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THE IMPORTANCE OF DEPOSIT OPERATIONS IN ENSURING THE STABILITY OF COMMERCIAL BANKS

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Abstract: Deposit operations of commercial banks play a crucial role in forming their resource base. This research examines the current state of deposit operations in commercial banks and analyzes their significance in ensuring banking stability. The paper also discusses the importance of banks in financial intermediation and strategies aimed at increasing the trust of the population and business entities. Furthermore, several suggestions and recommendations are proposed for the further development of this area.

Key words: commercial banks, deposit operations, resource base, banking stability, financial intermediation, depositor trust, digital technologies.

Annotatsiya: Tijorat banklarining depozit operatsiyalari ularning resurs bazasini shakllantirishda hal qiluvchi rol o'ynaydi. Mazkur tadqiqotda tijorat banklarida depozit operatsiyalarining hozirgi holati o'rganilib, ularning bank barqarorligini ta'minlashdagi ahamiyati tahlil qilinadi. Maqolada, shuningdek, banklarning moliyaviy vositachilikdagi ahamiyati va aholi va tadbirkorlik subyektlarining ishonchini oshirishga qaratilgan strategiyalari haqida so'z boradi. Shuningdek, ushbu sohani yanada rivojlantirish bo'yicha qator taklif va tavsiyalar ishlab chiqilmoqda.

Kalit so'zlar: tijorat banklari, depozit operatsiyalari, resurs bazasi, bank barqarorligi, moliyaviy vositachilik, omonatchilar ishonchi, raqamli texnologiyalar.

Аннотация: Депозитные операции коммерческих банков играют важнейшую роль в формировании их ресурсной базы. В данной работе рассматривается современное состояние депозитных операций коммерческих банков и анализируется их значение в обеспечении банковской устойчивости. В статье также рассматривается роль банков в финансовом посредничестве и стратегии, направленные на повышение доверия населения и субъектов бизнеса. Кроме того, предлагается ряд предложений и рекомендаций по дальнейшему развитию этого направления.

Ключевые слова: коммерческие банки, депозитные операции, ресурсная база, банковская устойчивость, финансовое посредничество, доверие вкладчиков, цифровые технологии.

INTRODUCTION

One of the key factors ensuring the financial stability of banks is their ability to maintain a stable and sufficient resource base. A strong and sustainable resource foundation of commercial banks is among the determinants of their high profitability, as well as the quality and scope of their active operations. In recent years, due to the development of the economy and the expansion of industries, the demand of clients for banking and financial services has been steadily increasing. To meet these needs, banks rely both on their own funds and on attracted funds. Since opportunities for constantly expanding their own capital are limited, banks mainly depend on mobilized resources. These attracted funds constitute one of the primary sources of financial resources for banks. At present, when competition among banks is reaching a global scale, strengthening their resource base has become one of the most important tasks in ensuring banking stability.

Currently, one of the crucial responsibilities facing commercial banks is to increase deposits in the national currency from both legal entities and individuals in order to enhance their access to international capital markets. Furthermore, strengthening the share of bank deposits in relation to GDP is of particular importance

for achieving economic stability within Uzbekistan's financial system. In addition, according to the Resolution of the President of the Republic of Uzbekistan No. PQ-1090 of April 6, 2009, "On Additional Measures to Further Encourage the Attraction of Free Cash Resources of the Population and Business Entities into Bank Deposits", the main objectives were defined as directing cash resources into bank turnover and expanding the system of non-cash settlements.

LITERATURE REVIEW

Considering that attracting deposits from the population is one of the core activities of commercial banks, this operation not only guarantees the bank's liquidity level but also plays a decisive role in strengthening customer confidence and ensuring long-term stability. In this regard, the scientific study of deposit policy in commercial banks is of particular relevance, since it provides a theoretical and practical basis for shaping effective strategies in the competitive financial market.

According to the well-known foreign economist E.F. Zhukov, "a deposit is the sum of money entrusted by a client to a bank for safekeeping, regardless of its maturity period and the conditions of formalization." This definition highlights the fiduciary nature of deposit relations, where client trust in the banking system becomes a central pillar of financial intermediation.

In turn, M.M. Agarkov defines a deposit as "funds or securities entrusted by households, enterprises, and organizations to banks or other financial institutions for safekeeping." This broader interpretation emphasizes the functional diversity of deposits, which may include not only cash resources but also financial instruments, thus expanding the potential of deposit operations in resource mobilization.

