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IMPORTANCE AND PROBLEMS OF TEMPORARY DEPOSITS IN COMMERCIAL BANKS (ON THE EXAMPLE OF COMMERCIAL BANKS IN THE USA AND UZBEKISTAN)

Abstract: The article discusses the economic and theoretical consequences of temporary deposits of commercial banks, using examples from commercial banks in the USA and Uzbekistan, focuses on the low share of deposits in bank resources and their causes, as well as recommendations that can solve these problems.

Key words: central bank, commercial bank, passive operation, active operation, deposit, temporary deposit.

Language: English

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Introduction

The global deep division of labor, the growing popularity of digital financial services, operations and information, as well as the economic regulation of the country's monetary policy and regulation of financial institutions, along with increasing competition among commercial banks, pose a number of problems. Problems associated with attracting temporary deposits in commercial banks include poor public confidence in the banking system, high inflation of interest rates on deposits, and high devaluation of the national currency in relation to foreign currencies.

It should be noted that thanks to the efforts of the Government of Uzbekistan and the Central Bank over the past three years, the country's banking system, in particular the activities of commercial banks, have undergone significant changes. In particular, the introduction of a single exchange rate for foreign currencies as a result of monetary policy liberalization, eliminating the difference between cash and non-cash prices for consumer goods and services, as well as increasing the share of digital services in banking services.

However, amid growing competition between financial institutions and banks around the world, the growth of temporary deposits is becoming an urgent problem, which in some cases causes a number of

problems in banks. It is well known that the stability of temporary deposits of commercial banks is assessed in international practice as their financial stability. Financial stability of commercial banks means the extent to which their financial markets or financial infrastructure can withstand the risks of endogenous exposure [1].

In fact, the financial stability of commercial banks has a positive and strong influence not only on their activities, but also on the economic growth of the national economy, the effectiveness of the monetary policy of the Central Bank and increasing the solvency of the population. However, not only the policy of national regulators, but also at the international level, financial and economic crises every 10-15 years cause systemic problems. In particular, "over the past quarter century, 93 countries of financial institutions have had 117 systemic and more than 50 serious financial problems in financial institutions" [2], which caused all pressing problems with an increase in the volume of bank deposits by commercial banks.

In commercial banks of Uzbekistan, this issue is especially relevant, for example, as of January 1, 2019, the share of deposits in the structure of assets of commercial banks is 32.7%, more than 93.5% of the total loans issued by banks are long-term (more than one year). However, 70% of attracted deposits are

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short-term borrowing [3], which is a fact that commercial banks in Uzbekistan have problems attracting temporary deposits.

The issue of increasing the volume of term deposits of commercial banks in Uzbekistan is constantly in the focus of attention of our government, the tasks for their solution are outlined. In particular, the Decree of the President of the Republic of Uzbekistan dated March 23, 2018 No. 3620 "On additional measures to increase the popularity of banking services", which clearly outlines the problems and defines the tasks for solving them. In particular, the introduction of new types of banking services and products, as well as the introduction of contactless and mobile technologies.

It is known that temporary deposits of commercial banks are a source of attracted resources on their passive balance accounts. Resources of commercial banks are formed from two main sources: own resources (10-12%) and borrowed funds (88-90%). As a rule, the main sources of attracting funds from commercial banks are deposits, which consist of untimely, temporary and savings deposits.

International banking practice shows that the share of temporary deposits in the structure of deposits of commercial banks is high and amounts to 65-70% of the total deposits, which indicates the effectiveness of the deposit policy of banks, the stability of the national currency and a high level of public confidence in the banking system. Since the word "deposit" in Latin means "dipositum" - "deposited goods", the depositor must voluntarily provide the bank with its financial resources based on economic interest and trust.

In this regard, the opinions of economists about the economic content of the deposit are noteworthy, although they are very similar in content, but in form they are very different. For example, L.S. Padalkina claims that "a deposit is all term deposits in credit organizations" [4]. Opinion of L.S. Padalkina that the deposit is a perpetual payment of credit funds, is controversial, denies the definition of a deposit as temporary.

