



ASSESSMENT OF THE DEPOSITS OF COMMERCIAL BANKS ON BANK'S INCOME

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Abstract

Bank deposits play an important role in the formation of bank resources. Banks carry out effective policy on attraction of funds of legal and physical persons, provide necessary reproduction process and perform their functions in complex financial and economic relations. The article analyzed the commercial banks deposit operations, their status, and their role in the banking resource base. In addition to it, the article reviewed the deposit position of commercial banks in Uzbekistan, the improvement ways of deposit interests in banks in the future. At the end, the article made conclusion and recommendations for the development this sphere in Uzbekistan in the future.

Keywords: Deposits, on-demand deposit, fixed-term deposit, savings deposit, transaction deposit, deposit certificate, bank resources, attracted funds, bank resource base

INTRODUCTION

Every commercial bank needs to develop its own deposit policy in order to function effectively, develop and achieve its goals in modern conditions. Deposit policy is a set of measures taken by the commercial bank to identify forms, objectives and content of banking activities on the formation of banking resources, planning and planning of their return. Bank deposits play an important role in the formation of bank resources. It is well known that banks carry out effective policy on attraction of funds of legal and physical persons, provide necessary reproduction process and perform their functions in complex financial and economic relations. In this regard, the Decree of the President of the Republic of Uzbekistan dated January 9, 2018 "On Measures



for Radical Improvement of the Central Bank of the Republic of Uzbekistan" continues the practice of administrative interference with banks, In other words, the existence of plans to attract deposits from banks has been suggested to address such issues as lack of freedom to attract deposits in banks.

The stability of the banking system is important not only from the point of view of meeting the clients' demand for foreign currency, but also in terms of expected changes in the deposit base and services. As a result, commercial banks have become more liberal in attracting deposits and there has been a decline in bank deposits.

In these circumstances, banks face the problem of increasing the attractiveness of deposits and increasing the confidence of banks in the face of decreasing interest rates on deposits.

At the same time, it is important to encourage commercial banks to build and expand their long-term resource base, to increase the attractiveness of deposits in national currency and reduce dollarization in the banking system.

In particular, the Decree of the President of the Republic of Uzbekistan dated February 7, 2017 № PF-4947 "On the strategy of action on five priority directions of development of the Republic of Uzbekistan in 2017-2021" The emphasis on deepening and sustaining the reform of the banking system and increasing the deposit base also suggests that banks should pursue a deposit policy wisely.

Deposit attraction is one of the main operations of banks and deposits play an important role in its activities related to income-generating activities. Deposit operations of banks - operations on attraction and retention of deposits for a certain period of time, depending on the purpose of the deposit, on the basis of agreements concluded with banks with depositors.

The major part of the funds raised by commercial banks is deposits. In international banking, deposits mean securities or money deposited in financial and credit institutions or banking institutions.

RESEARCH METHODOLOGY

This research is focused on the measures aimed at improving the development of bank deposits in the commercial banks. Such research method as comparative analysis of the practical data, statistic tables and other relevant data have been widely used in the research. Basing on the research results appropriate proposals and recommendations have been developed.

ANALYSIS AND RESULTS

The cost of resource attraction depends largely on its type and duration, the level of bank management and market conditions. Therefore, it is necessary to evaluate the effect of the method and timing of resources mobilization on bank costs during the analysis period; determine the total weight of each involved resource; Determine the share of the most valuable resources; Each cost type should be compared with the funds raised. This analysis is based on the bank's internal data.

The average cost of attracted funds is a key component of their value, which is used to determine the cost of a particular bank's operations and total banking products.

Banks face the challenge of knowing the exact cost of raising funds to determine the effectiveness of active banking operations. In order to solve this problem it is necessary to determine the nominal value of funds raised. We recommend using the following formula (K_n).

$$K_n = \frac{R}{N} * \frac{Q}{t} * 100\%$$

Where:

R – payment for funds raised during the analysis period;

N – amount of used funds (amount of assets) used during this period;

Q – number of days during the year;

t – number of days (for payments P made during the N period).

For example, a branch of Commercial Ipoteka Bank in January 2018 was worth \$ 2.5 billion. som (N). About \$ 0.03125 billion was raised to attract these funds. (P), that is, the payment for the raised funds. Based on the above formula, the nominal value of funds raised in January was K_n 14.7%.

$$K_n = \frac{0.03125}{2.5} * \frac{365}{31} * 100\% = 14.7\%$$

Every month commercial banks should pay attention to the dynamics of change of this indicator. During the dynamic analysis of the changes in the average interest rate of each attracted funds, we can see a general trend of increasing or decreasing bank resources, identifying more valuable resources and limiting the average cost of certain resources.

In particular, the trend of change in nominal value of funds attracted in the 2017 and 2018 in one separate branch A of Ipoteka Bank's Ipoteka Bank can be seen in the table 1.

Table 1 Funds attracted by branch "A" of Ipoteka Bank face value

Indicator	2017 year											
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Nominal value of attracted funds in percentage (annual)	17,5	16,8	16,2	16,5	16,1	16,0	15,8	16,2	16,1	15,9	15,8	15,2
Indicator	2018 year											
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Nominal value of attracted funds in percentage (annual)	14,7	14,8	14,6	14,7	14,8	14,6	15,1	15	15,3	14,9	15,4	15,2

As it is shown in Table 1, the nominal value of attracted funds used by the branch tended to decrease in 2017, and the nominal value of funds decreased from month to month, which led to a decrease in bank costs.

