American Journal of Economics and Business Management

Vol. 8 Issue 12 | **pp.** 6212-6219 | **ISSN:** 2576-5973
Available online @ https://www.globalresearchnetwork.us/index.php/ajebm

Article

Economic Importance of Deposit Policy and Priority Tasks for Ensuring The Stability of The Deposit Base in Commercial Banks

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Abstract: This article presents a scientific examination of the organization of deposit operations in commercial banks, the improvement of their efficiency, and the mechanisms for ensuring the stability of the deposit base. The research analyzes the findings of both domestic and foreign scholars on this topic, alongside the author's own views and interpretations. Furthermore, the study investigates the significance of deposit policy in ensuring the stability of commercial banks' deposit base, the key criteria for forming deposit policy, and their specific features. The deposits of the banking system of the Republic of Uzbekistan are analyzed from a practical perspective, existing problems are identified, and scientifically grounded recommendations are proposed.

Keywords: deposit base, types of deposits, diversification, financial resources, financial stability, deposit insurance system, subordinated loans.

1. Introduction

The interactions between the banking system and the population are multifaceted. Household savings deposited in banks constitute the resource base of commercial banks. The population, in turn, is the primary consumer of banking services. Following the transition to a market economy, the development and improvement of banking services provided to the public became increasingly important. By pursuing effective policies aimed at attracting the financial resources of citizens, banks help ensure the continuity of the reproduction process. Within the complex system of financial and economic relations, banks consistently perform their essential functions. However, as independent entities operating in a competitive market environment, banks constantly face challenges related to shortages of financial resources required for sustaining their commercial activities.

Periodic changes occurring within various sectors, as well as the ongoing integration and mutual advancement of countries in the global community, highlight the critical role of the banking sector as a financial donor to other industries. Without the stable functioning of the banking and financial system, the development of other industries—particularly the timely lending to large industrial and construction enterprises, as well as the mobilization of idle funds into deposit accounts—would be significantly hindered.

A substantial portion of banks' financial resources is formed from their own funds. However, banks cannot attract resources without limitation, as such processes are regulated by the Central Bank of each respective country. For example, in the case of the

Citation: Elshodovna, A. D. Economic Importance Of Deposit Policy And Priority Tasks For Ensuring The Stability Of The Deposit Base In Commercial Banks. American Journal of Economics and Business Management 2025, 8(12), 6212-6219

Received: 25th Oct 2025
Revised: 17th Nov 2025
Accepted: 27th Nov 2025
Published: 15th Dec 2025

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Republic of Uzbekistan, the volume of attracted funds is not restricted through a direct linkage to the size of bank capital; instead, banking supervision is carried out through the establishment of various prudential requirements.

Deposit policy refers to the effective organization of attracting funds to the bank and managing them efficiently. The formation of such a policy encompasses objectives such as ensuring liquidity, utilizing borrowed funds when necessary, increasing profitability, and minimizing risk levels. To implement the investment potential of the national economy through household savings, it is essential to develop the most optimal mechanisms for channeling these funds into the banking sector. The most crucial factor in achieving this is strengthening public trust in the banking and financial system, as well as in the national currency.

Literature Review

policy, which occupies one of the key positions in the economic activities of commercial banks, serves as a unified strategic framework ensuring the balance of financial flows and maximizing returns from Қfinancial instruments. The main criteria of a commercial bank's deposit policy include the following:

1. strengthening the attraction of deposits from various segments of the population;
2. activating the bank's deposit policy across specific regions;
3. increasing the mobilization of funds through particular types of deposits.

Taking into account the unique characteristics of commercial banks, the resource base that forms the fundamental foundation of their deposit policy consists of:

4. bank capital;
5. funds held in the accounts of legal entities and individuals;
6. funds attracted under various terms and conditions.

According to the methodology developed by World Bank experts, the stable balance of transaction deposits is not considered when determining the adequacy of a commercial bank's deposit base. However, some economists, including Prof. O. I. Lavrushin, argue that the stable balance of transaction deposits must be taken into account in evaluating the adequacy of commercial banks' deposit bases.

At present, in many countries around the world, including the Republic of Uzbekistan, the "CAMEL" rating system is widely used in conducting supervisory assessments of commercial bank activities.

Within the "CAMEL" rating system, core deposits are defined as the portion of deposits that is unlikely to leave the bank. In this regard, core deposits include the stable balances of all three types of deposits—transaction deposits, time deposits, and savings deposits.

In our view, the method of assessing the adequacy of the deposit base under the "CAMEL" rating system is more advanced than the World Bank methodology. First, the stable balance of transaction deposits is taken into account. This is particularly important since the use of the stable portion of transaction deposits does not pose a significant threat to the liquidity of commercial banks. Second, only the stable balance of savings deposits is recognized as core deposits. In practice, a certain portion of savings deposits constitutes unstable liabilities. They differ from transaction deposits in that their withdrawal requires prior notification to the bank.