The American economist E.M. Rode offers an economic interpretation that "a deposit is all temporary and unlimited deposits of bank customers" [5]. Although the economic definition of E.M. Rode is more accurate than the description of L.S. Padalkina, it does not take into account the fact that the deposit is expressed in value terms.

Russian economist M.N. Berezina claims that "a deposit is an account open to a client for storing all kinds of money", and, if appropriate, a deposit is not so close to the economic value of the deposit. As the above definitions and sources show, in the economic literature there is no single approach to deposits and bank deposits in general. In international banking, deposits mean securities or money deposited with

financial or credit institutions or banking institutions [6].

It is known that temporary deposits are a product of passive operations of commercial banks and have been studied by foreign and domestic economists on passive banking operations. In particular, the opinion of Sh. Abdullaeva, operations related to the formation of banking resources are called passive operations of banks [7]. Uzbek economists also have the definition of "passive banking operations that lead to an increase in assets in passive or active-passive accounts, including an excess of assets" [8].

In our opinion, we pay special attention to deposit operations in four groups of passive operations of commercial banks. Deposit operations - these are operations to attract and hold a deposit for a certain period on the basis of bank agreements with depositors [9].

The Law of the Republic of Uzbekistan "On Banks and Banking Activities" describes deposits as savings, which stipulate that banks have the right to engage in activities to raise funds in deposits [10].

Deposits are a major part of bank liabilities and their level of stability allows the bank to maintain profitability and liquidity. In international banking practice, currently, when assessing the stability of temporary deposits of commercial banks, the adequacy of the deposit base is taken into account, which is determined by the following formula for the adequacy of deposits (AD):

$$AD = \frac{TD}{TD + SD + TeD} * 100 \quad (1)$$

TD - transactional deposits;

SD - savings deposits;

TeD - temporary deposits.

According to IBRD experts, the maximum limit should be 30 percent. If its current level exceeds 30%, then the deposit base of a commercial bank is considered insufficient.

In the context of globalization and countries with economies in transition, a number of countries, including Uzbekistan, use the CAMEL rating system to determine the stability of the deposit base of commercial banks using the following formula:

$$SDD = \frac{\text{Fixed deposits}}{\text{Total deposits}} * 100 \quad (2)$$

If the current level is at least 75%, a commercial bank deposit base is sufficient. In other words, the share of fixed deposits in the total deposits of commercial banks should be at least 75%.

In the CAMEL rating system, main deposits mean non-bank deposits. In this regard, the main deposits include a stable balance of all three types of deposits - transaction deposits, temporary deposits and savings deposits.

In our opinion, the methodology for assessing the adequacy of the deposit base in the CAMEL rating system is much better than the IBRD assessment

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method. That is, firstly, a stable balance of transactional deposits is taken into account. This is important because the use of a stable balance of transactional deposits does not pose a significant risk to the liquidity of commercial banks; Secondly, only a stable balance of savings deposits is recognized as the main contribution. While some of the savings deposits are unstable passive. They differ from transactional deposits in the form of withdrawal by the bank for a certain period of time.

In the opinion of Professor G.S. Panova, commercial banks should not allow transactional deposits to exceed 30% of gross deposits in order to maintain an adequate deposit base and set limits based on German banking practice with respect to credit operations. In Germany, 60% of temporary deposits and 10% of transactional deposits are used for credit operations. In addition, G.S. Panova proposes to introduce the concept of "basic deposits" in the banking practice of the Russian Federation in assessing the adequacy of the deposit base of a

commercial bank. In his opinion, deposits to individuals of about 5 million rubles, enterprises and organizations - 100 million rubles, should be accepted as a base deposit [11].

It should be noted that temporary deposits of commercial banks have been widely studied by foreign and local economists, but in recent years they have become increasingly important in connection with the rapidly changing global and local financial and credit systems.

The results of the analysis show that a number of factors influence the growth of temporary deposits of commercial banks. In particular, the main factors are public confidence in the banking system, as well as the types and quality of services of commercial banks.

At the international level, people's trust in the banking system, as well as the quality and quality of banking services are assessed by a number of indicators. The following table summarizes data collected from World Bank Global Findex statistics.

