



ORGANIZATIONAL AND INSTITUTIONAL FOUNDATIONS OF DEPOSIT OPERATIONS BY COMMERCIAL BANKS

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Abstract

This paper examines the organizational and institutional foundations of deposit operations of commercial banks, which are the most important element of banking activities. Theoretical aspects of deposits, their classification and role in the formation of the resource base of banks are studied. Organizational mechanisms for conducting deposit operations, internal control procedures and risk management are analyzed. Particular attention is paid to institutional factors influencing the deposit market, including the role of the Central Bank and public policy. Modern trends and innovations that contribute to the development of deposit services are considered. Based on the analysis, recommendations are given for improving the deposit activities of commercial banks. The work can be useful for specialists in the banking sector and financial market researchers.

Keywords: Deposit operations, commercial banks, organizational framework, institutional aspects, deposit, banking system, regulation, Central Bank, risks, innovations, financial stability

Introduction

Deposit operations are one of the key functions of commercial banks and play an important role in ensuring their financial stability and efficiency. The modern banking sector is actively developing, introducing new technologies and improving organizational mechanisms for working with deposits. In this regard,



the study of the organizational and institutional foundations of deposit operations is particularly relevant [3].

Deposits are not only an important source of resources for the lending activities of banks, but also ensure customer confidence in financial institutions and contribute to the stability of the entire banking system. At the same time, the organizational and institutional aspects of the functioning of deposit operations have a significant impact on their efficiency and security [1]. The purpose of this article is to study the organizational and institutional foundations of deposit operations of commercial banks, analyze the existing mechanisms for their organization and legal regulation, and identify problems and ways to solve them. Deposit operations are operations of commercial banks related to attracting funds from the population, enterprises and organizations into deposits (deposits) on certain terms of repayment and urgency. The main purpose of such operations is to accumulate temporarily free funds of clients, which the bank uses for further lending activities and other operations.

The essence of deposit operations is that the bank acts as an intermediary between the depositor providing funds and the borrower receiving a loan [2]. Deposits are the bank's obligations to depositors, which are subject to return at the end of the deposit term or on first demand (in the case of demand deposits). Deposits are classified according to various criteria:

➤ By placement terms:

- a) Term deposits - funds are placed for a certain period (for example, from 1 month to several years).
- b) Demand deposit (current account) - funds can be withdrawn at any time without loss of interest.

➤ By subjects:

- a) Deposits of individuals (private individuals).
- b) Deposits of legal entities (enterprises, organizations).

➤ By currency:

- a) Deposits in national currency.
- b) Foreign currency deposits.

➤ By terms of interest accrual:

- a) Fixed rate deposits.



b) Floating rate deposits.

Thus, deposit operations are the main source of resources for commercial banks. They ensure the financial stability and liquidity of banks, allow them to form a loan portfolio and develop other types of banking services. A high level of depositors' trust in banks helps strengthen the entire banking system and economic stability in general. In addition, deposit operations affect the state's monetary policy, since through regulating interest rates and reserve requirements, the Central Bank affects the volume and cost of resources available to banks [4].

Deposit operations are regulated by both national legislation and internal regulations of banks and the central bank. The main legislative acts in Uzbekistan are:

- ✓ Civil Code of the Republic of Uzbekistan (sections related to banking operations and deposit agreements);
- ✓ State Law "On banks and banking activities";
- ✓ Regulations and instructions of the Central Bank of the Republic of Uzbekistan regulating the procedure and conditions for conducting deposit operations;
- ✓ International standards and recommendations on banking regulation (for example, the Basel Accords) [5].

Legal regulation is aimed at ensuring the safety of deposits, protecting the rights of depositors, transparency and stability of banking operations.

The organizational structure of a commercial bank plays a key role in ensuring the efficient conduct of deposit operations. Large banks usually have a specialized division - a depository or a deposit department, which is responsible for accepting, storing and recording deposits, as well as interacting with clients. In addition, the organizational structure includes a risk management service, an internal control service, a legal department and other divisions that ensure the reliability and security of deposit operations. A clear distribution of functions and powers helps optimize processes and reduce operational risks.

The process of conducting deposit operations includes several stages:

- Consulting the client on the terms of deposits, choosing a suitable product.



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- Concluding a deposit agreement, which sets out the terms: amount, term, interest rate, interest payment procedure.
 - Receiving funds from the client and accounting for them in the banking system.
 - Accrual of interest on the deposit in accordance with the agreement.
 - Return of funds to the client at the end of the deposit term or on demand (in the case of a demand deposit).

