

## PROSPECTS FOR IMPROVING THE DEPOSIT POLICY OF COMMERCIAL BANKS

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ABSTRACT	KEY WORDS
This article discusses the trends observed in the implementation of deposit policy by commercial banks and issues related to their impact on deposit policy. In the article, the deposit policy is a key part of the overall banking policy, which defines the strategy and tactics of commercial banks to conduct deposit activities. It also contains the author's suggestions and recommendations on the problems of deposit policy and their solutions	deposit, deposit types, demand deposit, term deposit, savings deposit, transactional deposit, certificate of deposit, bank resources, deposit policy, attracted funds, bank resource base.

The scientific studies conducted on the activities of the World Bank system and the expected state of the services offered by it in the near and long term show that traditional banking services are not only banking and non-banking financial organizations, but also various electronic wallets and competition between technology companies offering virtual currencies, online retail systems, and social networks is intensifying. Specifically, "EY (Ernst & Young) [1] and Deloitte Development LLC." According to the analyzes carried out by reputable international auditing companies such as [2], they concluded that the formation of financial stability and a solid resource base, increasing competitiveness in the financial services market directly depends on the level of organization of banking activities based on innovative digital technologies. This indicates that increasing the effectiveness of the policy on attracting the funds of individuals and legal entities to bank deposits is becoming one of the important conditions for the stable development of the banking sector.

Scientific research work is being carried out on the development of bank deposit policy in world practice. In particular, the problems related to providing innovative deposit services through the branches of banks operating in the Smart-banking system, ensuring the compatibility and consistency of the deposit policy with strategic programs for the development of the banking system, the methodology of the development of the deposit policy and the improvement of its implementation instruments have been thoroughly researched. The fact that the issues of forward looking approach in

determining the final, intermediate and operational goals of the deposit policy as a component of the development strategy of the bank in the formation of the deposit policy are neglected in the research conducted today, makes it necessary to activate the research in this regard.

The reforms carried out in the banking system of Uzbekistan are aimed at increasing the level of capitalization of commercial banks, ensuring their financial stability, expanding the scope of lending to the real sector of the economy, improving the quality of banking services, attracting the free funds of the population and economic entities to bank deposits, and the strategic importance of the economy. a number of problems related to improving the relevant bank policies for effective placement in the networks, implementing innovative and beneficial types of bank deposit services for customers, strengthening the trust of the population and business entities in the banking system, increasing the level of efficiency of banking services aimed at improving the deposit policy of commercial banks determines the urgency of developing proposals and practical recommendations .

The Strategy of Actions for further development of the Republic of Uzbekistan, approved by the decree of the President of the Republic of Uzbekistan No. PF-4947 of February 7, 2017[3], as well as the tasks defined in the relevant decrees and decisions of the President of the Republic of Uzbekistan, are fundamental in the process of ensuring the financial stability of the bank's activities and increasing the efficiency of its activities. changes are taking place. This has led to increasing the importance and role of deposit policy in the implementation of strategic goals of banks and forming a solid resource base, as well as issues related to its improvement, becoming one of the urgent directions of scientific research. Based on this, in this article, we will try to analyze the content and essence of the scientific and practical approaches formed in relation to the structural elements and principles of the deposit policy.

## **Analysis of literature on the topic**

The conducted research allows us to conclude that there are two main scientific approaches that differ significantly from each other regarding the structural elements of the deposit policy of commercial banks and their economic essence. Taking into account that such grouping of approaches is not mentioned in scientific sources, grouping the first direction as a scientific approach based on "Formulation of deposit policy based on the marketing concept", and the second direction as a scientific approach based on "Formulation of deposit policy as a separate system", in our opinion, is appropriate.

In the majority of scientific and practical sources, carried out within the framework of the first scientific approach, the structural elements that should be paid attention to in the development of the deposit policy of commercial banks include:

- determination of market segmentation;
- positioning;
- customer profitability;
- customer satisfaction;
- the level of efficiency of the provided services is entered.

We will try to determine the main features that classify each of the structural elements based on the opinions and comments expressed by the leading scientists of this field. In particular, according to scientists F. Kotler, G. Armstrong, D. Saunders, V. Wangi [4], K. R. Darrell [5], S. Allard [6], who are considered to be leading experts in the field of marketing, commercial organizations should

promote their products and When developing the policy of offering services, it is necessary to carry out the segmentation of the intended market (that is, the grouping of customers according to the general demand, characteristics or behavior of the market).

After defining the market segment, the bank needs to define its target customers. This process is called market positioning of the bank.

