



CURRENT TRENDS AND CHALLENGES IN THE DEVELOPMENT OF DEPOSIT OPERATIONS OF COMMERCIAL BANKS IN THE REPUBLIC OF UZBEKISTAN

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Abstract: *The article examines the key trends in the development of deposit operations of commercial banks in the Republic of Uzbekistan. The economic importance of deposits in forming the resource base of banks is revealed, along with the main challenges and factors influencing their efficiency. Special attention is given to enhancing public trust, ensuring the stability of the deposit base, and integrating digital technologies into deposit management. Based on the conducted analysis, practical recommendations are proposed to improve the deposit policy of commercial banks amid the ongoing transformation of the financial sector.*

Ключевые слова: *deposit operations, commercial banks, banking system, customer trust, resource base, financial stability, digitalization, deposit policy.*

INTRODUCTION

The banking system of the Republic of Uzbekistan occupies a central position in the country's financial infrastructure and plays a crucial role in ensuring economic stability and investment activity. Among passive operations, deposit activities hold particular importance, as they form the core of commercial banks' resource base. Effective management of deposits supports liquidity, promotes lending development, and strengthens public confidence in financial institutions.

In recent years, the banking sector has demonstrated steady growth in deposit resources, an expansion of savings products, and active implementation of digital technologies. However, certain challenges remain, including low financial literacy among the population, the predominance of short-term deposits, and the limited adoption of innovative instruments for attracting resources. Addressing these issues is becoming increasingly important amid the ongoing structural transformation of the economy and the digital evolution of the banking system.

Literature Review: The issues of deposit operations and approaches to their improvement have been extensively examined by both domestic and foreign economists. Significant contributions to this topic have been made by A.P. Nasyrova, E.P. Zharkovskaya, F. Mishkin, B. Bernanke, M. Abdullaev, and other scholars.

A.P. Nasyrova defines a deposit as a sum of money entrusted to a bank for the purpose of earning income, emphasizing its essential role in shaping the liability side of banks' balance sheets. E.P. Zharkovskaya views deposits as a bank's obligation to return client funds under the terms of a contractual agreement, thereby highlighting their legal and economic nature.



In foreign literature, F. Mishkin describes deposits as a stable source of liquidity and one of the key pillars of banking system stability. B. Bernanke links the growth of deposit activity with the strengthening of public confidence in financial institutions and the overall effectiveness of monetary policy.

Among Uzbek scholars, M. Abdullaev highlights the importance of diversifying the deposit base of commercial banks, broadening the range of deposit products, and implementing innovative mechanisms for attracting savings. Taken together, these perspectives provide a comprehensive view of current trends in deposit operations and help identify effective strategies for their further development.

Methods and Materials: The study employs comparative and statistical analysis methods, as well as systemic and logical approaches, complemented by elements of economic and mathematical modeling. The empirical base is built upon official data from the Central Bank of the Republic of Uzbekistan, the Ministry of Economy and Finance, and analytical reports of commercial banks covering the period from 2020 to 2024.

Main Part: Deposit operations occupy a central position within the system of passive operations of commercial banks, forming the foundation of their resource base. The economic essence of deposits lies in the accumulation of temporarily free funds from households, enterprises, and organizations, followed by their utilization for lending and investment purposes. Through deposit mechanisms, financial resources are redistributed across the economy, which supports bank liquidity, expands active operations, and contributes to the overall stability of the financial system.

In the context of the Republic of Uzbekistan, the importance of deposit operations has increased significantly due to the ongoing liberalization of the financial sector and the development of market-oriented instruments for capital mobilization. Deposits serve not only as a key source of long-term financing but also as an indicator of public confidence in the banking system. The stability and balance of the deposit base directly influence banks' ability to sustain credit activity, develop investment programs, and maintain macroeconomic stability.

Recent trends in deposit operations in Uzbekistan are characterized by the steady growth of attracted funds, the gradual increase in the share of deposits denominated in the national currency, and the active adoption of digital technologies. However, structural challenges remain, including the dominance of short-term deposits, regional imbalances in deposit distribution, and the limited application of innovative resource-attraction tools.

