

Foreign Experience In Organizing The Deposit Policy Of Commercial Banks And Opportunities For Its Application In Uzbekistan

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ABSTRACT

This article provides a comparative analysis of commercial banks' deposit policy practices in the United States, the European Union, Japan, Russia, and Kazakhstan, focusing on deposit market regulation, product and pricing approaches, deposit guarantee systems, and the impact of digital transformation. Based on official statistics of the Central Bank of the Republic of Uzbekistan for 2024–2026, the study assesses the growth dynamics of the national deposit market, the deposit-to-loan ratio, and the level of dollarization. Uzbekistan's 2025 transition to a limited deposit guarantee model is compared with international practice. Based on the findings, proposals and recommendations are developed for the phased adaptation of relevant foreign experience to Uzbekistan.

Keywords: deposit policy, commercial banks, deposit guarantee, coverage limit, risk-based premiums, dollarization, contractual housing savings, digital banking, Islamic finance, deposit stability, foreign experience.

Introduction.

The resource base of commercial banks is formed primarily by customer deposits, and the volume, maturity, and cost of these resources determine the limits of banks' lending capacity. In recent years, Uzbekistan's deposit market has expanded rapidly. According to the Central Bank, deposits in the banking system amounted to UZS 417.3 trillion as of January 1, 2026, increasing by 35.2% over the year [10], and reached UZS 482.7 trillion by August 1, 2026 [11]. At the same time, the objectives set out in the banking system reform strategy—transforming banks with state ownership and strengthening market competition [1]—require banks to pursue more carefully designed policies for mobilizing resources.

In February 2025, a new version of the Law "On Guarantees for the Protection of Deposits in Banks" was adopted, replacing the full guarantee system that had been in force since 2009 with a limited model covering deposits of up to UZS 200 million per depositor in one bank [2]. This reform directly affects depositor behavior, interest-rate competition among banks, and the stability of deposit portfolios. Under these conditions, the experience of countries whose deposit markets have undergone a long period of development is particularly important. The objective is not to copy ready-made models mechanically, but to understand the internal logic of solutions tested in different institutional environments and identify elements that can be adapted to national conditions.

Literature Review.

The theoretical foundations of deposit relations are addressed in the work of D. Diamond and P. Dybvig through the liquidity-transformation function of banks and the risk of mass depositor withdrawals (bank runs). The authors justify deposit insurance as an institutional mechanism capable of preventing such self-fulfilling panics [7]. The empirical study by A. Demirgüç-Kunt and E. Detragiache highlights the other side of the issue: in countries with weak institutional environments, broad guarantees may increase banks' risk-taking and raise the probability of banking crises [8]. Balancing these two considerations is a central issue in designing an effective guarantee system.

P. Rose and S. Hudgins provide a detailed analysis of the evolution of the U.S. deposit market from administrative controls on interest rates to liberalization, as well as the emergence of new deposit products under competitive pressure [5]. J. Sinkey treats deposit resource management as an integral part of asset-liability management [6]. The International Association of Deposit Insurers (IADI) summarizes the key requirements for effective deposit guarantee systems: clearly defined coverage, ex ante funding, prompt reimbursement, and risk-based premiums [9].

In its Financial Sector Assessment Program report on Uzbekistan's banking sector, the International Monetary Fund emphasized the need to strengthen banking-system resilience, reduce the share of state-owned banks, and bring the deposit guarantee system closer to international standards [12]. Domestic studies have generally examined deposit policy using individual banks as case studies, while the relationship between foreign experience, the 2025 reform of the guarantee system, and the latest dynamics of deposit dollarization has received insufficient attention. This article seeks to address this gap.

Research Methodology.

The study employs comparative legal analysis, a systems approach, statistical grouping, time-series analysis, analysis and synthesis, induction and deduction, and graphical methods. The information base consists of official statistics of the Central Bank of the Republic of Uzbekistan, official websites of deposit guarantee institutions in the countries concerned, the relevant European Union directive, and national legislation. For comparison of coverage limits, amounts denominated in national currencies were converted into U.S. dollar equivalents using exchange rates at the end of 2025.

Analysis and Results.

