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## THE IMPORTANCE OF DEPOSITS IN STRENGTHENING THE RESOURCE BASE OF COMMERCIAL BANKS

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### Abstract

The article describes the importance of deposits in the resources of commercial banks. The deposit policy is one of the main parts of the general banking policy, and the internal and external factors affecting it are highlighted. Statistical and econometric analysis of deposit performance indicators of commercial banks has been carried out, and scientific proposals and practical recommendations have been formulated related to the implementation and strengthening of the effective deposit policy of commercial banks.

**Keywords:** Deposit, deposit types, deposit policy, deposit operations, term deposits, liquidity.

### INTRODUCTION

Today, commercial banks play a leading role in attracting and redistributing capital, accumulating temporarily free funds and placing them in the world. The development of a commercial bank is impossible without ensuring the characteristics of the credit institution's activities, the choice of priorities for the future growth and improvement of the quality indicators of banking activities, as well as convincing its clients of an economically sound and strictly developed deposit policy that takes into account the socio-economic conditions in which banking activities are carried out. In the current environment, the development of the banking system is associated with the widespread use of information technologies to bring banking services to the market, the introduction of the



latest technical means and advanced banking technologies, as well as the search for methods that increase the attractiveness of deposit services<sup>1</sup>.

One of the main and effective pillars of the country's economy is a financially sound and stable banking system. The level of socio-economic development and future development of each state depend, first of all, on the functioning of the established banking system. Effective management of commercial bank resources plays an important role in increasing the volume of goods and services exported to our country, ensuring the liquidity of commercial banks and increasing the stability of the national currency, and strengthening the population's confidence in the national currency.

During the years of independence, a two-tiered perfect banking system has developed, major changes have occurred in the types of banking services, and cooperation with foreign banks has been established and improved. However, some issues related to the effective use of resources by banks and the expansion of their deposit base remain relevant. For this reason, the “Development Strategy of New Uzbekistan for 2022-2026”, approved by the Decree of the President of the Republic of Uzbekistan No. PF-60 dated January 28, 2022, sets out to complete the transformation processes in commercial banks with state shares and increase the share of the private sector in bank assets to 60 percent by the end of 2026<sup>2</sup>.

The factors influencing the development of deposit operations of commercial banks are<sup>3</sup>:

1) internal factors:

- the level of use of new information technologies by the bank;
- the organizational structure of the bank;
- the bank's management system;
- qualification of bank managers and employees;
- initiative of bank employees;

<sup>1</sup> Shermukhamedov B. Efficiency indicators of the use of deposit resources. // “Finance and banking” Scientific journal of the Banking and Finance Academy of the Republic of Uzbekistan. – 2022. –Т. –№.1. – 3 p.

<sup>2</sup> Decree of the President of the Republic of Uzbekistan No. RF-60 “On the Development Strategy of New Uzbekistan for 2022-2026”

<sup>3</sup> Rakhimov A. Important of bank deposit policy in expanding of the deposit base of commercial banks. // Текст научной статьи по специальности «Экономика и бизнес». – 2019. – 3 p.



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- form of the bank;
  - financial condition of the bank.
  - 2) external factors:
    - political processes;
    - people's trust in the bank;
    - Central bank requirements;
    - political and economic situations;
    - people's income;
    - regional development;
    - inflation and interest rates.

## **LITERATURE ANALYSIS**

The stable operation of commercial banks, their financial capabilities and lending potential are determined, first of all, by the strength of the resource base. One of the most important sources of the resource base is deposits, which are the main factor ensuring the bank's liquidity, solvency and active participation in the economy. Deposits allow commercial banks to create short- and long-term credit resources, as well as to carry out profitable active operations.

The share of deposit funds in the structure of bank resources is usually 70–80 percent. Coyle (2000) emphasizes in his study that deposits are the “lifeblood” of banking activities, and their volume and composition determine the strategic capabilities of the bank<sup>4</sup>. The growth of deposits creates a basis for the bank to allocate loans to the real sector of the economy, finance investment projects, and develop payment systems. The volume of deposits in the banking system of Uzbekistan is also increasing from year to year, which indicates the strengthening of the stability of the national financial system.

According to the research of Kutan & Handzic (2015), diversification of the deposit portfolio reduces bank liquidity risks and increases the level of profitability<sup>5</sup>. Term deposits provide the bank with long-term resources, while demand deposits allow for quick payments and settlements.

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<sup>4</sup> Coyle, B. (2000). Framework for Credit Risk Management. Chartered Institute of Bankers.

<sup>5</sup> “Merging Knowledge Management with Project Management” by Meliha Handzic and Nermina Durmic.