An analysis of deposit structures in commercial banks of Uzbekistan reveals that, despite a significant increase in the total volume of deposits over the past five years, a high share of short-term deposits persists. Such a structure limits banks' ability to finance long-term projects, reduces liquidity management flexibility, and creates potential risks for the stability of the financial system under macroeconomic fluctuations.



It is worth noting that the gradual introduction of new deposit products with more flexible terms—such as renewable deposits and savings accounts—has stimulated public interest in long-term savings instruments. According to individual banks, by the end of 2024, the share of deposits with maturities exceeding 12 months had grown by 17%, marking a positive shift in the composition of the deposit base.

According to data from the Central Bank, the total volume of deposits increased by nearly 2.8 times between 2019 and 2024, reflecting the active engagement of households and businesses in the banking system. During the same period, the share of household deposits rose from 43.5% in 2019 to 56.2% in 2024, demonstrating growing public trust in national banks and improving financial literacy among citizens. The dynamics of total deposits and household deposits are summarized in Table 1, illustrating a consistent upward trend in savings within the banking sector.

Table 1.

Dynamics of Deposits in Commercial Banks of the Republic
of Uzbekistan (in trillion soums)

Year	Total Deposits	Household Deposits	Share of Household Deposits (%)
2019	87.4	38.0	43.5%
2020	105.2	47.9	45.5%
2021	128.7	60.3	46.9%
2022	158.9	74.8	47.1%
2023	202.3	98.6	48.7%
2024	245.0	137.7	56.2%

As shown in Table 1, the growth of deposits has been steady and consistent despite external economic challenges. A particularly noticeable acceleration occurred in 2023–2024, coinciding with the active phase of the banking sector's digital transformation. This correlation underscores the connection between technological progress and the growing public trust in financial institutions.

Comparative analysis indicates that the structure of deposits in Uzbekistan is gradually approaching that of other Central Asian countries. In 2019, the share of time deposits was only 32 percent, while by 2024 it had exceeded 45 percent, reflecting a gradual shift among households and enterprises toward longer-term forms of savings. However, this indicator remains below that of Kazakhstan (around 60 percent) and Azerbaijan (58 percent), highlighting the considerable potential for further development of long-term deposit instruments and their role in financing large-scale investment projects.

The increase in time deposits has largely been driven by competitive interest-rate policies adopted by commercial banks. Many institutions have introduced differentiated rates based on deposit maturity, as well as loyalty bonuses for renewals. These measures have extended the average holding period of funds by two to three months, which positively affects the stability of the resource base.



A distinctive feature of Uzbekistan's deposit market is its regional imbalance. More than 60 percent of household deposits are concentrated in Tashkent and the Tashkent region, while such areas as Karakalpakstan and Khorezm account for less than 5 percent. This disparity reflects differences in income levels, the development of banking infrastructure, and access to financial services.

To reduce this regional gap, commercial banks have increasingly adopted mobile branches and remote-service channels. In 2024, several major institutions—such as Aloqabank, Agrobank and Xalq Banki—launched mobile-branch projects that provide access to deposit services in remote districts. These initiatives have already led to a 12 percent increase in regional deposit volumes compared to the previous year.

Particular attention should also be given to the dynamics of foreign-currency deposits. During 2018–2021, deposit dollarization remained high—above 50 percent—due to exchange-rate volatility and public uncertainty. However, as the national currency stabilized and public confidence strengthened, the share of foreign-currency deposits declined to 38 percent by 2024 (Table 2).

Table 2.

Structure of Deposits by Currency and
Maturity (% of Total Volume)

Year

	Deposits in National Currency		Deposits in Foreign Currency		Time Deposits
	Demand Deposits				
2019	48.7	51.3	32.0	68.0	
2020	52.9	47.1	35.4	64.6	
2021	56.2	43.8	38.5	61.5	
2022	59.8	40.2	41.9	58.1	
2023	62.4	37.6	43.8	56.2	
2024	61.9	38.1	45.2	54.8	

The data in Table 2 clearly demonstrate the strengthening role of the national currency in the overall structure of deposits, confirming the effectiveness of macroeconomic policy and the growing public confidence in the Uzbek soum. At the same time, the declining share of demand deposits indicates a gradual extension of clients' investment horizons and a shift toward longer-term financial planning.

