



## ISSUES OF INCREASING THE AMOUNT OF DEPOSITS IN COMMERCIAL BANKS

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*Karachayeva Mashxura Valijonovna*  
*Tashkent State University of Economics*  
*Teacher of the "Banking" department*

**Abstract:** In the article, the issues of increasing the amount of the deposit base of commercial banks in the conditions of interbank competition, the theoretical and practical aspects of increasing the amount of the deposit base are covered. At the same time, proposals and recommendations were made regarding the amount of total deposits of commercial banks, its analysis, problems and opportunities in increasing the amount of deposits of commercial banks, as well as optimization of deposits of commercial banks.

**Key words:** commercial banks, deposit operations, demand deposit, term deposit, savings deposit, credit volume.

### Introduction

Taking into account that the main goal of our banking system in the conditions of economic growth in our country is to make a profit, increasing the amount of the resource base is one of the most pressing issues for our banks. In the banking system, the main share of the resource base corresponds to liabilities, and the largest share of liabilities is the amount of deposits. The amount of the deposit until it is taken as an unstable demand in the composition of these deposits indicates the relevance of our topic. In this regard, the Decree of the President of the Republic of Uzbekistan on the "Uzbekistan-2030" strategy dated September 11, 2023, No. PF-158, accelerates reforms in the banking system, increases the size of the banking services market, and develops competition in the banking and financial system. It is planned to increase the volume of annual lending to 40 billion dollars, to increase the volume of bank deposits by 4 times.

The President of the Republic of Uzbekistan "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020-2025"

Decree No. PF-5992 dated May 12, 2020 set a target indicator for increasing the ratio of deposits to bank liabilities by 50-60 percent by 2025<sup>1</sup>.

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<sup>1</sup> Decree of the President of the Republic of Uzbekistan No. PF-158 of September 11, 2023 on the "Uzbekistan-2030" strategy.



The analysis of the literature showed that the main part of voluntary bank liabilities is deposits. The word "deposit" has several meanings. For example, money or securities given to banks or other credit-financial organizations for safekeeping, deposits subject to customs duty, collected taxes, deposits in administrative bodies to ensure risk, and so on. A deposit can be interpreted as a deposit, savings or temporarily idle funds.

Time deposits are funds kept in the bank for a certain period. Some call it "investment deposits" and others call it "non-transactional deposits". These include promissory notes, certificate accounts, fixed-term and targeted deposits of the population, numbers with an approximate but easily determined storage period. For example, we can say budget appropriation numbers or capital investment financing source numbers.

Time deposits are intended for large depositors. This deposit pays high interest but is not immediately withdrawn on demand.

Prof. V. M. Usoskin, the use of transaction deposits as a resource seriously damages the liquidity of commercial banks. Therefore, the Glass-Stigoll Act of 1933 prohibiting the payment of interest on transaction deposits is a reasonable measure. However, setting the upper limit of interest rates paid by commercial banks to term and savings deposit accounts will have a negative impact on the deposit base of commercial banks<sup>2</sup>.

The purpose of the research is to develop scientific and practical conclusions and recommendations on increasing the stability of banks by increasing the amount of deposits of commercial banks in the conditions of interbank competition. During the topic analysis, methods such as summarizing tables and diagrams were used.

The main conditions for the success of commercial banks are the effective management of loans and deposits and the provision of liquidity. In this regard, it is appropriate to form the term of the loans in a proportional manner to the deposits involved, and to attract long-term and stable deposits. It is possible to increase the speed of circulation of money in the country by attracting the passive money collected by the population to banks. Through this, banks can form a stable resource.

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<sup>2</sup> Usoskin V.M. Modern Commercial Bank. - M.: IPTs "Vazar-Ferro", 1994. - S. 106-109.



### Balance of deposits in commercial banks<sup>3</sup> (in billion so‘m).

The date	Everything	in national currency			in foreign currency		
		total	from which:		total	from which:	
			physical persons	legal persons		physical persons	legal persons
01.01.2020.	91 009,0	51 040,0	16 820,1	34 219,9	39 969,0	8 132,9	31 836,0
01.01.2021.	114 746,9	65 318,3	21 427,4	43 891,0	49 428,5	10 384,4	39 044,2
01.01.2022.	156 189,8	95 578,2	29 867,8	65 710,4	60 611,7	12 508,9	48 102,8
01.01.2023.	216 737,5	131 794,8	45 169,8	86 625,0	84 942,7	23 578,7	61 364,0

It can be seen from the table that the amount of deposits attracted by our banks in the last four years increased by 2.4 times to 216,737.5 billion. reached so‘m. The amount of deposits in national currency has increased by 2.6 times, and the main share of attracted deposits in national currency belongs to legal entities. The amount of attracted deposits in foreign currency increased by 2.1 times in the last four years to 84,942.7 billion. amounted to so‘m, the main share corresponds to the amount of deposits attracted from legal entities, that is, 61,364 billion so‘m. amounting to so‘m.