First, the current state of the national deposit market is assessed. Table 1 presents the dynamics of key banking-system indicators based on Central Bank data.

Table 1
Dynamics of Deposits, Loans, and Assets in the Banking System of Uzbekistan
(UZS trillion)

Indicators	01.01.2025	01.01.2026	Growth, %	01.08.2026
Deposits	308.6	417.3	35.2	482.7
Loan portfolio (net)	514.7	587.0	14.1	644.6
Bank assets	769.4*	924.8	20.2	1,016.6
Deposit-to-loan ratio, %	60.0	71.1	x	74.9

Source: Author's calculations based on data from the Central Bank of the Republic of Uzbekistan [10; 11].
** Calculated on the basis of the value as of January 1, 2026 and the annual growth rate.*

As Table 1 shows, in 2025 the growth rate of deposits (35.2%) was almost 2.5 times higher than the growth of the loan portfolio (14.1%). As a result, the deposit-to-loan ratio increased from 60.0% to 71.1%, reaching 74.9% by August 2026. This indicates that banks are

gradually shifting from dependence on external borrowing and state resources toward greater reliance on customer funds for financing lending activity. However, the rapid expansion of the deposit base brings its quality—maturity structure, stability, and currency composition—to the forefront. In these respects, foreign experience provides important lessons.

The U.S. experience demonstrates a full cycle of deposit-market regulation—from strict restrictions to free competition. Regulation Q, introduced in the 1930s, imposed ceilings on interest rates paid on savings deposits and prohibited the payment of interest on demand deposits. When inflation and market interest rates rose sharply in the 1970s, these restrictions led to an outflow of household funds from banks to money market funds. Banks responded by introducing new products such as interest-bearing transaction accounts and money market deposit accounts, while interest-rate restrictions were gradually phased out during the 1980s [5]. Two conclusions follow from this history: administrative interest-rate ceilings can push savings out of the banking system, while much of innovation in deposit products emerges precisely under competitive pressure. Tax-advantaged individual retirement accounts (IRAs) occupy a special place in U.S. banks' product offerings; due to government incentives, they provide banks with long-term resources that may remain on deposit for decades.

The Federal Deposit Insurance Corporation (FDIC) was established in the United States in 1933 and currently provides coverage of up to USD 250,000 per depositor, per insured bank [3]. Two features of the system deserve particular attention. First, premiums are differentiated according to each bank's risk profile: financially weaker institutions or banks pursuing riskier policies pay more, which helps mitigate the moral-hazard problem associated with guarantees. Second, undercapitalized banks face restrictions on accepting brokered deposits, because such "hot money" is highly sensitive to interest rates and may leave a bank quickly at the first sign of difficulty.

The U.S. regional banking crisis of March 2023 exposed a new risk of the digital era. In the case of Silicon Valley Bank, a large share of deposits exceeded the insurance limit and was concentrated among a narrow group of customers, while mobile applications and social networks turned deposit outflows into a process that unfolded within hours. Following the crisis, the FDIC reviewed options for reforming deposit insurance and identified the concentration of large uninsured deposits as a separate object of supervision [4]. This lesson is also relevant for Uzbekistan: after the introduction of the UZS 200 million limit, uninsured portions of large corporate and household deposits emerged, and monitoring them should become a mandatory component of banks' risk-management systems.

In the corporate segment, banks in developed economies have long recognized that customers cannot be retained by interest rates alone. Treasury departments of large companies compare idle balances with money-market yields on a daily basis. Banks therefore offer services that automatically sweep end-of-day balances into interest-earning instruments and return them the next day, centralized management of group-company accounts (cash pooling), and payment and liquidity-planning services. Customer funds remain with the bank not because of the interest rate alone, but because the customer's operating processes are deeply integrated with the bank. This is also the practical rationale for the more stable treatment of such "operational deposits" under Basel standards.

