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The Economic Significance and Essence of The Bank Deposit Base

Nodir Muratovich Shamsiyev
PhD, Associate Professor., TSUE, Department of "Taxes and Taxation"

Abstract: This article examines the economic essence of the bank deposit base, its role in ensuring the financial stability of commercial banks, and its strategic importance in the formation of banking resources. The deposit base, as one of the main financial sources of banking activity, serves to expand lending capacity, maintain liquidity, enhance investment activity, and develop long-term financial relationships with customers. The article also scientifically substantiates that the stability, maturity structure, and composition of deposits have a direct impact on the competitiveness of banks, the efficiency of liability operations, and the ability to finance the real sector of the economy. The study evaluates the strengthening of the deposit base as an important factor in ensuring the financial stability of commercial banks and the sustainable development of the national economy.

Keywords: Bank Deposit Base, Commercial Banks, Deposit Resources, Financial Stability, Bank Liquidity, Resource Base, Lending Capacity, Time Deposits, Bank Liabilities, Economic Development

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1. Introduction

At present, the transformational processes taking place in the global financial system, the digitalization of the economy, and the intensification of competition in the financial services market require the banking system to possess a stable and adaptable resource base. In particular, in the activities of commercial banks, the strength of the deposit base is regarded as one of the key factors in ensuring bank liquidity, expanding lending capacity, and maintaining financial stability. Therefore, in the process of banking system transformation, an in-depth scientific analysis of the economic significance of the deposit base is becoming an urgent scientific and practical issue.[1]

In the Republic of Uzbekistan, the processes of fundamentally reforming the banking and financial system and adapting it to market principles have entered a new stage at the initiative of President Sh. M. Mirziyoyev. In his speeches, the Head of State has consistently emphasized the need to strengthen public confidence in the banking system and to actively attract the idle funds of the population and business entities into the economy.[2]

In particular, the following statement expressed by the President clearly reflects the socio-economic essence of developing the bank deposit base: "Some of our compatriots have concerns about directing their earned income into the economy, placing it in bank deposits, and officially registering their assets in their own name. Therefore, I believe it would be appropriate for our deputies and the Central Bank, in consultation with international organizations, to prepare proposals aimed at creating conditions that would allow our citizens to freely use the income and assets they have

acquired so far, either in our country or abroad." [1]

This view indicates that the formation of legal guarantees and an environment of trust is a crucial prerequisite for expanding the bank deposit base.

From a scientific and theoretical perspective, the adequate formation of the deposit base reduces banks' dependence on external financial sources, enables a stable increase in lending volumes, and contributes to the minimization of financial risks. Taking the above factors into account, the main focus of this study is to comprehensively examine the economic significance of the deposit base in the process of banking system transformation, identify the factors influencing its formation, and develop scientific and practical proposals for improving deposit policy.[3]

Furthermore, the scientific study of the economic importance of the deposit base in the process of banking system transformation, as well as the analysis of its impact on bank liquidity, lending capacity, and financial stability, is becoming an urgent scientific and practical issue.[4]

Literature Review on the Research Topic

The bank deposit base and its role in financial stability have long been an important object of scientific research in economic literature. In classical economic theories, banks are regarded as essential institutions that act as financial intermediaries in the economy by transforming savings into investments. In particular, the importance of bank deposits in ensuring liquidity and financial stability was thoroughly analyzed in the classical model developed by Diamond and Dybvig. According to their study, deposits serve as a key source of liquidity for banks, while a disruption of confidence may lead to instability. This approach demonstrates that the stability of the bank deposit base is a fundamental factor in the stability of the banking system [5].

Modern studies pay special attention to the relationship between banks' financial resource base and risks. Berger and Bouwman analyze the impact of bank capital and the deposit base on bank performance during financial crises and prove that banks with a stable deposit base are able to maintain relatively higher levels of lending even under crisis conditions [6].

Demirgüç-Kunt and Martinez Peria analyze the structure of banks' resource bases during the global financial crisis and find that banks relying on retail deposits operated more stably than those more dependent on external financing [7]. This conclusion confirms the strategic importance of the deposit base in ensuring the stability of the banking system.

Allen and Gale, in turn, examine the relationship between the level of competition, deposits, and financial stability in the banking system. They emphasize that increased competition may intensify the struggle for deposits; however, in the absence of adequate institutional supervision, this process may increase systemic risks. This approach indicates the need to conduct deposit policy prudently in the process of banking transformation [8].