Thus, modern technologies, including remote banking, Internet banking and mobile applications, significantly simplify and speed up deposit operations.

To ensure the reliability of deposit operations, the bank develops internal regulations and instructions governing:

- The procedure for accepting deposits and maintaining deposit accounts.
- Checking and identifying clients in accordance with legal requirements (for example, to combat money laundering).
- Control over the correctness of interest accrual and payment.
- Conducting audits and monitoring transactions to identify suspicious transactions.

As the analysis shows, the internal control system helps minimize errors and prevent fraud.

Deposit operations are associated with a number of risks, among which are:

- Risk of deposit withdrawal: depositors can suddenly withdraw funds, which reduces the bank's liquidity.
- Interest risk: changes in market rates affect the profitability of deposits.
- Operational risk: employee errors, failures in IT systems.
- Reputational risk: loss of customer trust due to insufficient transparency or service problems.

Thus, to minimize risks, the bank applies diversification of the deposit base, maintains a sufficient level of liquidity reserves, implements modern information technologies and a quality control system. The deposit market includes various institutional participants, each of which plays its own role:

- ✓ Commercial banks are the main operators that accept deposits and manage them.



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- ✓ The Central Bank regulates the activities of commercial banks, sets reserve standards, interest rates, and monitors the stability of the banking system.
 - ✓ Depositories and clearing organizations provide accounting and settlements for deposit transactions.
 - ✓ Depositors (individuals and legal entities) ensure the inflow of funds to banks.
 - ✓ Insurance organizations (deposit insurance agents) protect the interests of depositors in the event of a bank's bankruptcy, which increases confidence in deposits [3].

Thus, the interaction of these institutions creates a reliable infrastructure for the functioning of deposit operations. State policy and the activities of the Central Bank have a significant impact on deposit operations:

- By regulating interest rates, the Central Bank influences the attractiveness of deposits for clients and the cost of resources for banks.
- The establishment of mandatory reserves reduces or increases the volumes available for lending.
- Legislation to protect the rights of depositors creates trust and stability in the market.
- Measures to combat money laundering and terrorist financing ensure the security of transactions.

In addition, in crisis situations, the state can introduce additional measures to support the banking sector, which also affects the deposit market.

In recent years, deposit operations have been actively transformed under the influence of technological changes:

- Digital deposits - opening and managing deposits through Internet banking and mobile applications.
- FinTech solutions - using blockchain and smart contracts to automate deposit agreements.
- Personalization of deposit products - flexible terms, dynamic interest rates, bonus programs.
- Integration with payment systems and services - simplification of transactions and increased convenience for customers.



All these trends increase the competitiveness of banks and improve customer experience in the modern world and make them more convenient and popular among the population.

