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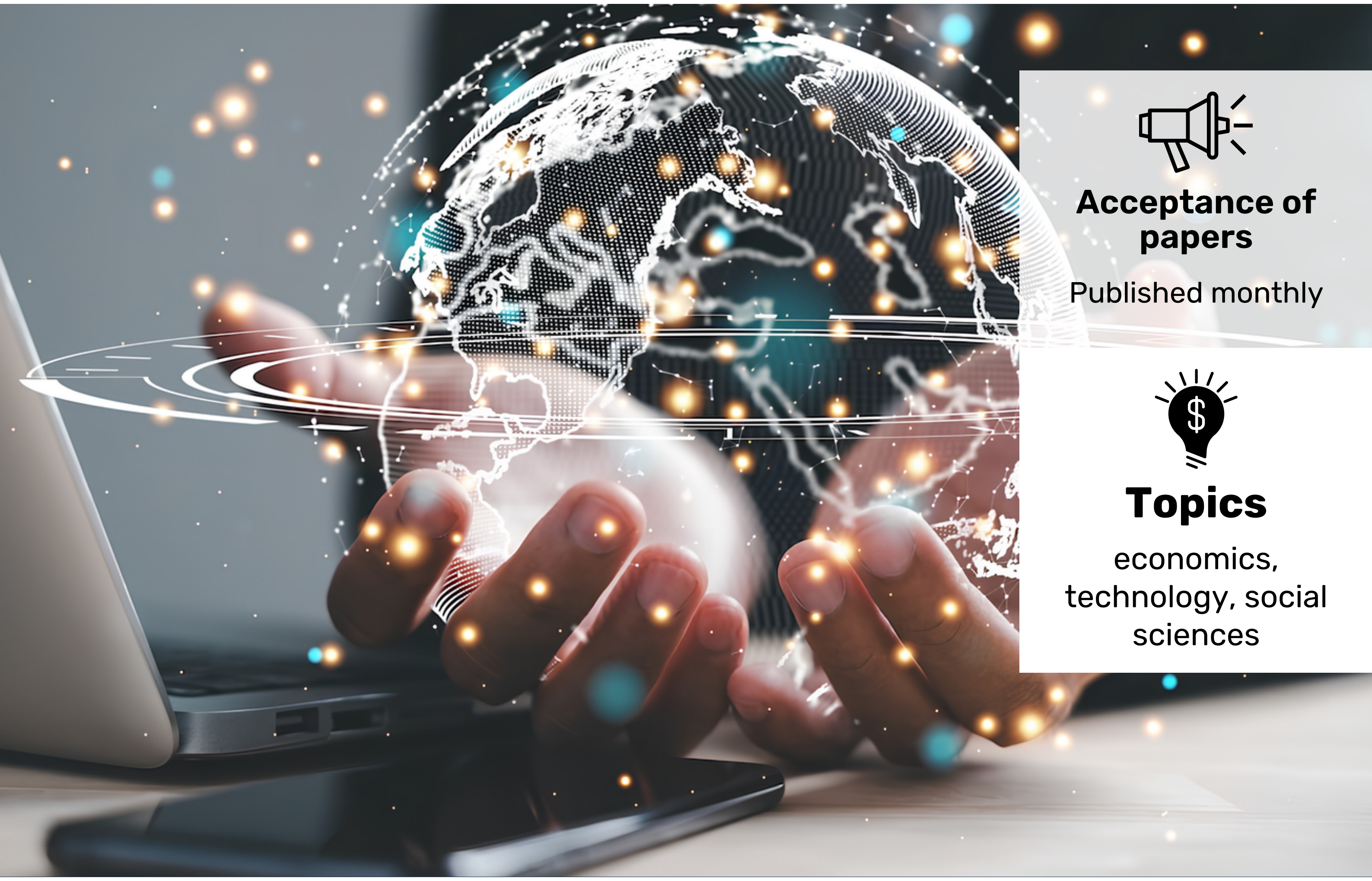