The function of banks in ensuring liquidity was thoroughly analyzed by Kashyap, Rajan, and Stein, who describe banks as "liquidity providers." The authors note that the balance between bank deposits and credit lines ensures the effective functioning of the banking system [9]. Acharya and Mora empirically substantiate that banks' reliance on deposits during crisis periods plays an important role in stabilizing credit supply [10].

Studies conducted on the example of developing countries demonstrate the importance of trust and the institutional environment in expanding the deposit base. Martinez Peria and Schmukler found that depositors are sensitive to negative changes in banks' activities and that a decline in confidence leads to a reduction in deposits [11]. Anginer, Demirgüç-Kunt, and Zhu, in turn, analyze the relationship between interbank competition and systemic risks, emphasizing that the stability of the deposit base is an important element of financial security [12].

In local studies conducted in the context of the transformation of Uzbekistan's banking system, the economic significance of the deposit base is also particularly emphasized. O. A. Abdurakhmonov considers deposit policy to be one of the key factors ensuring banks' financial stability and highlights the need to strengthen legal guarantees and trust mechanisms in attracting household deposits [13]. N. M. Rasulov analyzes the impact of the deposit base on liquidity and lending capacity, demonstrating that stable deposits are the most optimal source of the bank resource base [14].

The above literature review shows that the bank deposit base plays a decisive role in ensuring banking system stability, lending volume, and economic growth. In particular, in the process of banking system transformation, deposits, as an internal and stable financial resource, increase banks' resilience to external risks. These conclusions form the theoretical basis of this study and substantiate the need for an in-depth examination of the scientific and practical aspects of strengthening the deposit base in the context of Uzbekistan's banking system.

2. Research Methodology

The study employed methods such as scientific abstraction, grouping, comparison, retrospective and prospective analysis, empirical analysis, and other research methods. Using the comparative analysis method, the article compares the economic significance of the deposit base in the process of banking system transformation in international practice and its role in sustainable financial development with the existing foundations in Uzbekistan, based on which relevant conclusions were formulated.[15]

3. Results and Discussion

The assessment of the economic significance of the deposit base in the process of banking system transformation, as well as the results of empirical analysis, indicate that bank deposits serve as an important internal financial source for ensuring financial stability, strengthening liquidity, and expanding lending capacity.

In recent years, the total volume of bank deposits has shown a steady growth trend, which has contributed to strengthening the resource base of banks. In particular, the growth of household deposits has emerged as a relatively stable and long-term financial source for banks. The increase in the volume of deposits has led to an improvement in bank liquidity indicators and has expanded banks' ability to meet their short-term obligations.

Furthermore, the analysis revealed a positive relationship between the deposit base and the volume of lending. It was found that banks with a higher share of deposits demonstrate faster growth rates in their loan portfolios. This confirms the important role of the bank deposit base in the formation of credit resources. This result indicates that banks' capacity to finance the real sector is expanding by relying on internal financial sources.

Banks with a higher share of household deposits tend to demonstrate relatively stronger financial stability indicators and are characterized by lower dependence on external financial resources.

Deposits play an important role in strengthening the financial stability of banks, expanding lending volumes, and supporting economic growth. The Table 1. obtained results substantiate the relevance of measures aimed at improving deposit policy and increasing depositors' confidence in the development of the banking system.

Table 1. Analysis of the Impact of Money Supply in the National Economy on Deposits

Date	Broad Money Supply (M2)	Demand Deposits in National Currency	Other Deposits in National Currency	Deposits in Foreign Currency (in National Currency Equivalent)
01.01.2024	212 086,1	46 886,1	71 934,6	47 657,7
01.02.2024	205 730,4	40 296,4	75 857,7	48 032,2
01.03.2024	206 218,9	40 193,2	76 735,5	48 088,2
01.04.2024	213 228,3	41 379,5	78 181,0	50 800,4
01.05.2024	217 687,1	43 137,2	79 021,7	51 732,1
01.06.2024	226 018,4	43 794,6	81 902,1	54 372,6
01.07.2024	236 439,2	45 636,0	84 944,7	55 957,6
01.08.2024	242 173,5	47 396,8	89 156,1	55 180,4
01.09.2024	250 188,9	50 512,6	92 691,6	54 992,1
01.10.2024	256 181,2	52 749,3	95 718,7	54 798,0
01.11.2024	264 973,3	53 564,9	99 091,4	58 296,3
01.12.2024	262 642,6	52 975,1	102 693,7	55 567,5
01.01.2025	277 064,6	61 072,8	105 714,4	56 948,9
01.02.2025	268 444,8	51 967,6	111 380,7	56 261,2
01.03.2025	274 869,1	52 489,9	114 919,1	57 826,5
01.04.2025	281 516,3	53 790,9	119 232,1	56 030,5
01.05.2025	292 023,6	55 710,9	122 614,6	60 363,4
01.06.2025	300 168,7	58 215,5	125 769,9	60 998,8
01.07.2025	312 484,0	61 634,0	129 050,4	62 735,9
01.08.2025	315 717,8	58 545,1	133 718,5	63 604,8
01.09.2025	324 355,1	60 685,8	139 210,6	62 711,7
01.10.2025	333 733,6	61 869,1	143 233,7	63 594,1