The term "Positioning" was first used by American marketers E.Rice and J.Trout [7] in 1982, "Positioning: the fight for people who know you". According to the authors, positioning is a communication mechanism designed to influence the thinking of potential consumers without being directly related to the product or service. Positioning essentially means:

"for" (target market segment or demand);

"our" (brand of the organization);

"specific" (product or service concept);

"unique" (different from other goods and services).

P.E. Pfeiffer, M.E. Haskens and R.M. Conrowler [8] proposed to determine the level of customer profitability for a bank as the difference between the revenue received from services provided to customers and the costs of providing services during a certain period. According to scientists, not all customers are profitable. Some of them are more profitable than others.

## Research Methodology

This article analyzes the current state of deposit policy implementation by commercial banks and identifies factors affecting the stability of the bank's resource base. Scientific abstraction, expert assessment, induction and deduction, comparison, systematic analysis methods were used in the analysis process.

## Analysis and Results

We will dwell on this issue in more detail, taking into account that the method of calculating the level of profitability of customers is of certain importance from the point of view of the tasks set before the scientific research work. It should be noted that a number of methods for determining the level of profitability of customers have been developed and are being used in the activities of banks. In particular, the evaluation of the level of profitability (efficiency) of a customer taken separately by the method of Customer profitability analysis (CPA) is carried out in the following six steps:

Stage 1. Changes and analysis of net invested funds in relation to the client: the amount of resources provided by the client to the bank and the amount of credit resources allocated by the bank to this client is determined. On this basis, the net investment position is evaluated;

Stage 2. Change and analysis of the flow of income received from the client: the flow of income received from the client and the income received from the placement of the client's temporary free funds by the bank are determined;

Stage 3. Customer Service Cost Variation and Analysis: The direct costs associated with serving a customer and the costs associated with providing resources to that customer are identified. On this basis, direct costs related to customer service and their weight in total costs are evaluated;

Step 4. Changes and analysis of indirect costs related to customer service: indirect costs related to customer service are determined and their weight in total indirect costs is estimated on this basis;

Step 5. Calculation of the resulting financial indicators for customer service: net profit (loss) from

customer service, profitability of customer service; indicators of profitability of sales of services are determined;

Step 6. Making conclusions on the development of the bank's relationship with the client.

In the CPA methodology, the net profit (loss) (NP) from serving the client is calculated based on the following formula:

$$NP = R - C - Q$$

In this:

R – bank income received from customer service;

C – direct costs of the bank related to customer service;

Q – indirect costs of the bank related to customer service.

The net profitability of customer service (CP) is calculated based on the following formula:

$$CP = \frac{NP}{(C + Q)} * 100\% \quad (1.2)$$

The following formula is used to calculate the return on sales of services (TP):

$$TP = \frac{NP}{R} * 100\% \quad (1.3)$$

The positive features of the CPA methodology include the ability to comprehensively assess the client's profitability and, in our opinion, the most important thing is the ability to determine the income from the use of the client's funds. As a disadvantage of the system, it can be noted that the level of profitability of customers can be estimated based on the performed operations, which may limit the possibilities of forecasting the near and long term.

A unique methodology for evaluating the profitability of customer service was developed by the largest Russian Federation "Sberbank of Russia" [9]. Calculations according to this method are supposed to be carried out in six stages. They consist of:

Stage 1. Determining the amount of resources allocated to the client (resources allocated to the client under the overdraft credit agreement, resources allocated to the client under corporate loans);

Stage 2. Calculation of the amount of resources attracted from the client;

Stage 3. Determination of the amount of net resources allocated to the client and the amount of net resources attracted from the client (the difference between the resources allocated to clients and the resources attracted from clients and vice versa);

Step 4. Calculation of the amount of income received from the client (average monthly interest income on credit resources; average monthly interest income from the placement of the client's funds; average monthly non-interest income from customer service);

Step 5. Calculation of expenses related to customer service (average monthly volume of interest expenses, average monthly volume of non-interest expenses related to the implementation of customer transactions, average monthly volume of non-interest expenses related to the provision of commission services to the customer);

Step 6. Calculation of the projected profitability of customer service (average monthly net income from customer transactions; R1 forecast profitability; R2 forecast profitability).

According to the methodology of "Sberbank of Russia", the average monthly net income (Ds) for customer transactions is calculated by determining the difference between income and expenses:

$D_s = D \text{ (revenues)} - X \text{ (expenses)}$ .