### Balance of deposits in commercial banks<sup>4</sup>, (in billion so‘m).

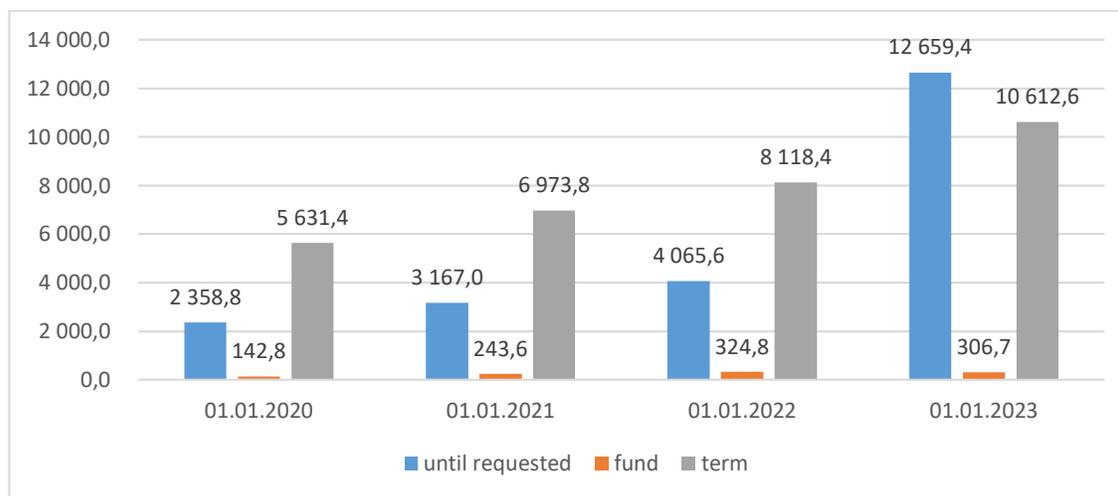
The date	Total	including:		
		until requested	Fund	term
01.01.2020	91 009,0	40 603,3	8 494,0	41 911,7
01.01.2021	114 746,9	53 819,2	11 115,6	49 812,1
01.01.2022	156 189,8	69 207,7	13 746,4	73 235,7
01.01.2023	216 737,5	100 683,3	23 289,8	92 764,5

<sup>3</sup> <https://cbu.uz/uz/statistics/bankstats/1422029/>- compiled by the author based on information from the central bank website

<sup>4</sup> <https://cbu.uz/uz/statistics/bankstats/1422029/>- compiled by the author based on information from the central bank website



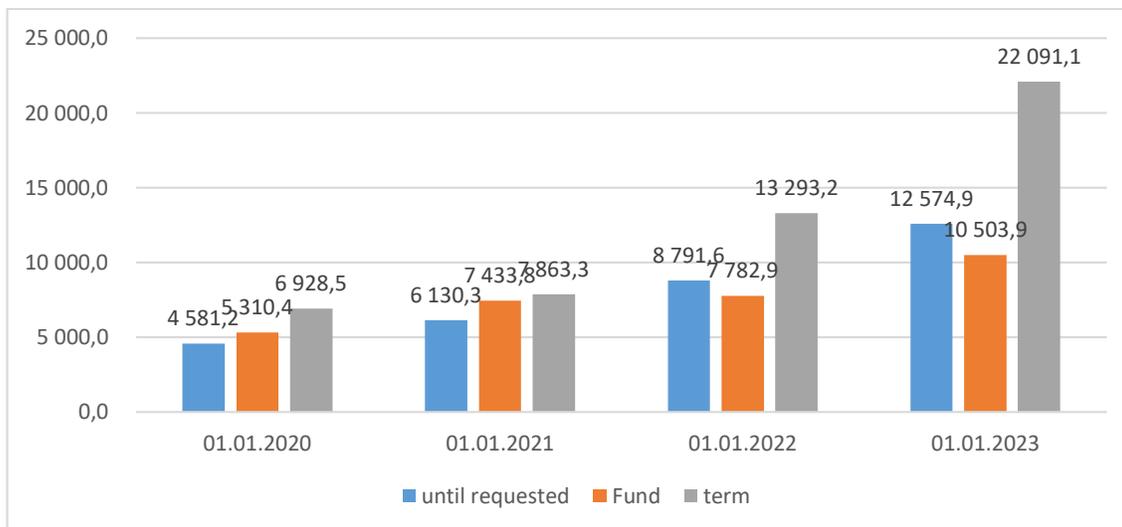
Demand deposits take the main place in the amount of deposits attracted by our banks in the table, while term deposits made up 42.8 percent at the beginning of this year. At the beginning of 2020, term deposits made up 46% of total deposits. In the last four years, the growth of the share of time deposits by banks in total deposits has decreased. This indicates a decrease in stable and long-term resource funds in banks.



