

The Effect of Deposit Operations in Increasing the Capital Stability of Commercial Banks

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Annotation. In commercial banks, on the basis of capital attraction and improvement, it covers the need for monetary resources to carry out asset operations, primarily credit operations. Their role is very large and makes up more than 70% of the bank's resources. By using the temporary free funds of legal entities and individuals, commercial banks meet the needs of the national economy and the population for additional working capital, and help turn money into capital. Banks have limited opportunities to attract funds, and in all countries this process is regulated by the Central Bank. The borrowed funds make up the main part of the credit resources of commercial banks

Keywords: credit resources of commercial banks, capital adequacy, deposit operations, private capital, bank, strategy, level of bank, banking system resource, capitalization, finance.

1. Introduction.

One of the factors that ensure the financial stability of banks is that they are provided with a high level of stable resources. A strong and stable resource base of private banks is one of the factors determining their high profitability or the quality and scope of asset operations. It is known that as a result of the development of the economy and the development of industries, the demand of customers for the bank's financial services increases. Banks use their own funds and borrowed funds to meet these requirements. Due to the limited possibility of constantly expanding the amount of their funds, they use their borrowed funds, which are the main source of financial resources for banks. Nowadays, when the level of competitiveness of banks has crossed national borders and reached the global level, ensuring the strength of the resource base of private banks is one of the important issues [1].

The efficiency and continuity of commercial banks' activity depends first of all on how adequately they are provided with resources. The financial resources of commercial banks are attracted on the basis of certain conditions and are formed from the bank's own funds and are directed to active operations in order to generate the bank's income. Raised funds cover the need for cash resources to carry out active operations, primarily credit operations. Their role is very large and makes up more than 70% of the bank's resources. By using the temporary free funds of legal entities and individuals, commercial banks meet the needs of the national economy and the population for additional working capital, and help turn money into capital. Banks have limited opportunities to attract funds, and in all countries this process is regulated by the Central Bank. The borrowed funds make up the main part of the credit resources of commercial banks [2].

2. Literature review.

It examines the role of banking capital in the conduct of monetary policy in India in the period after the global financial crisis, based on the theories of foreign scholars. Empirical results show that banks with a high ratio of capital to risk-weighted assets (CRAR) attract funds at a lower cost. In addition, banks with high CRARs transmit monetary policy impulses smoothly, while stressed assets in the banking sector hinder transmission. Recapitalization to increase CRAR can improve transmission; however, CRAR may not help for banks above a certain threshold level due to reduced sensitivity of loan growth to the monetary policy rate. Therefore, it is stated that the monetary policy can affect the credit supply depending on the capital situation of the banks (Muduli S., Behera H., 2023) [3].

Most importantly, bank capital is an important evidence that policy uncertainty can improve the impact of bank economic performance and performance. In general, bank capital adequacy can reduce the negative impact of policy uncertainty on the banking industry through stabilization measures (Mendy L. L., Yang S. Y., Shi W. Z., 2023) [4].

Economist Frank Hunt writes, "The capitalization rate can be determined by dividing annual net operating income by the cost of a piece of property. This formula is important for determining the return on investment that an investor can hope to realize. As the level of capitalization increases, the decrease in the appreciation of the asset. Marking has been argued to be inversely related to the price/earnings multiple for the same asset (Frank Hunt, 2021) [5].

According to local scientists O.I.Lavrushin, U.O.Azizov, T.M.Karaliyev, "The resources of credit organizations are the sum of their own and borrowed resources at the bank's disposal, which are used in the implementation of asset operations. Bank resources are reflected in the passive part of the balance sheet of credit organizations" (Lavrushin O.I., Azizov U.O., Karaliyev T.M, 2019). In our opinion, it is appropriate to provide a broader explanation of the composition of funds equaled to own funds by our above scholars in their views on the bank's resource base [6].

According to one of our local scientists, Professor Sh. Z. Abdullaeva, "the resource base of commercial banks determines the level of their credit potential. The resource base created by the bank can be directed to provide various loans and finance investments and other asset operations" (Abdullayeva Sh.Z., 2019) [7].

Professor A.A. In his research, Omonov stated that "resources of commercial banks are the financial value formed due to the attraction of free funds in the economy and the formation of private funds (capital) under certain conditions" (Omonov A.A., 2008). Emphasizes [8].

U.D. Artykov "bank resources are a set of reserves and opportunities that can be used for the implementation of banking activities within the framework of the bank's policy, consisting of the bank's own funds and borrowed funds, which are the basis for the bank's income" (Ortikov U.D., 2008) considers it as Of course, while supporting the definition given by the authors, we think that special attention should be paid to the bank's resource base [9].