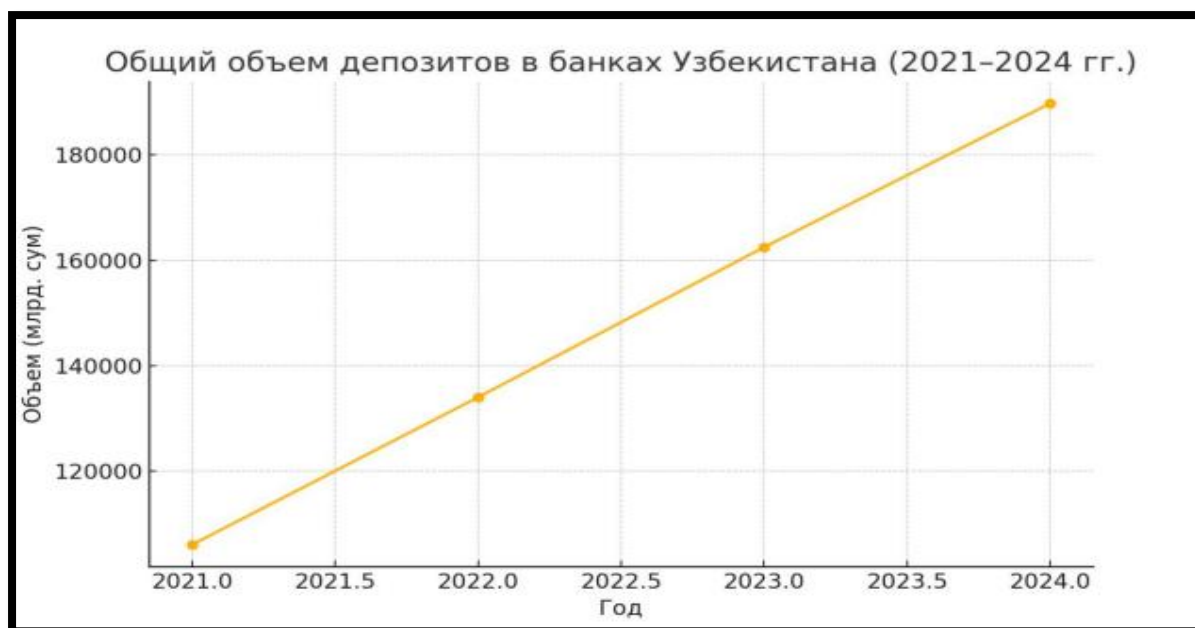


Fig-1. Total volume of deposits in banks of Uzbekistan (2021-2024)

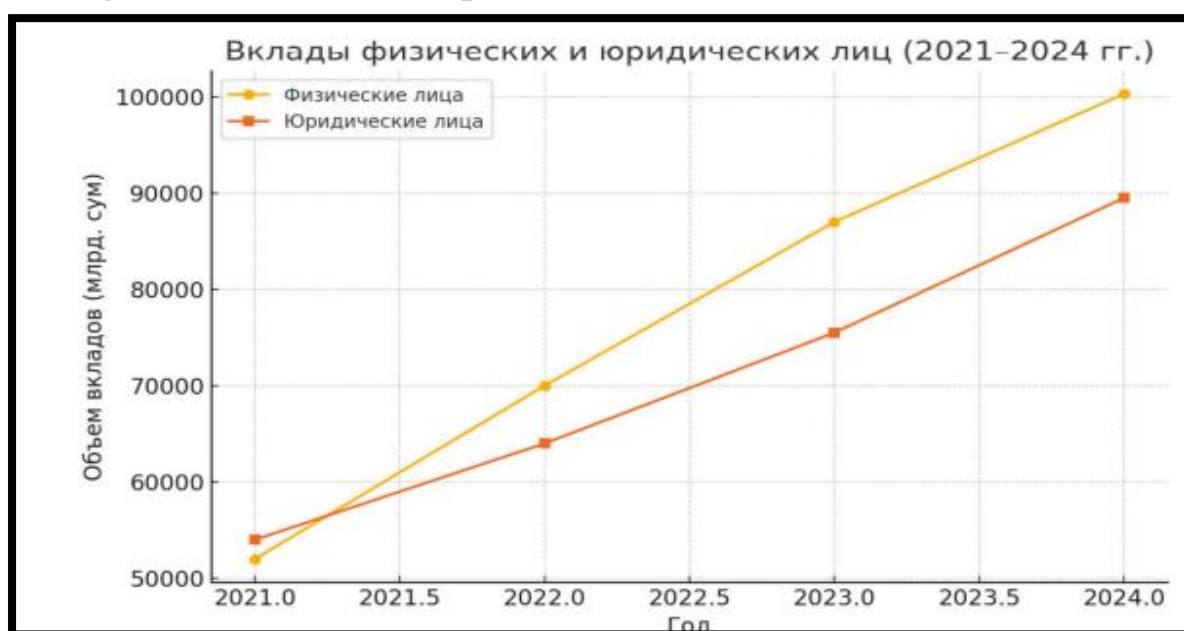


Fig-2. Deposits of individuals and legal entities (2021-2024)