The distinctiveness of the European experience lies in the institutional diversity of its deposit markets. In Germany, a significant share of household savings is mobilized not only by commercial banks but also by local savings banks (Sparkassen) and cooperative banks. Geographic proximity, long-term customer relationships, and conservative policies have provided these institutions with highly stable deposit bases. Another important model is contractual housing savings (Bausparen): an individual signs an agreement with a specialized institution, makes regular savings contributions over a specified period, and in return obtains the right to a preferential housing loan. The system is supported by government bonuses

and provides banks with long-term and predictable resource inflows. Given high housing demand in Uzbekistan, introducing selected elements of such a mechanism could improve the maturity structure of deposit portfolios.

In the European Union, deposit guarantees are harmonized under Directive 2014/49/EU: the coverage limit in all Member States is EUR 100,000, the reimbursement period has been gradually reduced to seven working days, and guarantee funds are built up ex ante through risk-based bank contributions [13]. Another aspect of the European experience relates to the period of negative interest rates. Between 2014 and 2022, when the European Central Bank's deposit facility rate was below zero, banks generally refrained from passing negative rates on to retail depositors, causing deposit margins to narrow sharply. This period demonstrated in practice that the value of a deposit base depends on the interest-rate environment: deposits should be managed not as a fixed-cost liability, but as a strategic resource whose value changes with market conditions.

Japan's experience is valuable in two respects. First, the country's traditionally high savings culture has been reinforced by the postal savings system: a bank relying on the postal network can reach even the most remote areas and has become one of the world's largest deposit institutions. Second, Japanese banks have operated for decades in an environment of near-zero interest rates while retaining a deposit base at almost no interest cost. This vividly demonstrates that habit, perceived safety, and service convenience may be more important to depositors than interest income. The Deposit Insurance Corporation of Japan (DICJ) covers deposits of up to JPY 10 million per depositor per bank, plus accrued interest, while non-interest-bearing settlement deposits used for payments are fully protected regardless of amount [14]. This arrangement gives priority to the continuity of the payment system.

The most significant change in developed economies over the past decade has been associated with digital platforms. Online-only banks can offer higher interest rates by reducing branch-related costs, while deposit intermediation platforms allow depositors to compare and place funds with different banks through a single account. In the United Kingdom, a guaranteed account-switching service has operated since 2013: all customer payment instructions are transferred automatically to a new bank within seven working days. These measures deliberately reduce switching costs and, consequently, the "stickiness" of deposits. Competition therefore intensifies and depositors benefit, while banks are forced to develop customer-retention tools other than interest rates, including service ecosystems, personalized offers, and trust-based relationships.

Interest-free (Islamic) finance represents a distinct layer of international experience. In this model, conventional deposits are replaced by investment accounts based on profit sharing according to a pre-agreed ratio, while funds held for safekeeping may be accepted through custodial arrangements and interest-free loans. In Malaysia and the Gulf countries, this segment has become a significant part of the deposit market. In Uzbekistan, the savings of some households that avoid interest-bearing deposits for religious reasons remain outside the banking system. Establishing a legal framework for Islamic finance instruments could therefore provide an additional source for expanding the deposit base.

The experience of transition economies is particularly valuable because their conditions are closer to those of Uzbekistan. Russia's Deposit Insurance Agency (DIA) has operated since 2004 and provides coverage of up to RUB 1.4 million. A distinctive feature of the system is an economic mechanism aimed at discouraging excessive interest-rate competition: the central bank regularly publishes benchmark deposit yields, and banks that attract funds at rates significantly above these levels must pay additional and increased contributions to the insurance fund [15]. This approach makes aggressive pricing more expensive through economic incentives rather than administrative prohibitions.

In Kazakhstan, the Deposit Guarantee Fund (KDIF), established in 1999, differentiates

coverage by deposit type and currency: savings deposits in the national currency are guaranteed up to KZT 20 million, other deposits in the national currency up to KZT 10 million, and foreign-currency deposits up to KZT 5 million [16]. Such differentiation encourages depositors to save in the national currency and for longer maturities and serves as an effective de-dollarization instrument.

This mechanism is also practically relevant for Uzbekistan because deposit dollarization, although declining, remains high in certain segments. Table 2 presents dollarization indicators based on Central Bank data.