According to Prof. G. S. Panova, ensuring the adequacy of the deposit base of commercial banks requires preventing the share of transaction deposits from exceeding 30 percent of total deposits and introducing limits—based on German banking practices—on the portion of deposits that may be channeled into credit operations. In Germany, 60 percent of time deposits and 10 percent of transaction deposits are used to finance credit operations [1].

D. Polfreman and F. Ford emphasize that in order to ensure the adequacy and stability of the deposit base of commercial banks, primary attention should be directed toward

large deposits. They argue that time deposits of at least 10,000 British pounds, fixed for up to two years at predetermined interest rates, play an important role in maintaining the stability of English commercial banks' deposit bases. In our view, Polfreman and Ford overlook the impact of large deposits on bank liquidity. The simultaneous withdrawal of large deposits from a commercial bank may sharply deteriorate its liquidity and even lead to bankruptcy [2].

According to Prof. V. M. Usoskin, using transaction deposits as a resource significantly undermines the liquidity of commercial banks. Therefore, the 1933 prohibition on paying interest on transaction deposits under the Glass–Steagall Act was a sound policy decision. However, the establishment of upper limits on interest rates paid on time and savings deposits negatively affects the deposit base of commercial banks [3].

Research by Eichengreen and Hausmann shows that in developing countries, underdeveloped financial markets hinder the mobilization of long-term resources required for investment financing. As a result, long-term investment projects are often financed through short-term loans, leading to increased transformation and liquidity risks [4].

Uzbek economists Sh. Z. Abdullayeva and A. A. Omonov define bank capital as follows: "The capital of commercial banks is a stable source that serves as a protective mechanism, enabling the coverage of unexpected losses arising in the operational process of the bank." [5].

I. Juraev places special emphasis on transformation risk in the formation of financial resources: "The deposit base of commercial banks is directly linked to their risky assets, and the disruption of this balance gives rise to transformation risk. Therefore, ensuring the alignment of long-term loans and time deposits can help mitigate transformation-related problems in banks." [6].

A. M. Rahimov notes that "the activities of commercial banks are not financed entirely by their own capital but primarily by attracted funds." Based on his view and international practice, the share of attracted funds in commercial banks typically accounts for 80–85 percent of total resources [7].

2. Materials and Methods

The World Bank's Financial Sector Assessment Program (FSAP) reports state that "financial resources are funds directed to the economy through banks. If resources are of high quality, they contribute to economic growth." [8]

In the document "Basel III: A global regulatory framework for more resilient banks" issued by the Basel Committee on Banking Supervision, bank resources are defined as "the combination of capital and stable funding. They form the basis for reducing banking risks and ensuring preparedness for stress conditions." [9]

According to the financial documents of the Organization for Economic Co-operation and Development (OECD), "bank resources represent the aggregate of internal and external funding sources. Their key components include external debt, deposits, and reserves. Bank resources play a decisive role in lending to small and medium-sized enterprises." [10]

In accordance with Article 163 of the Civil Code of the Republic of Uzbekistan, "no statute of limitations shall apply to depositors' claims submitted to a bank for the return of their deposits, as well as to claims submitted to the Deposit Guarantee Fund regarding the payment of compensations for guaranteed deposits." [11]

This is established by the Law *"On the Central Bank of the Republic of Uzbekistan"* Article 61 of this law defines the supervisory functions of the Central Bank, stating that it is authorized to *"determine the procedure for establishing the baseline level of payable remuneration, including any interest and non-interest payments to individual depositors, income paid in kind, as well as the maximum permissible deviation of monetary rewards under bank deposit agreements from the baseline level."* [12]

According to Article 3 of the Law of the Republic of Uzbekistan "On Bank Secrecy" dated August 30, 2003, information regarding a bank's "clients' (or their representatives') transactions, accounts, and deposits" is considered a bank secret, and the protection of clients' interests is emphasized [13].

The Law *"On Guarantees for the Protection of Deposits in Banks"* currently serves as the primary legal and regulatory source for deposit insurance. The main purpose of this law is to guarantee the deposits of bank clients [14].

3. Results

The funds attracted by banks vary in composition. In the process of working with clients, the main types of attracted funds are deposits and borrowed funds from other credit institutions.

Attracting deposits is one of the key functions of banks, and without deposit operations, commercial banks cannot perform their other main functions. Deposits or accumulated funds play an important role in the income-generating activities of banks, which are aimed at achieving the primary goal of profit.

