

Ensuring and Increasing the Stability of Demand Deposits of Commercial Banks

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Abstract: The banking system of the world shows that it is necessary to have solid resources in commercial banks, and this, in turn, affects the country's money supply and economic growth trends. This article presents demand deposits of commercial banks operating in Uzbekistan and their analysis, the total amount of demand deposits by type of bank deposits and proposals for increasing the volume of demand deposits in the implementation of banking policy.

Key words: Commercial bank, deposit, demand deposit, time deposit, savings deposit, interest.

Introduction: In recent years, fundamental changes have been taking place in the economic policy of our country. This will increase the importance of reforms in all spheres of the economy. Consistent development trends are being implemented in the financial sector, and legal norms have been created for business management in the banking system.

Currently, commercial banks have their own policies and competitive interest rates to attract free funds from the population into deposits. This largely contributes to the influx of a stable source of resources into commercial banks. Deposits cause a reduction in the shadow part of the economy, regulation of commodity-money relations, and the preservation of income-generating money for the population.

In the strategy for reforming the banking system of the Republic of Uzbekistan for 2020-2025, in order to increase the popularity of financial services, first of all, a further increase in deposits of legal entities and individuals in the national currency, as well as attract additional resources to the banking system by allowing banks to enter international capital markets. It is recognized that this is desirable to do.

Methods

One of the main features of commercial organizations is that they carry out their activities using borrowed funds. Commercial banks are no exception. Commercial banks are organizations that accept funds from the public in exchange for various conditions, terms and interest.

Through deposits, banks create loan capital and make a profit by investing in the desired economy.

Deposit comes from the Latin word (depositum) and means an item deposited. In economics, it is understood as economic relations arising as a result of the client transferring his funds to the bank for temporary use.

A deposit means deposited funds that meet all the following conditions:

- interest at the request of the client or after the expiration of the term with or without other income, or the investor or his representative agreed terms between the representative and the receiving bank funds subject to return on the basis of;
- subordinated debt, property rights or services, i.e. including funds not related to insurance services;
- with the relevant document from the recipient bank funds are confirmed in writing.

Depending on the form of receipt of funds, deposits are classified as follows:

- ✓ time deposit funds;

- ✓ deposit funds on demand;
- ✓ Savings deposits of the population.

Currently, certificates of deposit (non-issue securities) are widely used in commercial banks of our Republic.

Deposit certificate is a non-issue security confirming the right of the depositor (certificate holder) to receive the amount of the deposit placed with the bank and the interest provided for by the certificate from the bank that issued the certificate or any branch of this bank after a specified period.

Certificates can be issued in two types:

- a) "certificates of deposit" - for legal entities;
- b) "savings certificates" - for individuals.

Today's percentage of deposits in Uzbekistan depends on the level of inflation in the country.

Demand deposits of depositors are deposits held on demand. Funds on bank plastic cards are considered deposits that are held on demand, and their movement is regulated in accordance with separate regulatory documents.

Table 1. Balance of deposits in commercial banks (by types and terms)

Billion soums

Periods	Total	By date Total periods				
		Demand depozits	From 1 to 30 days	From 30 to 180 days	From 180 to 365 days	More than 1 year
01.12.2022 y.	216 548	96 623	5 704	22 553	30 210	61 459
01.12.2023 y.	229 501	80 318	8 398	30 307	29 500	80 978

In our country, the share of the main deposit balance is the share of deposits held on demand. It is stored in the Nostro account of the Central Bank and does not generate income for the bank. Commercial banks need to further increase the weight of time deposits, for this they should implement the following measures:

It is necessary to implement a deposit policy that is considered simple for the population, with relaxed high interest requirements, to increase the demand for time deposits in the media, and to participate as an issuer in the securities market.

Although deposits in national currency in the system maintained their growth rate, foreign deposits in foreign currency decreased. Reducing the import of foreign currency deposits the outflow of funds accumulated in previous periods for payments and external outflow of funds from non-residents who entered temporarily due to the geopolitical situation was associated with. As a result, there was a significant decrease in the observed share of highly liquid assets in the banking system. In this case, timely fulfillment of obligations and liquidity in banks will result in retention losses and liquidity risks may arise for the banking system.

In particular, ongoing external geopolitical tensions, As a result of the increase in the negative foreign trade balance (in the first half of 2023 it amounted to 4.9 billion US dollars, which is 4.4% higher than in the corresponding period of the previous year), high domestic demand for foreign currency remained. These external and internal factors caused fluctuations in the domestic foreign exchange market in the

first half of this year. In addition, due to a reduction in deposits in foreign currency, the total volume of deposits as of July 1, 2023 decreased by 6.4 percent¹³ from the beginning of this year.

The risk map of the state of the credit market¹⁴ showed that the loan-to-deposit ratio and the interest expense coverage ratio of individuals have weakened. In particular, as of July 1, 2023, the ratio of loans issued to individuals to deposits increased by 20% compared to the corresponding period of the previous year.

The difference between the volume of loans and deposits in the banking system has expanded. As of July 1, 2023, this difference amounted to 221 trillion soums and increased by 39% compared to the same period last year.

As of July 1 of this year, in large banks, in terms of the share of assets, the growth rate of loans exceeded the growth rate of deposits. Small banks, especially private ones, are actively involved in attracting deposits and providing loans.

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