**Figure 1. Balance of foreign currency deposits of individuals in commercial banks<sup>5</sup>, (in billion sou' m).**

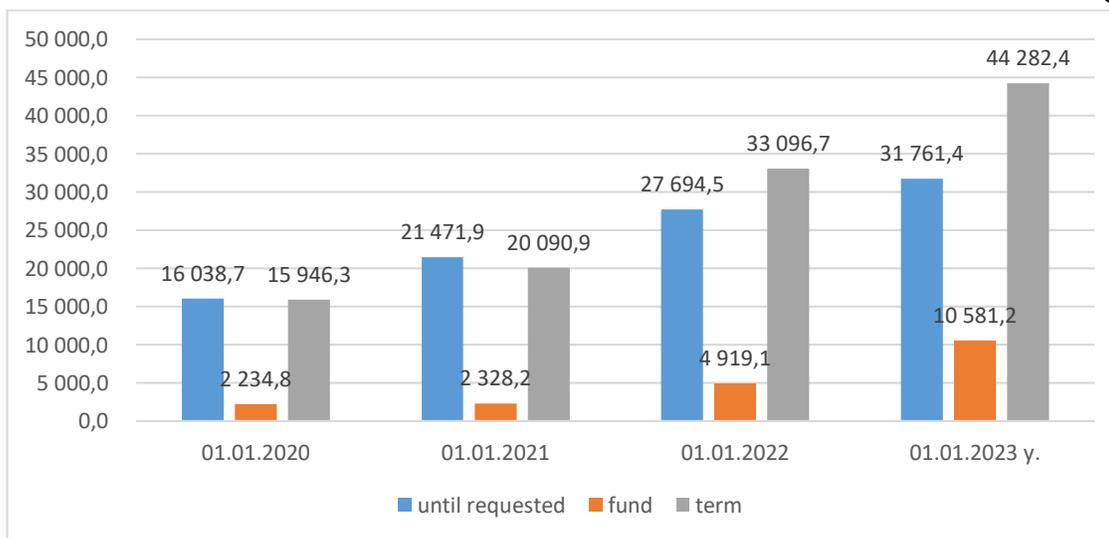
The amount of funds attracted by our commercial banks from individuals has increased by approximately 4 times over the past four years. Within the attracted funds, after meeting the basic needs, both demand deposits and time deposits have been formed. As of January 2023, the lowest share in the total deposit composition was accounted for by aggregate deposits, constituting 1.3 percent.

<sup>5</sup> <https://cbu.uz/uz/statistics/bankstats/1422029/> compiled by the author based on information from the central bank website



**Figure 2. Balance of deposits of individuals in commercial banks in national currency<sup>6</sup>, (in billion so‘m).**

Citizens prefer to keep their funds in banks in the form of term deposits in national currency. We can know this from the share of time deposits in national currency in the total deposits, that is, it has increased by 3.2 times, while the deposits of citizens have increased by 2.7 times in the last four years. In the last two years, we can witness that the amount of demand deposits has exceeded the amount of savings deposits. This indicates that the confidence of our citizens in banks is increasing.