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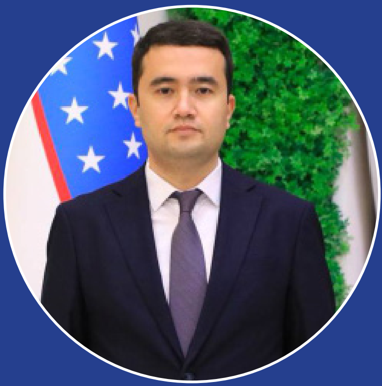

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ANALYSIS OF THE DYNAMICS OF INTEREST RATES ON DEPOSITS IN COMMERCIAL BANKS OF UZBEKISTAN

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Abstract: This article examines the dynamics and structural changes in interest rates on term deposits in the commercial banks of the Republic of Uzbekistan during 2022–2024. The relevance of the study is determined by the need to transform the banking sector under conditions of macroeconomic instability and by the implementation of the Central Bank's inflation-targeting monetary policy. The article provides a detailed comparative analysis of interest rate policies for deposits of individuals and legal entities across different maturities (up to one year and over one year). Based on empirical data, the main trends were identified, including the increase in returns on long-term deposits of legal entities and the decline in interest rates on short-term deposits of individuals. The study also identifies the factors influencing the differences in deposit rates for various customer categories, including the level of liquidity in the banking system, inflation expectations, and regulatory requirements. The practical significance of the research lies in developing recommendations for optimizing liability management in commercial banks and enhancing the investment attractiveness of long-term savings instruments to stimulate economic growth across the country's regions.

Keywords: commercial banks, interest rates, term deposits, individuals, legal entities, average interest rates, monetary policy, bank liquidity, financial transformation.

Annotatsiya: Ushbu maqolada 2022–2024-yillar oralig'ida O'zbekiston Respublikasi tijorat banklarida muddatli depozitlar bo'yicha foiz stavkalarining dinamikasi va tarkibiy o'zgarishlari o'rganiladi. Tadqiqotning dolzarbligi makroiqtisodiy beqarorlik sharoitida bank sektorini o'zgartirish zarurati va Markaziy bankning inflyatsiyani nishonga olishga qaratilgan pul-kredit siyosatini amalga oshirishi bilan belgilanadi. Maqolada banklarning jismoniy va yuridik shaxslar depozitlari bo'yicha foiz stavkalari siyosatining muddatlar (1 yilgacha va 1 yildan ortiq) bo'yicha batafsil qiyosiy tahlili keltirilgan. Empirik ma'lumotlar asosida asosiy tendensiyalar aniqlandi: yuridik shaxslarning uzoq muddatli depozitlari bo'yicha daromadlilikning o'sishi va jismoniy shaxslarning qisqa muddatli depozitlari bo'yicha foiz stavkalarining pasayishi. Maqolada turli toifadagi mijozlar uchun depozit stavkalari o'rtasidagi farqqa ta'sir qiluvchi omillar, jumladan, bank tizimidagi likvidlik darajasi, inflyatsion kutilmalar va tartibga solish talablari aniqlangan. Tadqiqotning amaliy ahamiyati tijorat banklarida majburiyatlarni boshqarishni optimallashtirish hamda mamlakat hududlarida iqtisodiy o'sishni rag'batlantirish uchun uzoq muddatli jamg'arma vositalarining investitsiyaviy jozibadorligini oshirish bo'yicha tavsiyalar ishlab chiqishdan iboratdir.

Kalit so'zlar: tijorat banklari, foiz stavkalari, muddatli omonatlar, jismoniy shaxslar, yuridik shaxslar, o'rtacha stavkalar, pul-kredit siyosati, bank likvidligi, moliyaviy transformatsiya.