Furthermore, I.T. Balabanov underlines in his scientific works that "a deposit is the money entrusted by bank clients to a bank for temporary use." The focus here is on the temporary transfer of financial resources, which highlights the dual nature of deposits—providing liquidity to the bank while simultaneously ensuring the depositor's right to reclaim their funds.

The definition offered by North Carolina State University provides an additional perspective, stating that a deposit is "funds entrusted to a bank for safekeeping on the basis of trust, whereby the depositor may withdraw the interest paid by the bank on these funds from their account at any time." This highlights not only the element of trust but also the flexibility and accessibility of deposit accounts, which are essential features for modern clients.

Domestic scholars specializing in finance and banking—Z. Mamadiyarov, M. Makhmudova, and M. Kurbonbekova—stress that deposit operations represent the mobilization of monetary resources into savings with the purpose of achieving the objectives of banks. They emphasize that deposits are beneficial not only to depositors, who receive interest income and a secure place for their funds, but also to banks, which acquire a reliable resource base for lending and investment activities.

Similarly, I.R. Toymuhamedov, in his textbook "Banking", points out that deposits constitute a system of economic relations arising when a client temporarily entrusts their funds to a bank. This reflects the institutional nature of deposits as a mechanism of interaction between financial institutions and their clients, based on principles of mutual trust, temporary use, and shared economic interest.

From the above viewpoints, it can be concluded that deposit relations are not limited to the simple act of placing money in a bank. Rather, they represent a complex form of economic activity built on mutual benefit, trust, financial intermediation, and the efficient allocation of resources. In today's rapidly evolving financial environment, where competition among commercial banks is intensifying and client expectations are growing, understanding the theoretical and practical aspects of deposit operations becomes a vital prerequisite for ensuring the sustainable development of the banking system.

RESEARCH METHODOLOGY

In this study, methods widely used in scientific research were applied. During the research process, fundamental methods such as observation, generalization, grouping, and comparison were employed. At the stage of data analysis, synthesis and analytical methods were utilized to ensure accuracy and reliability of the findings.

ANALYSIS AND RESULTS

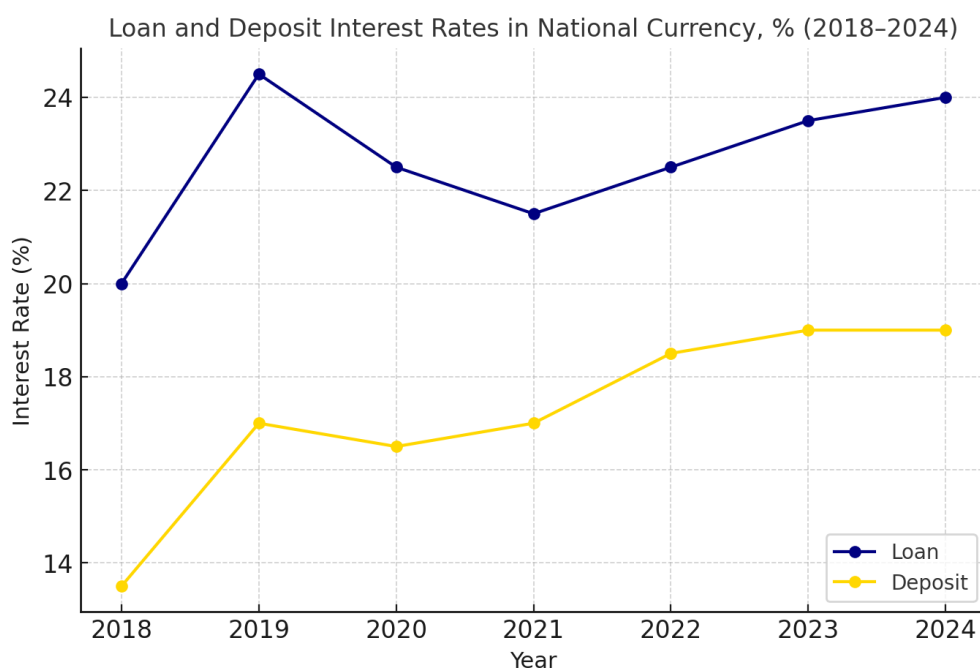
Deposit operations represent one of the main sources of commercial banks and consist of funds placed by clients into current accounts, savings accounts, and other forms of deposit instruments. Deposits are of great importance to banks for several reasons (see Table 1).