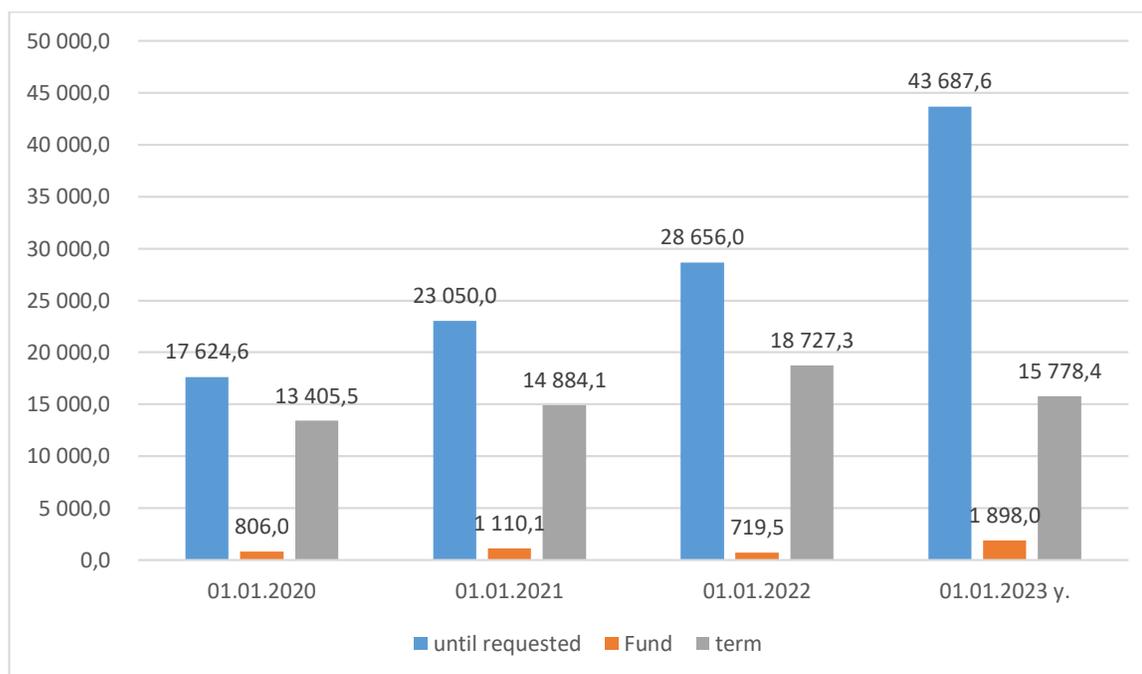
**Figure 3. Balance of deposits of legal entities in commercial banks in national currency<sup>7</sup>, (in billion so‘m).**

<sup>6</sup> <https://cbu.uz/uz/statistics/bankstats/1422029/> compiled by the author based on information from the central bank website

<sup>7</sup> <https://cbu.uz/uz/statistics/bankstats/1422029/> compiled by the author based on information from the central bank website



If we focus on the amount of national currency deposits kept by legal entities in banks, we can see that it has doubled in the last four years. The main share corresponds to the term deposit. Legal entities have 44,282.4 billion in banks as of January 2023. so‘m funds are kept in the form of term deposits, which makes up more than 51 percent of total deposits. The smallest share belongs to the savings deposit, but it has increased by 4.7 times in the last four years, and in this case, the smallest share is kept in the structure of the main deposit.



**Figure 4. The balance of foreign currency deposits of legal entities in commercial banks<sup>8</sup>, (in billion so‘m).**

If we talk about the amount of foreign currency deposits by legal entities, the main share corresponds to the attracted funds. As of January 2023, the share of demand deposits in total deposits is 71.2 percent. In January 2020, this figure was 55.7 percent. It seems that legal entities prefer to keep the main part of their funds in a deposit account until they are required, which leads to a lack of long-term stable funds in our banks.

<sup>8</sup> <https://cbu.uz/uz/statistics/bankstats/1422029/> compiled by the author based on information from the central bank website



If you look at all the pictures, the main share of the deposit consists of time deposits of legal entities in national currency and demand deposits in foreign currency. The main share of funds raised from individuals is time deposits in national currency, and the largest share in foreign currency is on demand and time deposits. It can be seen that there are many problems in attracting deposits from individuals in our banking system. It is necessary to carry out extensive work in eliminating problems.

### **Conclusion**

Based on the above analysis, the following methods can be used to optimize the deposit base of commercial banks:

1. Development of marketing strategies: Banks need to carry out advertising activities to increase deposit collection.
2. Provide users with the conditions of large accounts: In order to further increase the meetings, many benefits and facilities can be provided in large accounts.
3. Implementation of alternative assistants: Banks should try to increase the number of financially motivated users by providing the opportunity to receive their deposits through websites, mobile applications and online services.
4. Risk promotion: Banks, deposit money insurance with compliance.
5. Entry fee: Banks optimize deposit fees by requiring users to make a minimum entry fee to create a deposit.
6. Banks increase financial inclusion by offering additional interest to large depositors and by setting higher interest rates for long-term deposits.
7. International relations: Banks should try to increase the deposit base by cooperating with capital raising instruments in international markets.
8. Loan Agreements: If banks are able to increase deposit collection by entering into loan agreements with charities and businesses such as movie theaters, restaurants, etc., the number of financial public can be increased.

### **References:**

1. Decree of the President of the Republic of Uzbekistan No. PF-158 of September 11, 2023 on the "Uzbekistan-2030" strategy.
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