If the public is interested in safely keeping their idle funds in banks, with guarantees and earning interest on deposits, banks, in turn, can earn interest income by providing loans to clients or offering services widely used in global practice, such as leasing, factoring, trust management, overdraft, and overnight credit. In this way, idle funds are collected through banks and directed to the real sector of the economy, which increases the velocity of money circulation and helps stabilize the national currency. This factor plays a key role in the development of deposits.

To meet the growing demand for credit in the economy and due to uncertainties in attracting resources from external sources, commercial banks are increasingly relying on internal financing sources.

Specifically, in the reporting year, banks' total liabilities reached 654.5 trillion soums, an increase of 18 percent or 99 trillion soums compared to 2023.

Of this increase in liabilities, 67 percent came from deposits, 16 percent from issued securities, 10 percent from borrowed credit lines, 2 percent from subordinated debt, and 7 percent from other liabilities.

Within total liabilities, the share of attracted deposits rose from 43.5 percent to 47.2 percent, the share of issued securities from 2.4 percent to 4.4 percent, and the share of subordinated debt and other liabilities from 5.4 percent to 5.9 percent.

Funds payable to the Central Bank (payments through payment systems) accounted for 0.3 percent, while the share of borrowed credit lines decreased from 40.4 percent to 35.9 percent, and the share of funds payable to other banks declined from 8 percent to 6.3 percent.

Within attracted deposits, the share of deposits in the national currency increased from 70.1 percent to 75 percent, whereas the share of deposits in foreign currency decreased from 29.9 percent to 25 percent. This trend is explained by the formation of a stable exchange rate and the maintenance of a positive real interest rate due to relatively strict monetary policy, which has increased the attractiveness of deposits in the national currency.

Moreover, the average annual interest rate on term deposits attracted from individuals in the national currency was 21.8 percent, with 55 percent of deposits attracting up to 22 percent, 37 percent attracting 22–25 percent, and the remaining 8 percent at rates above 25 percent.

During the reporting year, the balance of household deposits within commercial banks' attracted deposits increased by 42 percent, or 36 trillion soums, reaching 122 trillion soums. In particular, the balance of deposits in the national currency increased by 54 percent, or 31 trillion soums, reaching 88 trillion soums, with the total share of household deposits rising from 66 percent to 72 percent.

Regarding the maturity structure of attracted deposits, the share of deposits with a term of up to one year remained around 29 percent, similar to the 2023 level, while the

share of deposits with a term exceeding one year increased from 35.3 percent to 38.7 percent. The share of demand deposits decreased from 35.3 percent to 32.1 percent [15]. Despite global inflation decreasing and foreign central banks entering a phase of easing monetary policy, the **Table 1.** demand for foreign resources remains high, which has resulted in slower declines in interest rates in the external financial markets.

Table 1. Distribution of Deposits by Maturity, billion soums

		Deposits by Deposit Term							
	Total	**demand deposits**		**up to 6 months**		**6 months to 1 year**		**Over 1 year**	
		Amount	***Share, %***	**Amount**	***Share, %***	**Amount**	***Share, %***	**Amount**	***Share, %***
01.01.2024-y.	**241 687**	**85 198**	***35,3***	**36 329**	***15***	**34 952**	***14,5***	**85 209**	***35***
in national currency	169 516	50 827	*30*	25 909	*15*	27 209	*16*	65 571	*39*
in foreign currency	72 171	34 370	*48*	10 420	*14*	7 743	*11*	19 638	*27*
01.01.2025-y.	**308 692**	**99 094**	***32,1***	**43 980**	***14,2***	**46 260**	***15***	**119 359**	***39***
in national currency	231 235	62 415	*27*	34 647	*15*	39 014	*17*	95 158	*41*
in foreign currency	77 458	36 679	*47*	9 332	*12*	7 246	*9*	24 201	*31*

Source: Central Bank data

At the same time, in an economic environment where alternative sources of financing are limited, the importance of external resources is increasing alongside internal sources to meet the high demand for bank credit.

For this purpose, in 2024, banks attracted a total of USD 6.3 billion (+46% compared to 2023), including USD 2 billion in short-term foreign loans with maturities of up to one year.

During the reporting year, USD 4.6 billion of foreign loans were repaid (+60% compared to 2023), of which USD 2.8 billion (60%) were long-term loans.

As a result **Table 2.** of measures taken to form credit resources considering existing and potential risks in banks, external credit resources increased by 9.1% (by 12.3 trillion soums, totaling USD 11.4 billion), while internal resources – the balance of deposits – grew by 67 trillion soums or 28% in 2024. Their share in total liabilities increased from 44% to 47% during this period.