Аннотация: В данной статье исследуются динамика и структурные изменения процентных ставок по срочным депозитам в коммерческих банках Республики Узбекистан за период 2022–2024 годов. Актуальность исследования обусловлена необходимостью трансформации банковского сектора в условиях макроэкономической нестабильности, а также реализацией денежно-кредитной политики Центрального банка, основанной на режиме таргетирования инфляции. В статье представлен детальный сравнительный анализ процентной политики банков по депозитам физических и юридических лиц в разрезе сроков размещения (до одного года и свыше одного года). На основе эмпирических данных выявлены основные тенденции, включая рост доходности долгосрочных депозитов юридических лиц и снижение процентных ставок по краткосрочным депозитам физических лиц. Определены факторы, влияющие на различия в депозитных ставках для различных категорий клиентов, в том числе уровень ликвидности банковской системы, инфляционные ожидания и регуляторные требования. Практическая значимость исследования заключается в разработке рекомендаций по оптимизации управления обязательствами коммерческих банков и повышению инвестиционной привлекательности долгосрочных сберегательных инструментов для стимулирования экономического роста в регионах страны.

Ключевые слова: коммерческие банки, процентные ставки, срочные депозиты, физические лица, юридические лица, средние процентные ставки, денежно-кредитная политика, банковская ликвидность, финансовая трансформация.

INTRODUCTION

The current stage of development of the financial system of the Republic of Uzbekistan is characterized by profound structural reforms aimed at liberalizing the banking sector, enhancing its competitiveness, and strengthening the role of commercial banks in financing investment processes. The strategy for reforming Uzbekistan's banking system places particular emphasis on attracting the available financial resources of households and businesses into bank deposits, as a stable deposit base constitutes the foundation of the financial sustainability of any credit institution.

The deposit policy of commercial banks serves as a key link between macroeconomic regulators and the real sector of the economy. On the one hand, deposit interest rates reflect the degree of tightness or accommodative stance of the Central Bank's monetary policy; on the other hand, they indicate the level of confidence of economic agents in the national currency and the overall stability of the financial system. Under the inflation-targeting framework, interest rate management is increasingly becoming a sophisticated instrument for balancing supply and demand in the capital market.

This study is particularly relevant from the perspective of regional development. Mobilizing domestic savings through bank deposits makes it possible to transform short-term financial resources into long-term investments, which is essential for infrastructure modernization, supporting small and medium-sized enterprises, and creating new jobs in regions such as the Kashkadarya region and other industrial and agricultural centers of the country. Diversifying the deposit portfolio by maturity and depositor categories also contributes to minimizing bank liquidity risks.

However, in practice, commercial banks face several conflicting challenges: the need to maintain relatively high interest rates to attract customers under inflationary pressure while simultaneously reducing the cost of their funding base to ensure affordable lending. This article aims to analyze the dynamics of changes in deposit interest rates in Uzbekistan during 2022–2024 and to assess their impact on the funding structure of the banking system.

REVIEW OF LITERATURE ON THE SUBJECT

The theoretical foundations of interest rate policy formulation and bank liability management have been extensively discussed in the works of classical scholars in monetary economics and banking. In particular, Western researchers such as John J. Sinkey Jr. [1] emphasize that deposit interest rates constitute a primary instrument for managing liquidity risk and regulating the structure of bank balance sheets. In his monograph *Financial Management in Commercial Banks* (New York, 2017), he argues that the interest rate elasticity of deposits differs significantly between retail and corporate customers. Frederic S. Mishkin [2], in his seminal work *The Economics of Money, Banking, and Financial Markets* (Boston, 2019, pp. 145–162), considers interest rates to be a reflection of macroeconomic expectations and argues that the term structure of interest rates (the yield curve) reflects market participants' expectations regarding future inflation and economic growth. Similar aspects of interest rate risk assessment and transfer pricing have also been discussed in recent articles published in the Journal of Banking & Finance (2022, Vol. 138, pp. 106–115).

Russian scholars have actively investigated the characteristics of banking systems in emerging markets. Oleg I. Lavrushin [3], in his textbook *Банковское дело: современная система кредитования* (Moscow: КноРус, 2021, pp. 88–104), provides a detailed analysis of the mechanisms for formulating deposit policy, emphasizing that under conditions of macroeconomic instability commercial banks are compelled to incorporate higher risk premiums into their interest rates. Galina S. Panova [4], in her monograph *Commercial Bank Credit Policy* (Moscow: Финансы и статистика, 2020, p. 210), notes that interest rates on corporate deposits are more sensitive to changes in the Central Bank's policy rate than those on household deposits due to the higher level of financial literacy and capital mobility among legal entities.