The following formulas are used to calculate the forecast profitability of R1 and R2:

$$R_1 = \frac{D_c * 365}{\max(V_{\text{жалб}}; V_{\text{жойл}}) 30} * 100\% \quad (1.4)$$

$$R_2 = \frac{D_c}{X} * 100\% \quad (1.5)$$

According to the German scientist, Professor T. Y. Gerpott, the level of customer satisfaction is "an organized summation of evaluations of individual characteristics of the service (they can be positive or negative), and this evaluation is influenced by the expected and perceived quality characteristics." Continuing his comments, the scientist said that "a positive evaluation of the service increases the probability of repurchase by the customer, but does not guarantee it, because the level of customer satisfaction is greatly influenced by its functional and economic connection with the bank, the level of attractiveness of the services offered by competitors, and the general evaluation of private business." concluded that [10].

According to most scientists, the effectiveness of bank activity is directly related to the level of competitiveness of the bank. According to the conclusions of well-known American scientists J. Sinki-Kichik and M. Porter [11], efficiency depends on the main feature of competitiveness, that is, the convenience created for consumers, customer trust, and the formation of assessments for services.

Since one of the important aspects of the deposit policy is the calculation of the price of operations on bank deposits, we will briefly touch on the methods of price formation. In particular, A.I. Borodin and V.M. Poletaeva came to the conclusion that it is appropriate to use an optimization mechanism that takes into account the following limiting parameters when setting the optimal interest rate on deposits of individuals [12]:

- the base (refinancing) rate of the Central Bank;
- basic profitability of bank deposits increased by 2 percentage points;
- weighted average base rate (competitive interest rate) for deposit transactions in national currency; reserve requirements;
- banks' need for attracted resources.

The model proposed by these scientists for determining interest rates on household deposits looks like this:

$$\begin{cases} x_{it} = \min(k_i + 1,75\%; b_i + 2\%) \\ x_{it} \geq c_{it} \\ x_{it} \leq x_{io} + /-(drr_t + dbr_t) \\ D_r \leq R_{it} \\ x_{it} \geq 0, x_{io} \geq 0 \\ \sum_{i=M}^I x_{it} * D_{it} \rightarrow \min \end{cases}$$

In this:

i - type of deposit;

t - term of deposit;

hit – the average interest rate on retail deposits of the bank (during the reporting period) in percentages;

xio – the average interest rate on retail deposits of the bank (during the reporting period) in percentages;

kt – base (refinancing) rate of the Central Bank, in percentages;

bt - the basic yield of bank deposits, in interest;

ct – interest rate on similar deposit products offered by competitors;

drrt - change in the ratio of reserves to mandatory reserves during the period under study;

dbrt – changes in the rates of allocations to the deposit insurance agency during the research period;

Dit – amount of attraction of type i deposits of the bank during period t, in national currency;

Rit is the amount of demand for type i deposits during period t, in national currency.

The scientific conclusions formed on the main principles of the deposit policy in the above-mentioned two scientific directions are fundamentally indistinguishable from each other. Therefore, we consider the principles common to the two scientific directions and their economic essence (Table 1.1)

Table 1

**The main principles proposed by representatives of the scientific direction in relation to the formation of the deposit policy [13]**

General principles		Special principles	
The name of the principle	General feature	The name of the principle	General feature
Compliance with legal norms	Compliance of the deposit policy with the requirements of the relevant laws and regulations	Unity of elements	All elements of the deposit policy are considered in a coherent unity and connection
Scientific basis	The deposit policy relies on the latest science and best practices and is implemented through scientifically based methods	The optimal level of costs	Determining the possibilities of minimizing the costs of attracting deposits
System integrity	Deposit policy is a subsystem of banking policy, but it has a primary nature for policies in the field of asset operations	Profitability	Covering the costs of attracting deposits with the income from their placement and receiving the planned profit
The complexity of the approach	Development of the theoretical foundations and priorities of the deposit policy from the point of view of the development strategy of the bank	Liquidity	Ensuring bank liquidity and matching between assets and liabilities
Optimality and efficiency	Development of effective and optimal tactical directions and methods of deposit policy implementation	Security	Ensuring the confidentiality of the funds involved in the deposit and the information on them
		Reliability	Eliminate the risk of not being able to receive funds on deposit and interest on them

It can be seen from the data of the table that the principles of development and implementation of the deposit policy of banks were considered from two aspects (aspects), i.e. general principles for banks and special principles related to the structural units of the bank responsible for the development and implementation of the deposit policy.



Taking into account the limited scope of scientific research work, we believe that it is inappropriate to make relevant comments and conclusions on the structural structure of the deposit policy, as well as the principles of its development and implementation. Therefore, based on the results of the analysis of scientific and practical sources, we will try to form an author's approach regarding the main goal set before this paragraph of the dissertation, i.e., the structural elements of the deposit policy of commercial banks and the principles of its formation and implementation.

