0	19.6	20.2	20.8	20.8
- up to 30 days	12.6	13.8	10.7	14.1	10.9	16.3	11.2
- from 31 days to 90 days	15.5	16.0	15.8	17.5	16.6	19.9	16.0
- from 91 days to 180 days	16.0	16.1	16.7	16.8	19.6	21.0	20.4
- from 181 days to 365 days	17.6	19.4	18.7	18.5	19.2	20.4	20.3
- More than 1 year	17.7	20.1	20.7	20.2	20.8	21.0	21.2
Weighted average interest rates on term deposits of legal entities	15.7	16.3	15.2	15.1	15.1	17.3	17.2
- up to 30 days	15.0	15.5	14.5	14.5	13.3	17.2	18.9
- from 31 days to 90 days	15.6	15.2	14.8	11.6	14.3	13.6	13.2
- from 91 days to 180 days	17.0	18.2	15.3	14.8	14.1	18.4	14.2
- from 181 days to 365 days	16.0	18.5	15.6	15.6	15.5	18.1	17.4
- More than 1 year	15.0	15.4	15.4	15.5	16.1	17.3	17.3

From the data of Table 2, it is clear that the interest rates of national currency deposits have increased significantly compared to 2021. In particular, the weighted average interest rates on total term deposits of more than 1 year increased by 2.1 percentage points to 20.0% as of July 1, 2022 compared to the corresponding period of 2021.

#### **4. CONCLUSIONS**

In conclusion, it should be said that increasing the volume of bank deposits, especially the share of time deposits, and achieving rational management of the resources involved will provide the basis for ensuring bank liquidity and increasing the efficiency of banking activities.

In the implementation of the deposit policy of commercial banks, it is necessary to take into account mainly the strata of the population, the number of inhabitants of the region and their income. It is desirable for commercial banks to create more and more attractive deposits in order to attract free funds from the population.

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