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## **ENHANCING THE PRODUCTIVITY OF DEPOSITARY FUNCTIONS IN CORPORATE BANKING INSTITUTIONS**

**Abstract:** This article focuses on enhancing the effectiveness of deposit operations as the primary objective for guaranteeing the stability and competitiveness of commercial banks. It examines the key challenges that banks may encounter while striving to improve the efficiency of deposit operations.

**Keywords:** commercial banking, deposit operations, startup, deposit market, hazards.

### **Introduction.**

Commercial banks, as well as central banks, have a strong and inherent interest in maintaining their financial stability in both international and local banking practices. Nevertheless, the recurring financial and economic crises in international financial institutions every 5-10 years pose several challenges in the financial interactions among banks worldwide. Specifically, prior to the global financial crisis, there were 117 systemic and over 50 severe financial issues in financial institutions across 93 nations during a span of 25 years [1]. These crisis scenarios necessitate specific measures at both the national and international levels to guarantee the financial viability of commercial banks and enhance their available resources. Financial institutions, including central banks of industrialized nations, big commercial banks, the Basel Committee, and the International Monetary Fund, do scientific research to enhance the effectiveness of deposit operations in commercial banks. This research study examines the problems associated with the establishment of commercial banks using financial resources, financial market instruments, and dependable deposit sources. Nevertheless, research has not uncovered sufficient issues regarding the ability of commercial banks to attract and expand term deposits. This includes the inadequate level of interest payments offered to depositors, the adequacy of banks' resources, and the relatively low proportion of deposits in relation to the country's GDP. Commercial banks prioritize the effective mobilization of idle funds from the public to maintain the stability of their deposit base, ensuring the principal amount of term deposits

and timely repayment of accrued interest. Commercial banks must engage in scientific research to enhance the efficiency of deposit operations.

The President of the Republic of Uzbekistan has issued Decree N, PF-158 in 2023, which aims to expedite reforms in the banking system by expanding the banking services market and fostering competition in the industry. The decree also seeks to raise the annual lending volume in the banking and financial system to \$40 billion and increase the volume of bank deposits. Examination of existing literature.

### **Literature review.**

According to foreign economists E.F. Zhukova and N.D. Eriashvili, a significant portion of the cash borrowed by many banks come from deposits made by individuals. In the banking industry, the term "deposit" refers to two things. Firstly, it is the money that individuals and legal entities put into the bank according to the specific circumstances outlined in the Bank Deposit Agreement. Secondly, it is the documentation in the bank's records that confirms the monetary claims of deposit holders, which is also recorded in the bank's books [2].

N.M. Rozanova observed that deposits or depositors constitute a substantial portion of the bank's obligations. Deposits refer to the funds that individuals and businesses move to a bank account, according to specific criteria and within a defined timeframe [3]. A. from renowned international economists. In the field of global banking, I.Lavrushin and N.I.Valentseva define a deposit as a sum of money or a highly valued representation of money in physical form, which is entrusted to a bank or other financial institutions for the purpose of safekeeping [4].

According to V.L. In Kireeva, an international scientist, a deposit refers to a sum of money that is sent by a fund firm to a bank for protection. It is then maintained in a separate account, as specified by its rules.

E. is recognized as one of the exceptional economists internationally. According to Zhukov, a deposit is a financial amount that a client transfers to a bank, without considering the duration or registration requirements.

Sh. Saipnazarov's research primarily examined the theoretical underpinnings of interbank rivalry. Specifically, within the financial services industry, the economic interactions that occur when resources are obtained, monies are placed, and all other sorts of banking services are performed have been identified as the foundation of interbank competition [7]. Hence, a comprehensive examination of the theoretical and practical elements of deposit operations conducted by commercial banks, together with the analysis and derivation of pertinent conclusions, plays a crucial role in influencing the stability of these institutions.

Study approach. The article discusses the techniques employed by commercial banks to carry out depository activities, which have an impact on banking services and products. It also explores the use of statistical approaches in this context. Examination and discourse on the outcomes.

The population's deposits play a significant role in the composition of banking resources. They might be supplied in their whole or separately. The issuing of a savings book serves as confirmation of the relationship between the depositor and the bank during fund transfers. Banks accept a range of specific deposits, including those that are urgent or may be withdrawn immediately, with the possibility of charging a charge for withdrawals.

Based on the economic makeup, deposits may be categorized into three distinct groups:

1. Term deposits refer to funds that are held at a financial institution for a fixed period of time, typically earning a higher interest rate than other types of deposits

2. Demand deposits are funds that can be withdrawn by the depositor at any time without prior notice, such as checking accounts.

3. Savings deposits are funds that are typically held in a savings account and earn interest over time, often with restrictions on the number of withdrawals allowed.