Table 1. Analysis of the availability of adult deposits in banks in Uzbekistan and some countries of the world [12] (percent)

Gountries	2011	2014	2017
Uzbekistan	23	41	37
Russia	48	67	76
Kazakistan	42	54	59
Kyrgyzstan	4	18	40
China	64	79	80
Japan	96	97	98
Germany	98	99	99
France	97	97	94
Italy	71	87	94
Spain	93	98	94
United states of America	88	94	93
India	35	53	80

The table shows that adult bank accounts in Uzbekistan (18 years and older) have the lowest level in commercial banks, decreasing by 4 points in 2017 compared to 2014, despite an increase of 14 points in 2017. In Japan, Germany, France, Italy, Spain, the United States, this figure exceeds 90% of adult accounts. From this we can conclude that the confidence of the population of Uzbekistan in the banking system, as well as the quality and quality of

banking services is much weaker than that of the countries involved in the analysis.

Temporary deposits, in general, are the main and important source of resources in the resources of commercial banks for a number of reasons. In particular, temporarily free cash in the economy, especially those that belong to the population, are stored in banks, and not outside the bank, and these funds will be redistributed by commercial banks on the principles that need money in the economy.

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Table 2. Liabilities composition and dynamics of US commercial banks [13] (percent)

Liabilities	2014	2015	2016	2017	2018
Deposits	77,0	78,4	79,7	80,4	81,2
including:					
Long term deposits	12,4	12,0	10,4	10,8	11,4
Other contributions	64,6	66,3	69,2	69,6	69,8
Borrowed funds	13,4	13,9	14,1	14,1	13,2
Obligations to foreign offices	5,2	3,3	1,9	1,7	2,1
Other liabilities, trade liabilities	4,3	4,5	4,3	3,8	4,5
Total obligations	100	100	100	100	100

The table shows that the bulk of the structure of the banking system of the US banking sector is made up of deposits, which tend to increase over the analyzed period. In particular, in 2018 this indicator amounted to 81.2%, an increase of 4.2 points compared to 2014. The next major source of bank debt is debt, with 13-14% of total liabilities.

In our opinion, this indicator, that is, a high percentage of deposits in the structure of the US banking system, is a positive factor, and deposit sources play an important role in ensuring the financial stability of commercial banks.

Table 3. The structure and dynamics of deposits of US commercial banks [14] (percent)

Deposits	2014	2015	2016	2017	2018
Temporary deposits	15,6	14,5	13,4	13,6	14,1
Savings deposits	69,4	70,6	71,8	71,4	71,3
Deposits on demand	15,0	14,8	14,8	15,1	14,6
Total deposits	100	100	100	100	100

As can be seen from the table, the main share in the structure of deposits of commercial banks in the United States accounts for temporary and savings deposits. For example, in 2014-2018, their volume together is more than 85%.

It should be noted that in the structure of deposits of commercial banks, savings and term deposits are a stable source of their financial resources, and banks can create risky assets (loans, investments) at this

expense. At the same time, the low share of demand deposits in bank deposits contributes to the absence of obligations and reduces transformational risks.

One of the main problems in the liabilities structure of commercial banks in Uzbekistan is the low volume of deposits and even a low deposit. The following table shows the structure of liabilities of commercial banks in Uzbekistan.

Table 4. Resource volume and dynamics of non-deposit sources of commercial banks in Uzbekistan [15] (percent)

№	Source of funds	2015	2016	2017	2018	2019
I	Deposit funds	58,3	56,2	49,5	40,8	37,3
II	Non-repository funds, including:	41,7	43,8	50,5	59,2	62,7
1	Central bank accounts	5,6	3,5	0,4	0,4	0,3
2	Due to other banks	2,3	1,8	5,4	4	3,8
3	Issue of securities	0,8	1	0,3	0,1	0
4	Received loans	28,1	32,3	35,7	49,9	55,6
5	Other obligations	4,9	5,2	8,7	4,8	3
Total:		100	100	100	100	100

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The table shows that the volume of deposits in the structure of attracted resources of commercial banks in Uzbekistan tends to decrease and amounted to 58.3% as of January 1, 2015, while over the analyzed period this indicator decreased by 37.3% or by 21 points. This, in turn, led to an increase in the share of non-bank deposits in attracted funds of banks, this resource of banks increased from 41.7% on January 1, 2015 to 62.7% on January 1, 2019.