Among researchers in Uzbekistan, domestic economists have made significant contributions to the study of regional characteristics of the monetary sector and the transformation of banking services. Sh. Z. Abdullaeva [5], in her fundamental work *Banking* (Tashkent: Moliya Publishing House, 2020, pp. 312–325), emphasizes that Uzbekistan's banking system has historically been characterized by a high share of short-term liabilities, which constrains the expansion of long-term lending. A. A. Omonov, in his research article *Ways to Increase the Deposit Base of Commercial Banks* (*Economics and Education*, 2022, No. 4, pp. 45–51) [6], argues that the dynamics of interest rates in the republic are closely associated with the dedollarization of the economy and the Central Bank's measures to enhance the attractiveness of assets denominated in the national currency. B. B. Berdiyarov [7], while examining the financial mechanisms for supporting small businesses in the regions (*Vestnik TSUE*, 2023, No. 2, pp. 78–86), demonstrates that stabilizing the cost of resource mobilization by commercial banks directly contributes to lowering the average interest rates on investment loans at the regional level.

In the post-pandemic period of Uzbekistan's economic reforms, structural changes in the cost of attracting funds from households and corporate clients require additional empirical investigation, which has determined the selection of this research topic.

RESEARCH METHODOLOGY

The methodological framework of this study is based on comparative, structural-logical, and statistical analyses, as well as methods for constructing index numbers and financial ratios. To evaluate changes in the cost of resource mobilization, the weighted average deposit interest rate was calculated using the following formula:

$$R_{weighted} = \Sigma\ (V_i \times R_i) / \Sigma\ V_i \qquad (1)$$

Where:
Vi – the volume of the *i*-th deposit attracted;
Ri – the nominal interest rate of the *i*-th deposit;
n – the number of deposits attracted during the analyzed period.

To assess the rate of change in interest rates over the study period, the relative change coefficient (KΔ) was calculated. It is defined as the ratio of the interest rate at the end of the period (Rt_1) to that at the beginning of the period (Rt_0):

$$K_\Delta = R_{t1} / R_{t0} \qquad (2)$$

A value of $K_\Delta > 1$ indicates an increase in the cost of resources, whereas $K_\Delta < 1$ indicates a decrease. The study is based on official statistical data on commercial banks in Uzbekistan covering the period from January 1, 2022, to November 1, 2024.

ANALYSIS AND RESULTS

An empirical analysis of the dynamics of deposit interest rates in commercial banks of Uzbekistan during the period from January 1, 2022, to November 1, 2024, reveals significant structural changes in the liability operations of the banking sector. A detailed examination of these trends is presented in Table 1 (Table 1).

Table 1. Deposit Interest Rates of Commercial Banks in Uzbekistan[1]

Deposit Types	01.01.2022	01.11.2022	01.11.2023	**01.11.2024**	**01.11.2024 as % of 01.11.2022**
Total time deposits	3.4711946	4.0346248	4.8912447	5.1623473	1.279511
Average interest rates on all time deposits with maturities of up to 1 year	3.1925649	3.6504859	4.0709254	3.2944674	0.902473
Average interest rates on all time deposits with maturities exceeding 1 year	3.5302121	4.1606727	5.0708660	5.5957568	1.344916
Average interest rates on time deposits of individuals	3.9103712	4.0354631	4.9168857	4.9893466	1.236375
– Deposits with maturities of up to 1 year	3.6386013	3.6622046	4.0688827	3.0812360	0.841360
– Deposits with maturities exceeding 1 year	3.9838243	4.1591042	5.1433869	5.4651123	1.314011
Average interest rates on time deposits of legal entities	2.5246481	4.0156363	4.7480284	6.3047338	1.570046
– Deposits with maturities of up to 1 year	0.9916271	3.3316354	4.5028673	5.7575400	1.728142
– Deposits with maturities exceeding 1 year	2.6817152	4.1943319	4.7494011	6.3752031	1.519956

The analysis of the aggregate indicator "Total Time Deposits" demonstrates a steady upward trend in the overall cost of attracted funds. Between November 1, 2022, and November 1, 2024, the weighted average interest rate increased from 4.0346 to 5.1623, representing a 27.95% increase (coefficient 1.279511). This trend indicates intensified competition in the banking funding market and reflects banks' growing preference for attracting more

1 Source: Author's compilation.

stable funding sources.