An effective deposit policy of banks not only strengthens the resource base, but also contributes to economic growth by attracting savings of the population to the financial system. According to Molyneux and Thornton (1992), the entry of funds accumulated through deposits into investment circulation ensures the redistribution of capital in the country<sup>6</sup>. In recent years, the deposit base in the banking system of Uzbekistan has been expanding through the liberalization of interest rate policy, the introduction of electronic deposit systems, and the development of new types of deposits based on the strategy of “Increasing public confidence”.

Bank liquidity is directly related to its ability to attract and retain deposits. Studies based on the Diamond and Dybvig (1983) model show that a decrease in depositor confidence creates the risk of “deposit runs” in the banking system<sup>7</sup>. Therefore, one of the main directions of deposit policy is to increase customer confidence, ensure deposit insurance, and apply competitive interest rates.

In recent years, digital banking services, mobile applications and online deposit systems have created new opportunities for the growth of the deposit base. Deposit systems based on digital technologies reduce bank costs and expand the number of customers. In the banking system of Uzbekistan, services such as “Online Deposit”, “Mobile Deposit” and “Automatic Reinvestment” are also becoming popular and are becoming an important factor in increasing the volume of deposits.

One of the main obstacles to expanding the deposit base is the low level of financial literacy of the population, inflationary expectations and informal saving habits. According to the World Bank’s “Global Findex”, about 45% of the population in developing countries does not use banking services<sup>8</sup>. Therefore, banks need to take measures to increase the trust of the population through the media, digital platforms and financial education programs.

Developing deposit policies, strengthening customer trust and widely introducing digital solutions are the most important strategic directions for increasing the competitiveness of the banking system. Therefore, attracting

<sup>6</sup> Publication by Philip Molyneux and John Thornton titled “Determinants of European Bank Profitability: A Note”

<sup>7</sup> Highly influential 1983 paper by economists Douglas W. Diamond and Philip H. Dybvig.

<sup>8</sup> <https://www.worldbank.org/ext/en/home> (Official World Bank website)



deposits for commercial banks and managing them as a long-term, sustainable source of resources remains one of the central issues of the modern financial system.

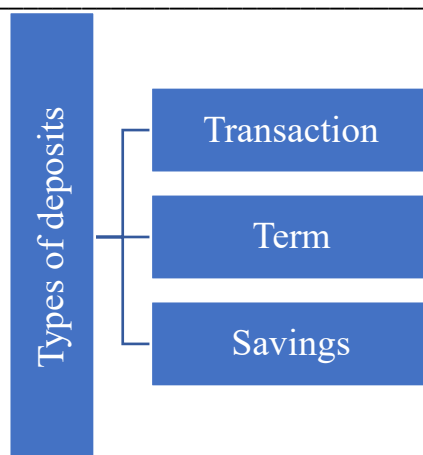
## **METHODOLOGY**

The purpose of this study is to comprehensively study the importance of deposits in strengthening the resource base of commercial banks, to determine the impact of deposit policy on bank stability and liquidity, as well as to analyze effective methods of attracting deposits. During the study, the role of deposits in the formation of financial resources of commercial banks, their impact on economic development, and factors influencing the attraction of savings of the population to the banking system are studied. Also, the directions of improving deposit policy, introducing new deposit products based on digital technologies, and increasing customer confidence are analyzed. In the process of scientific study of this topic, economic and statistical analysis, logical analysis, comparative analysis, and a systematic approach were used.

## **DISCUSSION AND RESULTS**

Banks usually face liquidity problems due to a decrease in the amount of deposits. The most important step for banks to solve this problem is to attract idle money into the economy by consistently attracting depositors' temporarily idle funds to the bank.

It is important to analyze the official reports of commercial banks, economic analytical literature, scientific articles, data from international financial institutions (World Bank, International Monetary Fund, OECD, etc.) and regulatory documents of the Central Bank of the Republic of Uzbekistan, and develop practical proposals to increase the volume of deposits, diversify their composition and ensure financial stability in strengthening the resource base of commercial banks based on the results of research. Commercial banks operating in the Republic of Uzbekistan mainly offer the following three types of deposits to customers:



**Figure 1. Types of deposits<sup>9</sup>**

In addition, our commercial banks have the potential to apply deposit types that are available in foreign experience in our country, which can help banks attract a new resource base and gain a new customer flow.