It is difficult to say that the nominal value of used funds fully reflects the costs incurred. The reason for this is that it does not reflect on how much or how much of the total funds raised is spent. Banks do not always use all the funds raised. Some of them are allocated to obligatory reserves and some are not used. Because banks do not function solely for profit. They must satisfy the demand of depositors and customers and maintain their liquidity. Therefore, commercial banks should calculate the average real value of attracted resources and monitor their changes.

The average real value of the resources attracted by the bank (K_r) can be determined as follows:

$$K_r = K_n * \frac{F}{N}$$

Where: F - amount of funds raised by the bank during the period under review; N- the amount of funds raised (assets) used during this period.

In the aforementioned example, in January 2018 Ipoteka Bank's branch A attracted more than \$ 2.5 billion. (N), and their expenditures amounted to 0.03125 billion. (P). The total amount of funds attracted by the branch of the Bank amounted to 2.8 billion. som (F). At the same time, the nominal value of funds attracted by the bank (K_n) is 14.7% . The real value of funds raised for active operations (K_r) was 16.5%.

$$K_r = 14,7\% * \frac{2,8}{2,5} = 16,5\%$$

Although the actual value of a bank's actual cash flows is low, it is important to know what interest rates it is appropriate to set for them when carrying out active operations. In general, the bank should try to minimize the difference between the nominal and real value of attracted funds.

Table 2 Deposits of JSCB "Sanoatqurilishbank" (at the beginning of the year, billion UZS)

Types of deposit	2015 y		2016y		2017 y		2018 y		2019 y	
	sum	%	sum	%	sum	%	sum	%	sum	%
Deposits on demand	1050,0	81,6	1649,9	79,7	2040,4	79,4	2530,3	76,7	3745,6	77,5
Savings deposits	102,1	8,0	155,3	7,5	253,5	9,9	513,2	15,6	686,3	14,2
Term deposits	134,2	10,4	265,4	12,8	275,0	10,7	253,3	7,7	401,1	8,3
Total deposits	1286,3	100	2070,6	100	2568,9	100	3296,8	100	4833	100

The table above analyzes the structure of the deposits of JSCB "Sanoatqurilishbank" and shows the growth of the bank's deposits. As shown in the table above, the deposits in this bank have the highest demand on demand deposits. That is, demand deposits accounted for 81.6% of total deposits in 2015 and 77.5% by 2018, down 4.1 percentage points compared to 2013.

Analyzed above, JSCB "Sanoatqurilishbank" considers that the bulk of the resource base in the structure of deposit operations of the commercial banks of the republic is unstable sources, ie, the term deposits are high. This, in turn, is due to the high level of unstable resource base in the banking resources. International experience shows that international depositors do not exceed 30% of gross deposits to maintain sufficient commercial bank deposit base. Until recently, the high level of obligatory reserve requirements of the Central Bank of the Republic of Uzbekistan has had a significant impact on the volume of bank deposits. That is, before June 1, 2018, the obligatory reserve ratio for corporate deposits was 12.5% on average, and since June 1, 2018, the term of deposits of legal entities and individuals will be fixed. The reserve was subjected to compulsory reserve. As a result of measures taken by the Central Bank of the Republic of Uzbekistan in the area of monetary policy, starting from October 1, 2018, the mandatory reserve rate will be unified for deposits of legal entities and individuals, and the introduction of differentiated deposits by currency. As of July 1, 2019, obligatory reserve allocations of 4% of the national currency deposits and 14% of the foreign currency deposits are

set. This, in turn, will increase the long-term resource base of commercial banks and ensure their financial stability and increase the attractiveness of interest rates on deposits in national currency.

CONCLUSION AND RECOMMENDATIONS

Commercial banks set interest rates on fixed deposits and savings to increase deposits in national currency based on the inflation rate of the country and the interest rate set by the Central Bank, which is higher than the inflation rate and refinancing rate. the growth of deposits in the national currency.

The state pays great attention to the development of small business and private entrepreneurship and provides free funds of the existing pension fund and state insurance companies to commercial banks at low interest rates, provided that they can be used for lending to small businesses. We consider that it is necessary to place a time deposit.

Introduce financing mechanisms by large producers of small and medium-sized enterprises - intermediaries of goods and services, including through the establishment of targeted deposits in commercial banks.

It is necessary to improve and implement a wide range of goods and services between legal entities and individuals through plastic cards. At the same time, individuals make payments for their products and services using plastic cards, which facilitates the formation of bank deposit accounts.

Each commercial bank, which is on the plastic cards of legal entities and individuals, provides a bonus or a certain interest rate for its savings, which also increases the amount of deposits in national currency. This will result in the growth of commercial banks' incomes and the expansion of the resource base. Bank should also:

- focus on development of innovative deposit programs and attraction of free funds of the population and economic entities on long-term deposits;
- ensure consistency between attraction and placement of funds on maturity and profitability of bank assets and guarantee their timely repayment;
- do study of foreign experience of deposit operations and their positive application in the banking system of the country.

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