Our dissertation research aimed to enhance the deposit base of commercial banks in our country. As a result, we identified the following issues with the deposit operations of commercial banks in our Republic:

1. There is a decreasing trend in deposit funds as a proportion of the obligations of commercial banks in our country.

The research undertaken in the second chapter of our study reveals a significant decline in the proportion of deposits in the liabilities of commercial banks in our country. From 2019 to 2023, there was a noticeable decline in the proportion of deposits in the overall composition of bank liabilities, dropping from 53 percent to 37 percent. This scenario is shown by the absence of a practice among commercial banks to solicit deposits. International data indicates that the proportion of deposits in the composition of bank liabilities in developed nations worldwide ranges from 50 to 70 percent.

The analysis conducted in the second chapter of the research demonstrates that the decline in the deposit base of commercial banks in our country is influenced by the following factors: - Excessive engagement of commercial banks in funding government programs; - Commercial banks utilizing transactional

deposits as a direct source of funding; - Insufficient alignment between the efforts of commercial banks to enhance the quantity and quality of financial services and the level of demand.

When deposits from commercial banks decrease in the structure of liabilities, it leads to several negative situations for the banks: - The bank's sustainable sources of financing decrease significantly. - Commercial banks are compelled to utilize deposits as resources until they are needed. - Liquidity problems in banks increase. - The volume of bank income decreases. - This has a negative impact on the bank's competitiveness in the resource market. - The level of development and availability of new banking services to customers decreases.

Presently, the lack of complete utilization of contemporary lending methods in our nation's banking practices hinders the bank's ability to significantly augment the proportion of credit investments in the country's GDP. Due to the resolution of these issues, there is a growing need for more financing from commercial banks.

2. There is a significant disparity between the amount of deposits and loans acquired from commercial banks in our nation during a period beyond one year. In our country's banking industry, around 90-95% of loans provided by commercial banks to economic entities are classified as long-term, meaning that these loans have a duration of over 1 year. Our banks only attract 20-25% of long-term loans as deposits that last for more than 1 year. Based on the 2023 data, commercial banks allocated a total of 167 trillion in loans to economic organizations. The aggregate amount of bank deposits throughout this era was just 70 trillion. Unknown abbreviation.

As our country undergoes a fundamental economic change, there is a growing need among economic entities for long-term financing. Consequently, this also intensifies the need for enduring and environmentally-friendly financial assets from commercial banks.3. Commercial banks pay an interest rate on deposits from individuals and businesses that is lower than the country's inflation rate. Although banks in general produce over 50% of their credit resources from deposits, state-owned banks only rely on deposits for around 10% of their credit resources. Furthermore, almost 50% of the loan portfolio held by state-owned banks is attributed to the involvement of 5 prominent state-owned firms. Due to the utilization of obsolete software, the financial services' quality fails to meet the current level of demand. The state's involvement in the activities of banks is steadily reducing in order to foster a healthy competitive environment within the system [9].

Furthermore, the underdeveloped state of our country's capital market limits the

potential for acquiring funds through means other than deposits for commercial banks. Consequently, there are instances where smaller banks are able to attract resources by offering higher interest rates, which comes at the expense of larger banks with greater resource potential. While this has a beneficial impact on the liquidity of banks, commercial banks in our nation fail to enhance the degree of safeguarding the deposit base.

### **Conclusions and suggestions.**

It is important to augment the proportion of deposits in the liability structure of commercial banks in the Republic. To safeguard the deposit operations of commercial banks in our country:

- To effectively manage banking operations in Uzbekistan, it is necessary to impose rigorous limitations on the utilization of deposits as financial resources.

- It is imperative to ensure that the growth rate of long-term deposits in commercial banks keeps pace with the growth rate of credit investments. - Given the increasing real incomes of our population, it is crucial to establish a marketing system that attracts available funds to appealing savings options offered by commercial banks.

- The increasing prevalence of digital technologies and innovations, such as mobile and internet banking, provide significant opportunity to attract new depositors. The convenience of digital services contributes to the growth in the amount of deposits.

- Customization and enhancement of client service: Banks may use data and analysis to provide tailored savings and deposit management propositions that can allure a larger customer base and guarantee the retention of current ones.

- Enhanced deposit rates and terms: Providing advantageous rates and adaptable deposit conditions might effectively allure more cash from clients, particularly in a burgeoning competitive market.

- Allocating resources towards marketing efforts and acquiring new clientele: formulating a comprehensive marketing plan aimed at enticing fresh clients and endorsing deposit items will significantly bolster the expansion of the deposit base.

- Risk and interest rate management: using contemporary techniques in risk and interest rate management enables banks to efficiently handle deposits, ensuring stability and profitability.

- Investments that are ecologically and socially responsible: the growing interest in sustainable and socially responsible investments creates potential to

expand the deposit base by providing deposit products that are focused on environmental and social concerns.

The user did not provide any text. The deposit base of commercial banks is directly linked to their risky assets. Any disruption or imbalance in this connection results in the appearance of transformation risk. By aligning long-term loans and term deposits of banks, it is feasible to mitigate the risks associated with bank transformation.

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