**Table 1 Deposits and savings attracted by commercial banks as of  
September 1, 2025<sup>10</sup>**

Grouped distribution	Total		Grouped distribution							
			Up to 3 trillion soums		Up to 3-10 trillion soums		Up to 10-30 trillion soums		More than 30 trillion soums	
	Number of banks	Amount	Number of banks	Amount	Number of banks	Amount	Number of banks	Amount	Number of banks	Amount
Retail deposits	35	85 816	13	2 831	8	15 747	7	18 252	7	48 986
Legal entity deposits	35	152 122	13	4 364	8	22 486	7	34 539	7	90 733

Based on the above data, it can be said that the majority of the total deposits in commercial banks belong to legal entities, which are 1.77 times more than deposits attracted from individuals. In total, 13 out of 35 commercial banks have

<sup>9</sup> Omonov A., Koraliyev T. Money and banks. – T: ECONOMY-FIND, 2019. –95 p.

<sup>10</sup> www.cbu.uz (Official website of the Central Bank of the Republic of Uzbekistan)





deposits of up to 3 trillion soums, the total amount of which is 7195 trillion soums. The number of banks attracting deposits in the last two higher classifications is the same 7, and we can see that the share of legal entities in each of them is almost twice as high.

When analyzing the term of deposits attracted by commercial banks of our republic, demand deposits have a high share, and the smallest share falls on deposits from 1 to 30 days. While all deposits by maturity increased compared to the same period last year, there was a downward trend in demand deposits of approximately 6.77%.

**Table 2 Balance of deposits and certificates of deposit<sup>11</sup>**

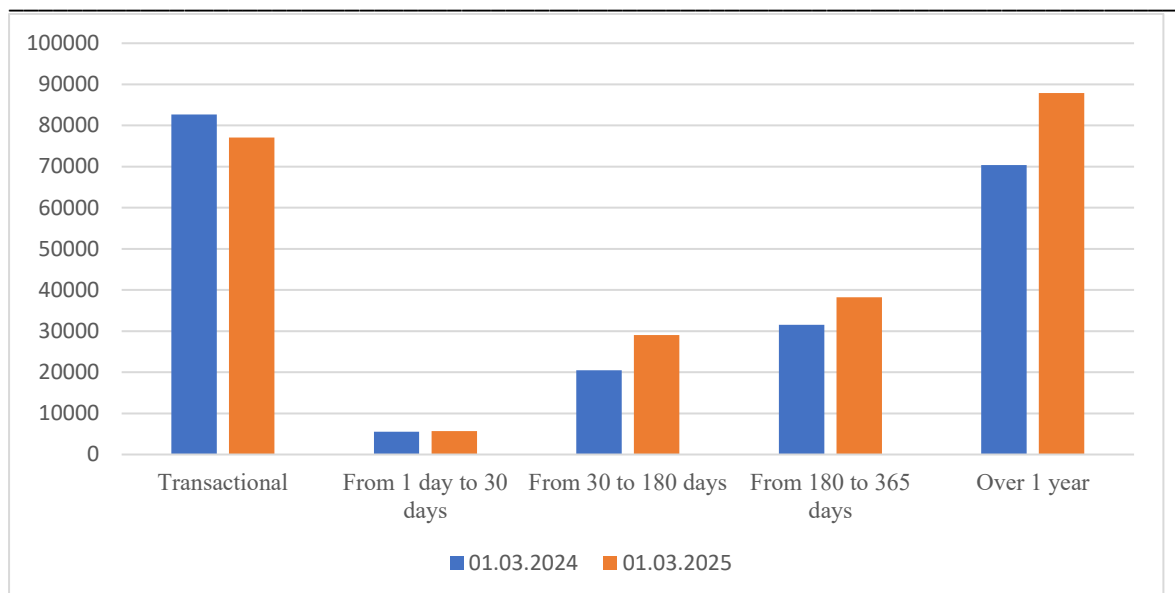
billion,soums

Date	Total	By deadlines				
		Transactional	From 1 day to 30 days	From 30 to 180 days	From 180 days to 365 days	Over 1 year
01.03.2024	210 652	82 655	5 537	20 524	31 533	70 402
01.03.2025	237 938	77 054	5 686	29 040	38 260	87 898

As of March 1, 2025, among all 35 commercial banks, JSCB "Kapitalbank" is leading in terms of attracted deposit resources with 31,736 billion soums. The next place was taken by the "National Bank for Foreign Economic Activity of the Republic of Uzbekistan" with 31,589 billion soums, while JSC "Xalq Bank" completed the top three with 17,537 billion soums<sup>12</sup>.

<sup>11</sup> [www.cbu.uz](http://www.cbu.uz) (Official website of the Central Bank of the Republic of Uzbekistan)

<sup>12</sup> [www.new.openinfo.uz](http://www.new.openinfo.uz) (Single corporate information portal of the National Agency for Promising Projects of the Republic of Uzbekistan)



**Figure 2. Grouping of deposits by maturity<sup>13</sup>**

The increase in deposits in commercial banks in our country can be explained by the population's growing confidence in the banking system and the introduction of new attractive deposit types.