When the aggregate indicator is analyzed over time, a mixed pattern emerges. Following an initial increase—from 3.1925 on January 1, 2022, to 4.0709 on November 1, 2023—interest rates on deposits with maturities of up to one year declined significantly in 2024, reaching 3.2944. Compared with the 2022 level, the relative change coefficient was 0.902473, indicating an approximately 10% reduction in the cost of short-term funding. In contrast, the cost of long-term liabilities (maturities exceeding one year) increased steadily, rising from 3.5302 (January 1, 2022) to 5.5957 (November 1, 2024), representing an increase of 34.49%. This suggests that banks are actively establishing a term interest rate premium by encouraging long-term savings.

The most pronounced structural differences become evident when comparing the behavior of the household and corporate market segments. In the household deposit sector, the overall interest rate increased by 23.63% (coefficient 1.236375). At the same time, the yield on short-term household deposits (up to one year) declined considerably, falling from 3.6622 in 2022 to 3.0812 in 2024, a decrease of 15.86% (coefficient 0.84136). Commercial banks deliberately reduced interest rates on short-term household deposits, thereby minimizing the risk of depositor outflows and reducing the volatility of liabilities. In contrast, interest rates on long-term household deposits increased by 31.4%, rising from 4.1591 to 5.4651, confirming banks' strategic focus on encouraging households to maintain long-term deposits.

The corporate sector, represented by legal entities, exhibited a fundamentally different trend. The overall cost of corporate deposits increased by 57% (coefficient 1.570046), rising from 4.0156 on November 1, 2022, to 6.3047 on November 1, 2024. A particularly distinctive feature is that interest rates on short-term corporate deposits increased at an even faster pace, rising by 72.8% (coefficient 1.728142) and reaching 5.7575 in 2024, compared with 3.3316 in 2022. Interest rates on long-term corporate deposits also increased substantially, by 51.9%, reaching 6.3752.

This sharp increase in the cost of corporate funding can be explained by two main factors. First, the expansion of business activity among enterprises across the country's regions increased the demand for efficient cash management. Second, corporate clients possess greater bargaining power, and banks experiencing shortages of large-scale wholesale liquidity were compelled to offer significantly higher interest rates in order to retain the accounts of major corporate customers. As a result, by the end of 2024, interest rates on corporate deposits exceeded those on retail deposits, thereby altering the traditional market paradigm.

CONCLUSIONS AND SUGGESTIONS

The analysis of the dynamics of deposit interest rates in commercial banks of Uzbekistan during 2022–2024 allows several key conclusions to be drawn.

First, the banking sector has experienced an overall increase in funding costs under the influence of macroeconomic factors and the Central Bank's tight monetary policy. Second, a pronounced structural asymmetry has emerged: while banks successfully reduced interest expenses on short-term retail deposits, the cost of attracting funds from corporate clients increased sharply, exceeding 72% for short-term deposits. This development has affected liquidity flows and altered the pricing relationship between the retail and corporate market segments. The interest rate structure observed by the end of 2024, characterized by a clear preference for higher returns on long-term deposits, reflects the banking system's intention to extend the maturity profile of its liabilities.

To optimize interest rate policy, it is recommended that commercial banks diversify instruments for attracting household savings by introducing non-withdrawable long-term deposits with flexible capitalization features; reduce dependence on costly corporate funding through the development of digital transaction services for businesses; and actively implement differentiated interest rate policies across regional branches, taking into account the specific characteristics of local capital markets in order to ensure a stable flow of long-term financial resources for lending to the real sector of Uzbekistan's economy.

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