At the same time, a number of foreign economists, including K. Bainke, Y. Vasilishen, A. Gryaznova, Y. Dolan, V. Kolesnikov, J. Matuk, G. Panova, have discussed the issues of attracting financial resources and increasing the level of capitalization of commercial banks. It was reflected in the scientific research of D. Sinke. Special aspects of this issue are reflected in the scientific works of Uzbek economists Y. Abdullaev, A. Kamolov, I. Toymukhamedov, O. Rashidov, O. Olimjonov, A. Kadyrov [10].

3. Analysis and discussion of results.

Deposits make up the main part of the attracted funds of banks. Deposit operations are called deposit operations in banks for the purpose of achieving goals. Deposits are beneficial not only to the depositor, but also to the bank. Through many deposits, the loan capital of the bank is formed, and then the bank lends to various economic sectors on favorable terms. The difference between deposit and loan interest is the bank's margin (premium) for attracting free funds and deploying loan capital [11].

Bank liabilities are a source of organization of bank resources, and its size depends on several factors. These are:

- ❖ activities of banks carried out at the expense of their own funds;
- ❖ the policy of the Central Bank in the field of monetary and credit policy management;
- ❖ attracted funds of the bank and their composition;
- ❖ the amount of mandatory reserve transferred by the commercial bank to the Central Bank;
- ❖ other passives.

Deposit accounts can be different, and their classification is based on the source of deposits, their target orientation, level of profitability and other similar criteria. In most cases, resources are classified in terms of their owners. In particular, deposits are made by legal entities (enterprises, organizations) and individuals [12].

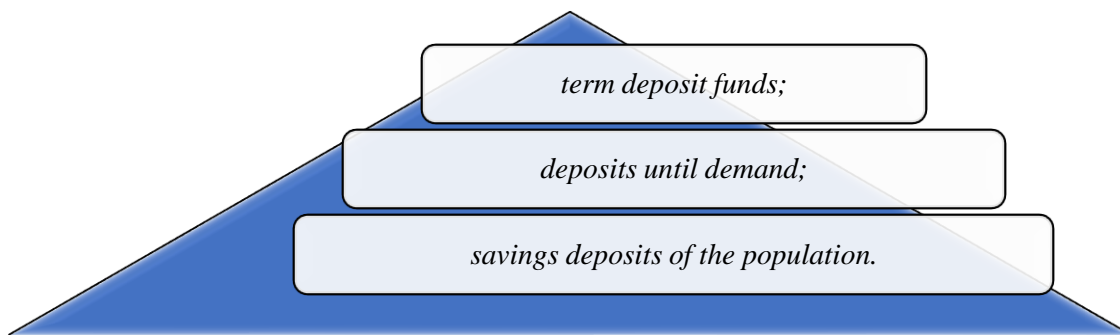


Figure 1. Types of deposits by term

In turn, each of these groups is classified according to its different characteristics. Funds attracted by the bank are placed in various assets based on the existing law and regulatory acts, which determine the need to maintain a high level of liquidity and obtain a certain high income [13].

Each commercial bank independently determines the level of deposit interest rates based on the Central Bank of the Republic of Uzbekistan account rate, the state of the money market and its own deposit policy. The amount of income for different forms of deposit schemes depends on the term of the deposit, the amount, the nature of the account, the size and nature of the services and, finally, on the client's compliance with the terms of the deposit agreement [14].

Demand deposits are defined as funds that can be withdrawn by the customer at any time without prior notice.

Time deposits are funds attracted by the bank for a certain period. In term deposits, funds are put to use by the bank for the period specified in the contract. At the end of this period, its owner can withdraw the funds. Term deposits take the main place among the funds involved [15].

The Central Bank, as a center of issuance, constantly regulates the opportunities of commercial banks to use the funds attracted by them from the point of view of the macroeconomic level of money circulation and the liquidity of the banking system.

Based on the practice of foreign banks, the main resource base of commercial banks is their deposit resources. Demand deposits are cheap, but unstable funds in term of deposits of commercial banks. Term and savings deposits attracted by banks are stable, but expensive funds. Table 1 below presents an analysis of the composition and dynamics of deposit resources of commercial banks operating in the Republic of Uzbekistan by term [16].

The main part (40-45 percent) of the deposit funds of commercial banks operating in our country belongs to demand deposits. In 2019, demand deposits made up 42.7 percent of total deposits (29 trillion soums). 5.3 percent from 1 day to 30 days, 12.5 percent from 30 days to 180 days, 12 percent from 30 days to 180 days, and 27.4 percent from 1 year to 27.4 percent. In 2020, compared to 2019, the volume of deposits will be 30 percent or 21 trillion. increased to soums. In 2020, the total volume of deposits is 91 trillion. amounted to soums and 38.7 percent (35.2 trillion soums) consisted of demand deposits. Deposits from 1 day to 30 days accounted for 3.4 percent, deposits from 30 days to 180 days accounted for 12.8 percent, deposits from 30 days to 180 days for 12 percent, and deposits over 1 year accounted for 32.4 percent. In the period from 2021 to 2020, the composition of deposits increased by 26% to 114.7 trillion. reached soums. In 2021, demand deposits accounted for 42.8 percent (49.1 trillion soums) and deposits over 1 year accounted for 27.5 percent (31.5 trillion soums). Deposits from 1 to 30 days were 5.3%, 12.4% from 30 to 180 days, and 12% from 30 to 180 days [17].