Table 2. Key Indicators of the Banking System, billion soums

Indicator	01.01.2024 y.			01.01.2025 y.			Nominal Growth, %
	total	of which, in foreign currency	Share, %	total	of which, in foreign currency	Share, %	
Total Assets	652157	291791	45%	769330	316440	41%	18%

Loans	471406	212036	45%	533121	228718	43%	13%	
Deposits	241687	72171	30%	308692	77458	25%	28%	
Capital	97079	395	0,4%	114792	413	0,4%	18%	

The analysis of the main indicators of the banking system at the beginning of 2024–2025 shows that during this period, the banking sector continued to experience stable growth and structural improvements. In particular, bank assets increased from 652.2 trillion soums at the beginning of 2024 to 769.3 trillion soums at the beginning of 2025, representing an 18% growth. The share of foreign currency assets decreased from 45% to 41%, indicating a higher proportion of assets formed in the national currency, which is an important factor in reducing currency risk.

Loans also demonstrated positive dynamics, increasing by 13% over the year. The share of loans in foreign currency declined from 45% to 43%, reflecting banks' more cautious approach to managing currency risks. Moreover, the slower growth rate of the loan portfolio compared to asset growth suggests that banks are increasingly generating income from activities other than lending.

During this period, deposits increased from 241.7 trillion soums to 308.7 trillion soums, a 28% growth, which is one of the most positive developments for the banking system. The share of foreign currency deposits decreased from 30% to 25%, indicating growing public and corporate confidence in the national currency. The faster growth of deposits compared to loans strengthened banks' liquidity position and demonstrates that they are building a stable resource base.

Bank capital also grew significantly, increasing by 18% over the year. The share of capital in foreign currency remained minimal at 0.4%, indicating that almost all capital is denominated in the national currency. The proportional growth of capital alongside assets shows that banks are operating in accordance with prudential management requirements.

The beginning of 2025, the banking system achieved positive results in terms of growth rates, liquidity levels, strengthening of the resource base, and reduction of currency risks. The substantial growth of assets, capital, and deposits confirms the increasing financial stability of the banking system. The sharp increase in deposits indicates the formation of an important funding source for banks, while the cautious growth of the loan portfolio reflects the effectiveness of risk management processes. Thus, during 2024–2025, the banking system maintained a stable development trend and further strengthened its position as a key institution in the financial sector of the economy.

Commercial banks in developed countries have extensive experience in using deposit policies developed by the banks themselves to ensure the stability of their deposits. Introducing the positive aspects of this experience into our country's commercial banks will be beneficial in implementing measures to maintain deposit stability. In developed countries, the issue of enhancing the quality of the resource base through stable deposits has been recognized as a key task since the 1980s and has continuously undergone a process of improvement.

Based on international banking practice, it can be stated that the main resource base of commercial banks consists of their deposit resources. Within deposit funds, transactional deposits are relatively cheap but financially unstable due to their short-term nature, while term and savings deposits are stable in terms of maturity but more expensive.

The primary source of funding for income-generating asset operations of commercial banks is term and savings deposits attracted from clients. Therefore, when ensuring the stability of deposits, commercial banks primarily focus on maintaining the stability of the share of term and savings deposits in total deposits. This is because:

Capital is a relatively expensive form of financing for commercial banks;

By their nature, commercial banks attract temporarily idle funds from individuals and business entities into deposit accounts and allocate them in the form of loans or investments;

Interbank loans are relatively expensive financial resources, so using them to finance asset operations increases the cost of interest expenses for commercial banks.

4. Conclusion

At present, we can identify the following problems related to ensuring the stability of deposits in the country's commercial banks:

One of the characteristic features of banks is that they organize their activities not based on their own funds, but on borrowed or attracted funds. From this perspective, constant monitoring of attracted funds to ensure the stability of bank deposits has not been properly implemented.

Insufficient attention has been paid to strengthening the resource base of commercial banks in Uzbekistan by increasing the volume of term deposits.

There is no specialized system for daily monitoring and analysis of risks in bank activities, liquidity imbalances, and factors influencing changes.

The stability of commercial bank deposits directly depends on the bank's deposit policy. However, measures for multi-faceted pricing and rational allocation of assets and liabilities—key elements of deposit policy—have not been clearly developed.

Banks do not regularly analyze the value of all resources and the performance of deposit operations when implementing interest rate policy.

The terms of attracted funds and interest rates are often mismatched, which affects the stability of deposits.

There is a need to develop a clear strategy in commercial banks of the Republic aimed at ensuring deposit stability.

In our view, addressing the above problems and shortcomings will help ensure the stability of commercial bank deposits in Uzbekistan in the future. These measures are considered an important socio-economic issue and create several opportunities for increasing the volume and stability of commercial bank resources. Effective utilization of these measures will not only enhance the financial stability of banks but also positively influence public confidence in the banking system. Furthermore, it will contribute to the comprehensive development of the banking sector in the Republic and support the successful implementation of ongoing economic reforms aimed at improving the well-being of the population.

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