Table 2
Deposit Dollarization in Uzbekistan
(share of foreign-currency deposits, %)

Indicators	2019	2025
Corporate deposits	48.2	20.5 (November)
Household deposits	32.6	22.5 (November)
Time deposits	–	15.9 (October)
Demand deposits	–	Above 40
Natural level of dollarization (3-year estimate)	24.5 (early 2020)	19.3 (October)

Source: Data of the Central Bank of the Republic of Uzbekistan [17].

As Table 2 shows, between 2019 and 2025 the dollarization of corporate deposits fell from 48.2% to 20.5%, while that of household deposits decreased from 32.6% to 22.5%. One factor was positive real interest rates on deposits denominated in Uzbek soums: at the end of 2025, the average real rate on household deposits in soums was 8.2% [18], while inflation slowed to 7.3% [10]. As of March 2026, the average rate on household deposits in soums was 18.1%, compared with only 5% on foreign-currency deposits [19]. Nevertheless, more than 40% of demand deposits remain denominated in foreign currency. Differentiating guarantee limits by currency, as in Kazakhstan, could provide an additional incentive to reduce this share.

The main parameters of the guarantee systems in the countries analyzed are summarized in Table 3.

Table 3
Comparative Characteristics of Deposit Guarantee Systems in Selected Countries

Country	Guarantee institution	Coverage limit	Key features
United States	FDIC (1933)	USD 250,000	Risk-based premiums; restrictions on brokered deposits
European Union	National systems under Directive 2014/49/EU	EUR 100,000	Harmonized coverage; reimbursement within 7 working days; ex ante funding
Japan	DICJ (1971)	JPY 10 million plus interest	Full protection of non-interest-bearing settlement deposits

Country	Guarantee institution	Coverage limit	Key features
Russia	DIA (2004)	RUB 1.4 million	Higher contributions for rates above benchmark yields
Kazakhstan	KDIF (1999)	Up to KZT 20 million (KZT 5–20 million depending on type and currency)	Differentiation by currency and deposit type as a de-dollarization tool
Uzbekistan	Deposit Guarantee Agency	UZS 200 million (from February 19, 2025)	Transition from full coverage to a limited model; reduction of reimbursement period to 7 days

Source: Compiled by the author based on official information and legislation of the relevant national guarantee institutions [2; 3; 13–16].

The common features of all these systems are limited coverage, ex ante funding through bank contributions, and efforts to accelerate reimbursement. Differences reflect national priorities, risk discipline in the United States, continuity of the payment system in Japan, and de-dollarization in Kazakhstan. Under Uzbekistan's new law, the reimbursement period is to be reduced from the previous approximately 83 days to 20 days initially and to seven days from 2027, while coverage has also been extended to individual entrepreneurs and legal entities [2].

Comparing guarantee limits in a common currency makes cross-country differences more visible (Figure 1).