**Table 3 GDP, inflation<sup>14</sup>, refinancing rate and average percentage of deposits over the years<sup>15</sup>**

Years	GDP, soums	Annual inflation, %	Refinancing interest rate, %	Average weighted deposits, %	
				Individual term deposits	Term deposits of legal entities
2016, december	255 421 900 000 000,00	9,7	9	18,3	6,2
2017, december	317 476 400 000 000,00	18,8	14	17,4	10,9
2018, december	426 641 000 000 000,00	14,3	16	17,1	13,8
2019, december	532 712 500 000 000,00	15,2	16	19,7	16,5
2020, december	605 514 900 000 000,00	11,1	14	17	14,4
2021, december	738 425 200 000 000,00	9,98	14	20,5	14,7
2022, december	888 341 700 000 000,00	12,3	15	20,2	16,9
2023, december	1 066 569 026 800 000,00	8,8	14	21,5	17,9

<sup>13</sup> www.cbu.uz (Official website of the Central Bank of the Republic of Uzbekistan)

<sup>14</sup> www.stat.uz (Official website of the Statistical Agency under the President of the Republic of Uzbekistan)

<sup>15</sup> www.cbu.uz (Official website of the Central Bank of the Republic of Uzbekistan)





Based on this table, we will construct an econometric model of the following relationships and their significance, conducting an econometric analysis:

- 1) the impact of annual inflation on the weighted average interest rate on term deposits of individuals;
- 2) the impact of annual inflation on the weighted average interest rate on term deposits of legal entities;
- 3) the impact of the refinancing rate on the interest rate on the average weighted term deposits of individuals;
- 4) the impact of the refinancing rate on the interest rate on the average weighted term deposits of legal entities;
- 5) the impact of the interest rate on the average weighted term deposits of individuals and legal entities on GDP.

**Table 4 Econometric analysis<sup>16</sup>**

№	Econometric model	Level of dependency	Type of dependency	Econometric model review
1	$y=22,107-0,2511x$	0,48	average	A 1-unit change in annual inflation will cause the weighted average interest rate on term deposits of individuals to decrease by 0.2511%.
2	$y=15,259-0,1075x$	0,095	very weak	A 1-unit change in annual inflation will cause the weighted average interest rate on term deposits of legal entities to decrease by 0.1075%.
3	$y=18,015+0,06764x$	0,085	very weak	A 1-unit change in the refinancing rate will cause the weighted average interest rate on term deposits of individuals to increase by 0.06764%.
4	$y=-5,2345+1,3676x$	0,79	Strong	A 1-unit change in the refinancing rate will cause the weighted average interest rate on term deposits of legal entities to increase by 1.3676%.
5	$y=-1416515818981700+75925747069317,6x_1+41736687764942,4x_2$	0,91	Very strong	A 1-unit change in the average weighted interest rate on term deposits of individuals increases GDP by 75925747069317.6 soums, and a 1-unit change in the average weighted interest rate on term deposits of legal entities increases GDP by 41736687764942.4 soums.

<sup>16</sup> Compiled by the author as a result of analysis



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## **CONCLUSIONS AND SUGGESTIONS**

In conclusion, it should be noted that the commercial banks of our Republic have good results in attracting temporary free money from the population to the economy to a sufficient extent, and the effective allocation of these funds is one of their main tasks today. This, in turn, has led to the deepening of market relations and further liberalization of the economy. As a result, the increasing demand for long-term and short-term funds in banks has become one of the important issues in the formation and management of these funds. This situation has a positive effect on the distribution of temporary free money resources among banks across the country and the strengthening of free competition in attracting additional resources from the financial market.

Based on the above research and analysis, the following recommendations have been developed:

- systematic introduction by commercial banks of new attractive types of deposits and deposits based on the demands and wishes of individuals and legal entities;
- development of short-term and long-term banking strategies for attracting deposits to commercial banks;
- adjusting the deposit policy of commercial banks to market requirements;
- implementing floating rates on deposits;
- developing the practice of certifying deposits by banks<sup>17</sup>;
- strengthening the resource base of the bank by expanding the practice of attracting interbank deposits.

We believe that the introduction of the above proposals will help commercial banks of our country improve deposit operations and, as a result, expand the deposit base of banks.

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<sup>17</sup> Resolution of the Board of the Central Bank of the Republic of Uzbekistan No. 1859 "On approval of the Regulation on the procedure for issuing and circulating certificates of deposit by banks"



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