Table 1
Balance of deposits of commercial banks as of January 1, 2019-2023 (billion soums)

The date	Total	By terms				
		Until requested	From 1 day up to 30 days	from 30 days	from 180 days	From 1 year high

				up to 180 days	up to 365 days	
01.01.2019	70 001	29 912	3 711	8 785	8 422	19 171
01.01.2020	91 009	35 189	3 133	11 654	11 523	29 511
01.01.2021	114 747	49 153	6 081	14 207	13 749	31 556
01.01.2022	156 190	66 129	5 291	18 780	20 826	45 164
01.01.2023	216 738	92 553	4 463	25 587	26 855	67 280

156.2 trillion by commercial banks in 2022. 42.3 percent (66.1 trillion soums) of deposits were attracted, and 28.9 percent (45.2 trillion soums) were deposits for more than 1 year is coming. As of January 1, 2023, there has been more growth than in previous years. In 2023, the net growth will be 38.7 percent or 60.5 trillion. amounted to soum. The fact that the process of forming resource bases of commercial banks operating in our country is in a negative state is explained by the reasons given in Figure 2 below [18].

Commercial banks need stable sources of resources as short-term lending intermediaries of the financial market. As a result of replenishing the main part of these sources by attracting term and savings deposits, it allows to ensure liquidity.

The most unstable source of resources of banks is the funds in their accounts pending demand. Banks can use these funds mainly for short-term loans. However, the fact that banks rely on and use these funds as the main credit resource has a significant negative impact on their liquidity. It is not possible to predict when, in whole or in part, deposits will be used by customers until they are claimed. The main reason for this is that due to the economic and financial instability of the borrower, the loaned funds are not returned to the bank on time, which leads to the fact that he does not fulfill his obligations to another client on time.

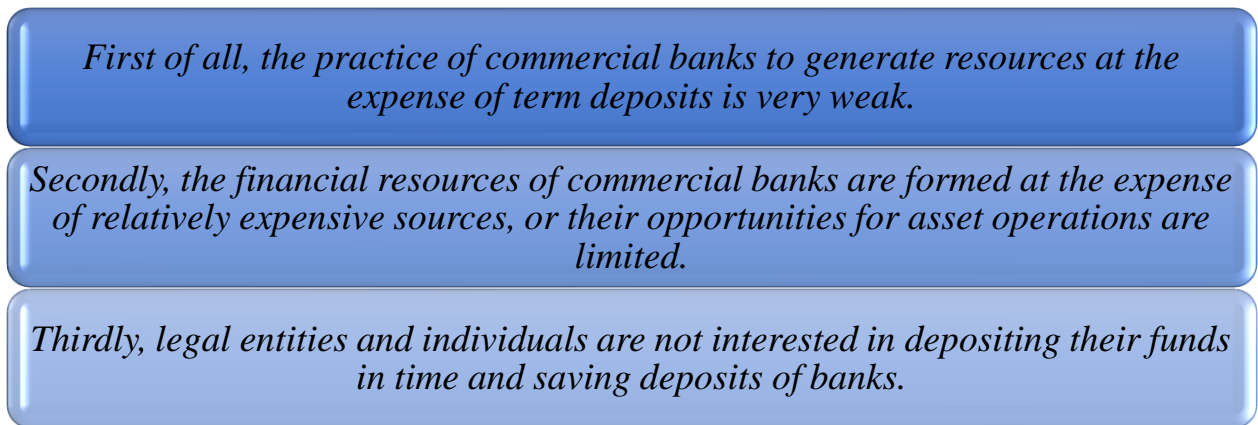


Figure 2. Reasons that the process of formation of resource bases of commercial banks is in a negative state

In international banking practice, the share of demand deposits of banks is relatively low and the share of time deposits is high. This situation is also observed in our country, and over the years, demand deposits are growing faster than other types of deposits [19].

In 2019, the volume of deposits attracted by commercial banks increased by 17.6% compared to 2020 and reached 35.2 trillion soums. In 2021, this indicator increased by 39.7% and amounted to 49.1 trillion soums. In 2022, compared to 2021, it increased by 35.7 percent or net 17 trillion som. By the beginning of 2023, the largest change of 40 percent was observed, and the amount of net growth was 26.4 trillion soums [20].