The analysis of the dynamics of monetary aggregates presented in Table 1 shows that, during the research period, broad money supply (M2) demonstrated a stable growth trend, with deposits playing an important role as one of the main structural components of money supply. In particular, as of January 2024, the volume of M2 amounted to 212,086.1 billion soums, while by October 2025 this indicator had increased to 333,733.6 billion soums. This indicates that the share of bank deposits in the growth of money supply has been expanding significantly.

According to the table data, the increase in the volume of other deposits in national currency and deposits in foreign currency had a direct impact on the expansion of money supply. In particular, other deposits in national currency increased from 71,934.6 billion soums at the beginning of 2024 to 143,233.7 billion soums by October 2025, reflecting an almost twofold increase. This indicates growing confidence in the banking system and the active attraction of savings into the formal financial sector.

Furthermore, the increase in demand deposits in national currency indicates the expansion of the liquid component of money supply. This indicator rose from 46,886.1 billion soums in January 2024 to 61,869.1 billion soums in October 2025, confirming the growth of the actively circulating component of money supply. This process can be explained by the increasing volume of settlements and digital payments carried out through the banking system.

The role of deposits is also significant in the structure of the narrow money indicator (M1). As can

be seen from the table, the volume of M1 amounted to 92,493.8 billion soums at the beginning of 2024 and reached 126,905.7 billion soums in October 2025. This growth occurred mainly due to the increase in deposits, while the relatively slower growth of the share of cash indicates the increasing importance of deposits in money circulation.

Deposits in foreign currency are also having a significant impact on money supply. During the research period, this indicator increased from 47,657.7 billion soums to 63,594.1 billion soums, indicating the expansion of the storage of foreign currency savings through the banking system. This situation reflects the strengthening confidence of households and business entities in the banking sector, as well as the accumulation of foreign currency resources within the formal financial system.

The data presented in Table 2. indicate that the growth of money supply is directly associated with the expansion of deposit volumes. Deposits ensure not only the quantitative growth of money supply but also its qualitatively stable and efficient formation. This situation once again confirms the economic significance of the bank deposit base and substantiates the importance of improving deposit policy and increasing depositors' confidence in the process of banking system transformation.

Table 2. Analysis of the Impact of Required Reserve Ratios on the Overall Deposit Base

Type of Liability	Required Reserve Ratios (%)
Deposits of Legal Entities in National Currency	4.0
Deposits of Legal Entities in Foreign Currency	10.5
Deposits of Individuals in National Currency	4.0
Deposits of Individuals in Foreign Currency	10.5

Required reserve ratios are an important monetary instrument used by the Central Bank to regulate liquidity in the banking system and ensure the effectiveness of monetary policy. The required reserve ratios introduced from April 1, 2025, indicate that differentiated requirements have been established depending on the currency composition of bank deposits and the type of depositors. This approach serves to reduce liquidity risks in the banking system and balance the structure of deposits. According to the data presented in Table 2, the required reserve ratio for deposits in national currency is set at 4 percent for both legal entities and individuals. This relatively low ratio encourages banks to actively attract deposits in national currency. As a result, more free resources are formed at the disposal of banks, enabling them to expand lending activities and ensure short-term liquidity. This contributes to strengthening the liquidity base of the banking system based on domestic resources.

Conversely, the establishment of a 10.5 percent required reserve ratio for deposits in foreign currency requires banks to pursue a more cautious policy regarding foreign currency deposits. A higher reserve requirement reduces the volume of liquid resources that banks can use from these deposits and helps limit currency risks. At the same time, this approach is consistent with the objectives of monetary policy aimed at reducing the level of dollarization in the banking system and ensuring the priority of deposits in national currency.