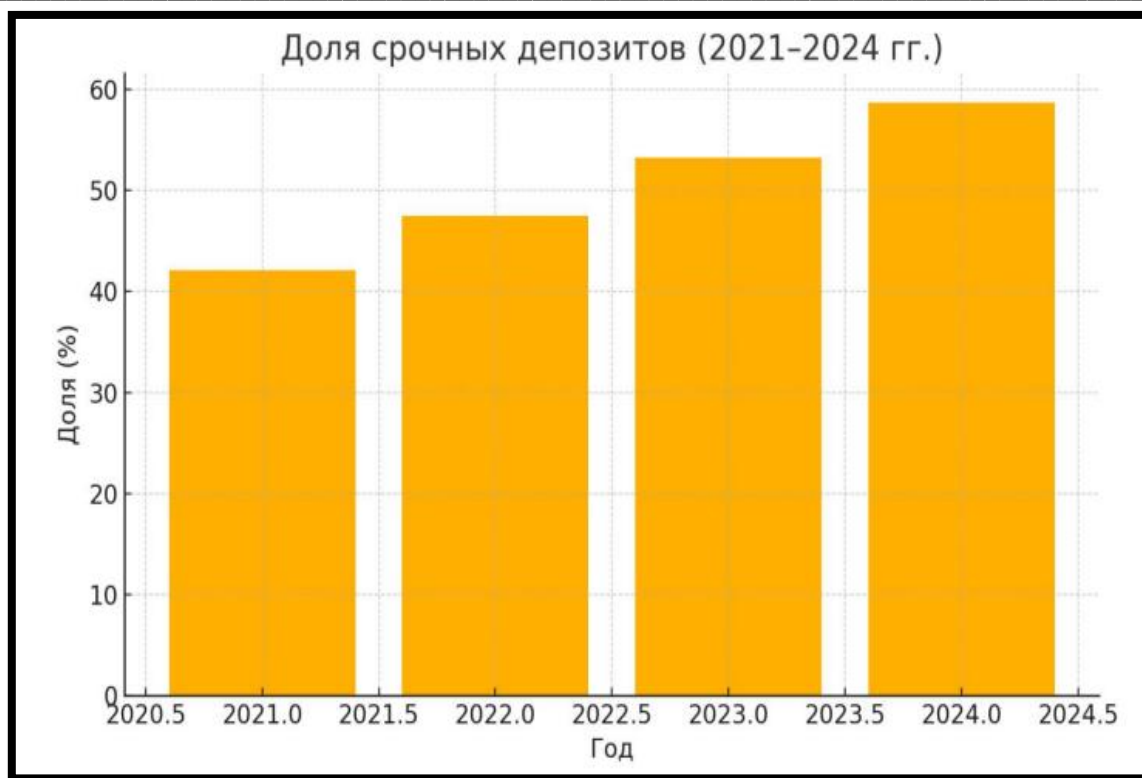


Fig-3. Share of term deposits (2021-2024)

Below are the actual results of the study on deposit operations of commercial banks of Uzbekistan for the period from 2021 to 2024. The data reflect the main quantitative indicators related to the dynamics of deposits of individuals and legal entities, changes in the structure of the deposit base, as well as the share of term deposits in the total amount of funds attracted (Fig. 1, Fig. 2, Fig. 3).

The table and graphs present:

- the total volume of deposits in the banking system;
- the volume of deposits of individuals and legal entities;
- the share of term deposits in the total structure of the deposit base.

The conducted analysis demonstrates that one of the most important conditions for successful deposit activity is product diversification. Banks offering deposits with monthly interest capitalization, flexible terms and bonuses for prolongation demonstrate a stable growth of the client base. Thus, in 2024, about 35% of new depositors chose products with additional options, despite the lower interest rate.



The financial culture of a part of the population, especially in remote regions, also remains a limiting factor. Despite the overall growth in the number of depositors, in some regions of the country, the coverage of banking services remains below the national average. This requires continuing educational initiatives and the introduction of mobile banking solutions available even with low digital literacy. Thus, the discussion of the results shows that deposit operations of commercial banks of Uzbekistan demonstrate positive dynamics associated with macroeconomic stabilization, reforms in the banking system and active digitalization. At the same time, there are both internal and external factors that require constant monitoring and adaptation of bank strategies.

During the study, the article examined the organizational and institutional foundations of deposit operations of commercial banks, considered key theoretical provisions, organizational mechanisms and institutional factors affecting the efficiency and safety of deposit activities. The analysis showed that deposit operations play a critical role in ensuring the financial stability of banks, forming their resource base and maintaining customer confidence. The organizational structure of banks should be adapted for effective deposit management, taking into account modern technological capabilities and legal requirements. Institutional aspects, including regulation by the central bank and government policy, have a significant impact on the development of the deposit market. The introduction of innovative technologies and digital solutions is becoming an important factor in increasing the competitiveness of banks and improving the quality of service to depositors. To further improve deposit operations, it is recommended to:

- Strengthen measures to control and manage risks associated with deposits;
- More actively implement modern IT technologies and digital products;
- Increase the level of transparency and information for clients;
- Develop institutional interaction between market participants.

The obtained conclusions and recommendations can be used by commercial banks to optimize deposit activities and increase their sustainability in the context of dynamic changes in the financial market.



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