The high share of unclaimed deposits in the resource base of commercial banks indicates the weakness of the resource base and the presence of conflicting situations in the effective management of resources. In particular, the shortage of funds in representative accounts, insufficient satisfaction of customers' demand for cash, and existing problems in meeting the need for resources necessary for financing effective projects are among these [21].

For example, in 2021, the share of funds held until demand in the composition of deposit funds was 21.2% in the commercial banks of the USA, 29.5% in the commercial banks of Kazakhstan, and 14.4% in the German banking system. In the practice of our country, it was 42.7% in 2019, 38.7% in 2020, 42.8% in 2021, 42.3% in 2022, and 42.7% in 2023. As can be seen from the above data, demand deposits in commercial banks of economically developing countries are 2-3 times lower than in our country. This situation means that commercial banks of our country rely on demand deposits as one of the main resource bases [22].

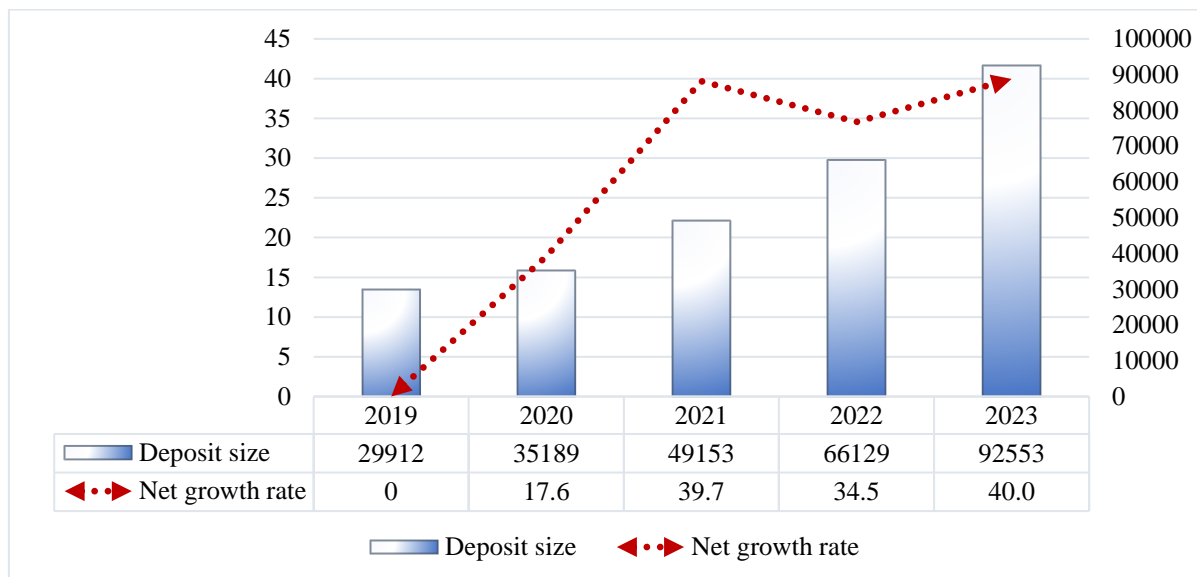


Figure 3. Deposits attracted in commercial banks of our country and their growth rate (billion soums)

According to the experience of foreign countries, term deposits are considered as a stable financial source in the resources of commercial banks. Although deposits in the resources of commercial banks of our republic have a tendency to grow, the share of time and savings deposits in the composition of deposits is much lower than before demand. Therefore, one of the important tasks facing commercial banks is to increase the source of funds that is stable in term of resources [23].

4. Conclusions and suggestions.

The problem of organizing the bank's resources is the first priority for the smooth operation of the bank. Bank resources are formed through passive operations carried out by banks and are kept in the passive part of the bank's balance sheet.

As a result of the above analysis and studies, we were able to develop a number of suggestions:

1. When considering issues of resource stability, it is necessary to pay attention to the guarantee of deposits. The formation and circulation of bank resources is a continuous process, and this, in turn, is the basis for the continuity of banks' activities.

2. The structural structure of bank deposits for individual commercial banks is different. The sum of the bank's own funds and borrowed or purchased funds constitutes the resource base of commercial banks.

3. Funds received as a result of the sale of securities issued by banks of developed countries occupy a significantly higher weight in the total volume of their resources, and these resources are mainly used for financing long-term operations of banks. The fact that the weight of interbank loans in the volume of resources of commercial banks of developed countries is low, that interbank loans are a resource with a high price, and commercial banks with a sufficient deposit base do not feel the need to use interbank loans as a resource [24].

4. More than 90 percent of liabilities of commercial assets can be formed with the help of deposit operations of commercial banks. The deposit policy of a commercial bank is closely related to its credit policy, interest policy and other types of activities, and is aimed at strengthening the resource base of banks and ensuring its stability.

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