The main share in the structure of non-deposit funds of commercial banks is comprised of loans, which are the most expensive and the term for which does not exceed one year. In addition, the inability to

generate funds in connection with the issue of securities in the form of non-custodial funds may be considered negative. Since this source of banks is widely used in foreign banking practice, it has a positive effect not only on attracting financial resources to commercial banks, but also on the image of the bank market and the number of customers and partners.

The analysis shows that the share of deposits in the structure of liabilities of commercial banks is low, and the share of temporary deposits in the total amount of deposits is not high, the table below shows the structure and dynamics of deposits.

Table 5. Composition and dynamics of deposits of commercial banks in Uzbekistan [15] (percent)

Deposits	2015	2016	2017	2018	2019
Temporary deposits	29,9	30,2	29,5	24,9	37,4
Savings deposits	10,6	11,3	11,1	11,0	14,1
Deposits on demand	59,5	58,5	59,5	64,1	48,5
Total deposits	100	100	100	100	100

The table shows that the deposits of commercial banks in Uzbekistan are formed mainly from demand deposits. Of course, during the analyzed period this share is still high, although it tends to decrease. For example, as of January 1, 2015, this figure was 59.5 percent, and as of January 1, 2019, it was 48.5 percent or decreased by 11 points for the period under review. The share of savings is very low, which has not

changed much in recent years, an average of 11% in the structure of deposits.

Deposits of commercial banks in Uzbekistan include transactional deposits, temporary and savings deposits. We use the following information to evaluate the structure and dynamics of their deposit base.

Table 6. The structure of deposits in commercial banks of Uzbekistan [15] (percent)

Deposits	2014	2015	2016	2017	2018
Deposits of legal entities	69,3	70,1	71,3	75,9	73,5
a) Deposits on demand and up to 30 days	50,1	48,6	49,6	58,6	42,5
b) Savings deposits	1,4	1,5	2,0	2,2	2,1
c) Temporary contributions	17,9	20,0	19,7	15,1	28,9
Deposits of individuals	30,7	29,9	28,7	24,1	26,5
a) Deposits on demand and up to 30 days	9,3	9,9	9,7	5,5	6,1
b) Savings deposits	9,3	9,9	9,2	8,4	9,2
c) Temporary contributions	12,1	10,1	9,8	10,2	11,2
Total:	100	100	100	100	100

As can be seen from the table, the bulk of commercial bank deposits in Uzbekistan are legal entities. Deposits of individuals in the total volume of deposits in 2014 amounted to 30.7% compared with 26.5% in 2018 or 4.2 points for the same period. At the same time, the volume of term deposits of individuals tends to decrease, which indicates a low level of public confidence in the banking system and the economic benefits of term deposits.

CONCLUSIONS AND OFFERS

As a result of the study and analysis of the issues related to the importance and attractiveness of temporary deposits in commercial banks, the following conclusions and recommendations were formulated:

– in the context of globalization of the global economy, international and local banks practice attracting temporary deposits in conditions of high competition;

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– deposits of developed countries include deposits in the structure of liabilities of commercial banks, and term deposits in the structure of deposits;

– attraction of temporary deposits to commercial banks plays an important role in the confidence of the population in the banking system, economic interest in interest rates on deposits and the degree of devaluation of the national currency in relation to foreign currencies;

– financial stability of commercial banks has a positive effect not only on their activities, but also on economic growth in the country, the effectiveness of monetary policy, the solvency of the population and a number of other issues;

– it is desirable to increase financial stability by developing and implementing appropriate strategies to increase the share of deposits in the

liabilities of commercial banks and the share of temporary deposits in the structure of deposits;

– most of the financial resources of commercial banks are expensive, and the share of this source should be reduced by increasing the volume of term and savings deposits;

– it is necessary to minimize the state's share in the capital of commercial banks and expand the activities of banks, both investment and issuers, in the country's financial market.

In conclusion, temporary deposits play an important role in ensuring the financial stability of commercial banks and the development of the national economy. Commercial banks in Uzbekistan should be more active in this area, and thanks to their effective use, it is necessary to further strengthen the confidence of the population and customers in the banking system.

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