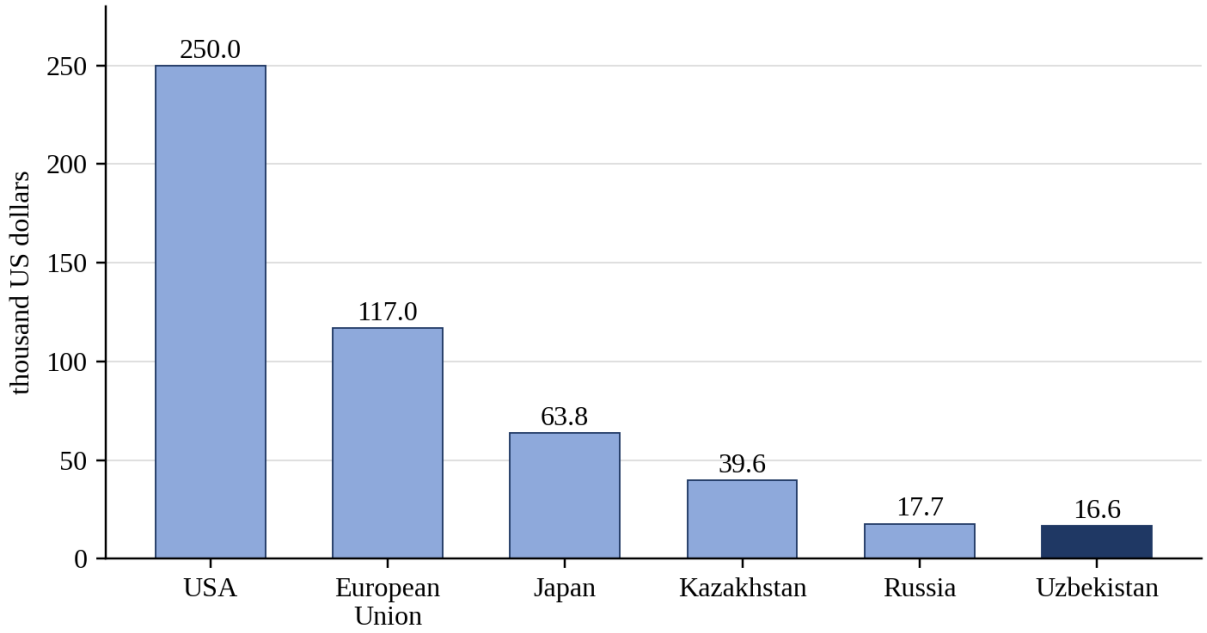


Figure 1. Deposit Guarantee Coverage Limits in Selected Countries (U.S. dollar equivalent)

Source: Author's calculations based on the data in Table 3 and exchange rates at the end of 2025.

In absolute terms, the U.S. coverage limit is almost 15 times higher than Uzbekistan's. However, this comparison alone is insufficient: the functional adequacy of a guarantee limit should be assessed relative to the average deposit size and household income in the country. In international practice, coverage limits are generally set at a level sufficient to fully protect the overwhelming majority of depositors. According to Central Bank data, the

UZS 200 million limit fully covers 97% of depositors [20]. Thus, Uzbekistan's system fulfills the task of protecting mass retail depositors; the key issue is not the nominal size of the limit, but the use of differentiated contribution mechanisms and the fund's capacity to meet reimbursement obligations.

When adapting foreign experience to national practice, the conditions under which a particular mechanism functions must be taken into account. Every effective instrument operates within a specific environment characterized by strong legal protection, information transparency, developed financial markets, and appropriate tax incentives. For example, certificates of deposit will not become active without secondary-market infrastructure; a housing savings system will not be attractive without government support and macroeconomic stability; and risk-based premiums require reliable supervisory ratings of banks. Therefore, the most appropriate way to introduce foreign experience is through a phased approach: first, pilot projects on a limited scale; second, adjustment of the regulatory framework based on their results; and only then, broad implementation.

Conclusion.

The analysis shows that Uzbekistan's deposit market is in a phase of rapid growth: in 2025, deposits increased by 35.2%, almost 2.5 times faster than loans, while the deposit-to-loan ratio reached 74.9%. Dollarization declined significantly, although it remains above 40% for demand deposits. The transition to a limited deposit guarantee model in 2025 brought Uzbekistan closer to international practice and created new tasks for deposit policy.

Based on the analysis of foreign experience, the following proposals and recommendations are developed for improving the deposit policy of commercial banks in Uzbekistan:

– first, replace administrative restrictions on price competition in the deposit market with economic instruments—for example, publish benchmark deposit yields, as in the Russian practice, and introduce higher guarantee-fund contributions for banks that attract funds at rates significantly above those benchmarks;

– second, differentiate guarantee contributions according to banks' risk levels and differentiate guarantee coverage in favor of longer-term deposits denominated in the national currency;

– third, implement pilot projects for targeted, government-supported products designed to mobilize long-term resources, including contractual housing savings schemes and tax-advantaged retirement savings accounts;

– fourth, make the concentration of large uninsured deposits above the guarantee limit a separate indicator in bank and Central Bank monitoring, and subject such deposits to stress testing under scenarios of rapid digital withdrawals;

– fifth, develop treasury and liquidity-management services for corporate customers in order to build a stable deposit base based on operational integration rather than interest rates alone;

– sixth, establish the legal framework for Islamic finance instruments and attract savings currently outside the banking system through financial-literacy programs.

Phased implementation of these proposals can strengthen the stability and maturity of commercial banks' resource bases, further reduce dollarization, and reinforce confidence in the banking system, thereby expanding opportunities for long-term financing of the economy.

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