In our opinion, the following characteristics and factors should be taken into account when determining the structural elements of the deposit policy of commercial banks and their economic nature:

First of all, the main rules of the theory of organization and systems, in particular, the fact that the structural elements of the system cannot independently affect the system, such an effect can be carried out only in interaction with other elements, as well as the fact that the structural elements of the integrated system do not have their own private goals, are necessary conditions to be taken into account in scientific research. is one;

secondly, changes occurring in the system require changing the structural elements, as well as, on the contrary, not to ignore the fact that a change in any one of the structural elements, which is related to the fact that the current state of the system requires a change, will disrupt the functioning of the system if it is not strictly followed;

thirdly, it is required to follow the principle known as "Pareto Optimum" in scientific sources when planning and implementing changes related to improvement or optimization of system activity. According to this principle, in order to consider that the maximum welfare of the society is ensured and the process of distribution of resources is carried out in an optimal way, it is necessary that the desired change of this distribution does not have a negative effect on the welfare of any subject of the economic system [14];

fourthly, goals and tasks of strategic importance, problems and measures to eliminate them are developed only within the framework of an independent, integrated system. Issues related to the development and improvement of structural elements within the framework of the general development strategy will be of tactical importance, regardless of the period of validity. This indicates that strategic management tools and instruments cannot be used in the process of organizing and conducting the activities of structural elements;

fifth, the activity of any system or its constituent elements is within the influence of other systems or their constituent elements that are directly or indirectly related to them. Such an effect is a factor that must be paid attention to in order to ensure the stable operation of the system.

## **Conclusions and Suggestions**

Determining the structural elements of the deposit policy of commercial banks, in turn, requires the development of a set of principles that determine the behavior of each element. requires adjustment of the deposit policy to the principles used in strategy formation. Considering that the principles used in the development of the banking development strategy are formed on the basis of the main strategic document of the Central Bank of the Republic of Uzbekistan, "The main directions of monetary policy", we believe that it is appropriate to introduce them into the process of developing and implementing the deposit policy. In our opinion, they are:

1. Specific target areas of the deposit policy. In order to increase the confidence of the customers and other creditors in the deposit policy of commercial banks and to conduct it effectively, they should

have a clear vision and purpose of the present day and prospects of the bank's deposit policy.

2. Independence in making decisions on the development of the deposit policy and its implementation. The task of maintaining an efficient and effective deposit policy (from the point of view of the stability of the bank's activity) requires a certain degree of independence of the commercial bank in making sector-related decisions. Because decisions made within the framework of the deposit policy affect the bank's financial indicators with certain time delays and may not have immediate results. From this point of view, it is important for the bank to make decisions based on careful analysis and to be firm in its decisions regarding the deposit policy.

3. System of macroeconomic analysis and forecasting within the deposit policy. The successful implementation of the deposit policy depends to a certain extent on the accuracy and reliability of information about the state of the deposit services market and its development trends.

4. Effective means and mechanisms of deposit policy implementation. Revision and improvement of existing tools and mechanisms, as well as implementation of new tools and mechanisms operating on the basis of market principles, are of great importance in ensuring the strategic efficiency of deposit policy development and implementation. This means that the deposit policy should be conducted only through market mechanisms and not through administrative methods.

5. Deposit policy communication system. The communication policy includes the continuous dissemination of a complete set of financial and quality indicators related to the deposit policy, disclosing the intermediate and operational goals of the deposit policy, and explaining the reasons for the decisions made in this area. The procedure for development and implementation of the deposit policy by the commercial bank, as well as information about its purpose, means and instruments, should be provided in a clear and easily understandable manner for the participants of the market of deposit operations.

6. Ensuring interrelationship and consistency between bank policies. Another important factor in conducting an effective deposit policy is ensuring the interrelationship of all policies developed within the framework of the bank's development strategy and their coordination.

As a conclusion, it can be noted that despite the fact that the theoretical and methodological foundations of the development and implementation of the deposit policy of commercial banks have been researched by many scientists, this issue has not been considered in detail from the perspective of the activity development strategy. Approaching the deposit policy as a tactical tool for implementing the strategy requires reviewing and improving the structural elements of this policy, the principles of its development and implementation. Revision and improvement of structural elements and principles of the deposit policy will lead to transformation into an important factor ensuring the successful implementation of the banking activity development strategy. In turn, the achievement of the strategic goals set by each bank allows strengthening the banking and financial system of our country, expanding the scope of lending to the economy, increasing the spectrum of banking services provided, as well as increasing the role of the banking system in the development of the country's economy.

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