The growing share of deposits denominated in the national currency is accompanied by intensified competition among banks for retail clients. To attract funds, banks now offer bonus programs, deposit certificates, online deposits with options for replenishment and early withdrawal, as well as specialized savings products designed for young people and entrepreneurs.

An additional factor contributing to the development of the deposit market is the integration of fintech platforms. Banks have increasingly engaged in partnerships with non-bank financial services — such as electronic payment systems and online marketplaces. This collaboration expands customer interaction channels and



simplifies the process of opening deposits, which is particularly relevant for the younger generation of depositors.

A promising direction for the development of the deposit market is its ongoing digitalization. The introduction of online deposits, automatic renewals, personalized offers, and integration with mobile wallets has significantly simplified public access to banking services. According to data from the Central Bank, by early 2024 more than 30 percent of all deposit agreements were concluded remotely.

According to forecasts by experts from the Association of Banks of Uzbekistan, the share of online deposits may reach 55–60 percent by 2027. This indicates that digital channels are gradually becoming the primary tool for attracting funds, while traditional in-branch operations are expected to play a secondary role.

Projections up to 2030 suggest that the development of deposit operations will be driven by the following key factors:

- the digital transformation of banking services and the automation of deposit processes;
- the reduction of dollarization and the strengthening role of the national currency;
- the expansion of ESG-oriented deposit products aimed at supporting green and socially responsible projects;
- the enhancement of public trust in the banking system through greater transparency and improved service quality.

Thus, the deposit base remains a strategic source of stability for the banking sector. Its growth depends not only on interest rate policies and deposit returns but also on the ability of banks to adapt to modern customer expectations, including the integration of digital technologies and socially oriented financial products.

The average annual growth rate of household deposits has reached approximately 25 percent, reflecting the steady public interest in saving within national banks. However, several challenges persist, including low levels of financial literacy among the population, a limited range of deposit products, weak integration of digital tools, and a high concentration of deposits in state-owned banks.

Conclusion and Recommendations: The conducted study confirms that deposit operations hold a central role within the passive operations of commercial banks and serve as the primary source of their resource base. The analysis of deposit dynamics in Uzbekistan for the period 2019–2024 reveals steady growth in attracted funds and a notable increase in public confidence toward the banking system. A positive shift has been observed in the growing share of deposits denominated in the national currency and the declining level of dollarization, reflecting macroeconomic stability and enhanced financial resilience.

However, several structural imbalances remain — including the predominance of short-term deposits, regional concentration of savings, and a limited range of innovative deposit products. These challenges constrain the potential for long-term



financing and reduce banks' flexibility in liquidity management. Additionally, the digital transformation of deposit operations progresses unevenly, while the financial literacy of the population still requires improvement.

In the context of ongoing digitalization, the strategic priority should be the formation of a client-oriented deposit system based on transparency, innovation, and trust.

To improve the effectiveness of deposit activities in Uzbekistan's commercial banks, the following measures are proposed:

② Accelerate the integration of artificial intelligence and analytical platforms to forecast depositor behavior and tailor deposit offers.

② Promote the development of "smart deposits" that automatically adjust terms based on market fluctuations and customer preferences.

② Strengthen collaboration with fintech companies to expand digital channels and improve accessibility of banking services.

② Introduce a trust rating system for banks to enhance transparency and help customers make more informed financial decisions.

② Encourage the participation of private banks in the deposit market through competitive interest rates and targeted tax incentives.

- Expand educational initiatives and digital learning platforms to improve financial literacy and increase public awareness.

The implementation of these measures will enhance the stability of the deposit base, diversify funding sources, and strengthen public confidence in the banking system — providing a solid foundation for the sustainable development of Uzbekistan's financial sector.

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