Table 1. The role of deposits in the activities of commercial banks

Direction	Explanation
Ensuring liquidity	Deposits serve as a stable financial resource for banks, enabling them to manage cash flows effectively and comply with regulatory liquidity requirements.
Financing loans	Banks primarily extend loans based on deposits. This practice forms the foundation of the fractional reserve banking system, where banks lend more than they hold in reserves, earning income through interest rates.
Reducing costs	Deposits are generally cheaper as a financing source compared to issuing bonds or borrowing from other banks. Interest rates paid on deposits are usually lower than loan interest rates, allowing banks to profit from this spread while reducing overall costs.
Risk management	Banks with a strong deposit base can maintain stability during economic crises and financial shocks. Long-term, stable deposits support safe and sustainable banking operations.

The difference between loan and deposit interest rates is crucial for banks. By attracting idle funds from clients in the form of deposits, banks provide these resources as loans at higher interest rates. Thus, they generate profit from the interest rate spread. If this spread narrows or decreases significantly, the profitability of banks diminishes, which negatively affects their stability. Therefore, maintaining a proper balance between these rates is one of the key conditions for ensuring banking stability.

In Uzbekistan's banking system, a notable increase in both loan and deposit interest rates has been observed in recent years. Specifically, during the COVID-19 pandemic in 2020, a decline in the weighted average interest rates on loans and deposits in the national currency was recorded. However, since then, the upward trend in interest rates has continued (see Figure 1).

**Figure 1. Loan and deposit interest rates in national currency, %**

In 2024, the average weighted interest rate on loans in national currency amounted to 23.5 percent, which represents an increase of 0.6 percentage points compared to 2023. Meanwhile, the average weighted interest rate on term deposits in national currency remained almost unchanged during 2023–2024, at around 19.5 percent.

The slight increase in lending rates and the relative stability of deposit rates in 2024 indicate that the interest margin (spread) of banks has remained relatively stable. However, the gradual narrowing of the spread may potentially limit profit opportunities for banks. This situation requires banks to further enhance the efficiency of resource utilization, improve risk management practices, and refine their deposit mobilization strategies. Therefore, it is crucial for banks to pursue a prudent and well-balanced interest rate policy to maintain financial stability.

The profitability of banks essentially lies in their ability to transform funds collected from the population as deposits into loans. In this process, the interest paid on deposits must remain lower than the interest charged on loans to ensure positive returns. If banks offer excessively high interest rates on deposits or provide loans at very low rates, their profitability will decline, potentially leading to financial losses. Hence, interest rates on deposits and loans must be set in close correlation—balancing favorable conditions for clients with profitable and secure operations for banks. Institutions that manage this balance effectively are more resilient to financial pressures, retain customer trust, and reinforce their long-term stability.

Moreover, in the era of digital banking, the interaction between banks and clients is rapidly evolving. Online banking services, mobile applications, and fintech innovations have significantly influenced customers' deposit habits and preferences. These technological advancements intensify competition among banks for deposits, which may contribute to the upward trend in interest rates. At the same time, such innovations open new opportunities for attracting and retaining clients.

However, the growing ease of access to clients' funds through mobile banking also carries certain risks. The ability of depositors to withdraw funds rapidly—sometimes within hours and through multiple online transactions—creates the potential for large-scale, sudden outflows of capital from the asset side of banks' balance sheets. This underscores the need for banks to develop robust liquidity management mechanisms in order to safeguard financial stability under conditions of accelerated digital transformation.

CONCLUSION AND RECOMMENDATIONS

Deposits play a crucial role for banks. They help institutions comply with regulatory capital and reserve requirements, while also contributing to overall financial stability. In a competitive and increasingly digital banking environment, the growing necessity of effective deposit management and the careful coordination of interest rate policies between deposits and loans determine the balanced implementation of deposit operations. As technologies advance and customer expectations evolve, banks must continuously update and adapt their deposit strategies. A strong deposit base, therefore, serves not only as a foundation for the stability of each individual bank but also as a pillar of resilience for the entire financial system. In this regard, the following recommendations are of particular importance:

Maintaining balance in interest rate policy. Banks should ensure an optimal spread between loan and deposit rates. This allows banks to secure profitability while keeping conditions acceptable and attractive for clients.

Building long-term trust with depositors. When dealing with funds of both legal entities and individuals, banks must focus on converting temporary customers into permanent depositors. Achieving this requires transparent services, digital convenience, and fair interest rate offers.

Prioritizing stability and prudence in lending. Banks should avoid extending high-risk loans, even if lower interest rates may seem attractive. Ensuring sustainable credit portfolios is vital for long-term profitability and resilience.

Strengthening regulatory oversight. Continuous monitoring of interest rate policy by the Central Bank is essential as a mechanism to regulate deposit operations and ensure consistency across the banking system.

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