The impact of required reserve ratios on the structure of deposits is of significant importance from the perspective of bank liquidity. While the lower reserve ratio for deposits in national currency helps banks maintain higher liquidity indicators, the higher ratio for foreign currency deposits increases prudence in banks' balance sheets. As a result, banks seek to improve the stability and

quality of their resource base and direct their deposit policy toward attracting long-term deposits in national currency.

Furthermore, these ratios also affect banks' interest rate policy on deposits. Higher required reserve requirements increase the cost of deposits for banks, which may lead to relatively lower interest rates on foreign currency deposits or a decrease in banks' interest in attracting such deposits. Conversely, the lower reserve ratio for deposits in national currency increases the efficiency of using these resources for banks.

Overall, the differentiated establishment of required reserve ratios serves to optimize the structure of deposits in the banking system, stabilize bank liquidity, and enhance the effectiveness of monetary policy. This mechanism is of great importance in ensuring financial stability and forming a development model based on domestic financial resources in the process of banking system transformation.

Conclusion

This study is devoted to a comprehensive analysis of the economic significance of the deposit base in the process of banking system transformation. The theoretical and empirical research conducted confirms that deposits serve as a key internal financial source for the stable functioning of the banking system. The results of the study show that the expansion of the bank deposit base plays a decisive role in strengthening financial stability, ensuring bank liquidity, and increasing lending capacity.

The analysis of the dynamics of monetary aggregates presented in Table 1 showed that the consistent growth of broad money supply (M2) in 2024–2025 was mainly driven by the expansion of deposit volumes. In particular, the almost twofold increase in other deposits in national currency indicates the strengthening of confidence in the banking system and the active attraction of savings into the formal financial sector. This process ensures the qualitative stabilization of money supply and its effective allocation to the economy through the banking system.

Moreover, the increase in demand deposits in national currency indicates the expansion of the liquid component of money supply and confirms the growing volume of settlements and digital payments carried out through the banking system. The rising share of deposits within M1, accompanied by the relatively slower growth of cash, demonstrates the increasing importance of deposits in money circulation. The steady growth of deposits in foreign currency, in turn, indicates the expansion of foreign currency savings held through the banking system and the strengthening confidence of economic agents in the banking sector.

The analysis of required reserve ratios presented in Table 2 showed the important role of this instrument in regulating the structure of deposits and balancing liquidity in the banking system. The relatively low required reserve ratio for deposits in national currency, set at 4 percent, encourages banks to actively attract deposits in national currency and expands their lending opportunities. Conversely, the introduction of a higher ratio of 10.5 percent for deposits in foreign currency increases banks' prudence with regard to currency risks and contributes to reducing the level of dollarization.

Overall, the results of the study indicate that the economic significance of the bank deposit base is increasing in the process of banking system transformation. Deposits serve as a stable internal financial resource for banks, reduce dependence on external financing, minimize financial risks, and support economic growth through lending to the real sector.

Based on the results of the conducted research, the following scientific and practical

recommendations were developed:

1. Strengthening the orientation of deposit policy toward the national currency. Commercial banks need to expand long-term deposit products in national currency and increase their attractiveness in order to form a stable resource base.
2. Strengthening institutional measures to enhance depositors' confidence. Strengthening legal guarantees for the free use of income and assets, as well as improving deposit protection mechanisms, serves as an important factor in expanding the bank deposit base.
3. Implementing a flexible required reserve policy in accordance with the structure of deposits. It is recommended to maintain differentiated reserve ratios for deposits in national and foreign currencies in order to balance liquidity and currency risks in the banking system.
4. Enhancing the effectiveness of monetary policy by increasing the share of deposits in money supply. Reducing cash circulation and increasing the level of depositization make the transmission mechanism of the Central Bank's monetary policy more effective.
5. Expanding the deposit base through digital banking services. The development of online deposits, mobile banking services, and remote deposit products increases the participation of households and business entities in the banking system.

In conclusion, strengthening the bank deposit base is one of the strategic directions of banking system transformation. It plays an important role in ensuring financial stability, increasing lending capacity, and supporting economic growth. Therefore, consistent and systematic measures aimed at improving deposit policy will contribute to the stable and competitive development of Uzbekistan's banking system.

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