



International Practice Of Development And Implementation Of Deposit Policy

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ABSTRACT

The current state of the deposit policy of commercial banks of our country was analyzed in this article. During the analysis the peculiarities of systemic development of factors influencing on the process of deposit policy implementation were investigated. Also the conditions and opportunities of using of information systems and other directions of international best practice for improving the deposit policy of commercial banks were assessed. Based on the total conclusions on the organization of the system of targeted using of instruments for the development of deposit policy of commercial banks, scientific proposals and practical recommendations were developed to increase the level of capitalization and deposit base of commercial banks, to direct the strategy and tactics of deposit activity of commercial banks to strengthen their financial stability and reliability.

KEYWORDS

Deposit, deposit policy, deposit portfolio, deposit transactions, accounts payable, capitalization level, deposit base, state assets, investment resources, refinancing rate.

INTRODUCTION

In the world practice there is a lot of research work on the development of bank deposit policy. In particular, the provision of

innovative deposit services through banking divisions operating in the Smart-banking system, ensuring the coherence and

coherence of deposit policy with strategic programs for the development of the banking system, improving the methodology of deposit policy development and its implementation tools. The problems associated with it have been studied in depth. The need to intensify research in this area is reflected in the fact that current research ignores the issues of forward-looking approach as part of the strategy for the development of banking activities in the formation of deposit policy, as well as in determining the final, intermediate and operational goals of deposit policy.

In this article, we will look at foreign experience in developing deposit policy from the example of U.S. commercial banks.

The total amount of money that can be invested or saved in the U.S. is limited to a particular district or region, so commercial banks resort to a management strategy called liability management. Broadly speaking, this strategy is aimed at meeting customer demand for high-quality loans and borrowing money from other financial institutions to meet reserve requirements by banks. In the narrow sense, liability management is one of the ways to manage a bank's liquidity.

U.S. banks raise funds to achieve these goals in the following ways:

- Borrowing from the local market of federal funds and the Euro currency market;
- Sale of short-term capital market certificates of deposit to customers;
- Loans from the regional Federal Reserve Bank;
- Concluding an agreement with individuals and legal entities to repurchase excess funds for a certain period of time;
- Issuance of promissory notes through a branch of the holding company.

The federal stock market is the source of local credit for U.S. banks. These funds are deposits

in federal reserve banks. Commercial banks may accumulate surplus reserves that do not generate income as a result of unexpected deposit flows or a decrease in the volume of loans. Therefore, some banks that own them will quickly transfer the required amount of reserves or transfer them to other banks that need funds to invest in assets.

As we know, in 1991 in the United States was adopted "On improving the activities of the Federal Deposit Insurance Corporation." Under the law, the Federal Deposit Insurance Corporation will receive \$ 30 billion from the Ministry of Finance over a 15-year period. allowed to borrow in the amount of \$. The Federal Deposit Insurance Corporation also received \$ 45 billion from the Ministry of Finance to replenish working capital from proceeds from the sale of bankrupt bank assets. How was eligible for a loan of up to \$.

The advent of the deposit insurance system has helped protect the deposits and transaction accounts of small investors, as well as stabilize the banking system. It is fair to provide guarantees for the return of deposits to small investors (individuals and legal entities). This is because the cost of creditworthiness information for small investors is much higher than for large ones. Because small investors do not have enough information, they sometimes tend to return their deposits quickly, regardless of their financial situation.

ANALYSIS OF THE RELEVANT LITERATURE

The above comments are also based on the methodology developed by L. von Bertalanfi, S. Bir, J. van Gig, R. Akoff, S. Optner and other well-known representatives of the field of structural research. we try to identify the constituent elements of the policy. In our opinion, these components are:

1. Goal setting. First of all, it is necessary to determine why it is necessary to develop and implement a deposit policy within the

framework of the banking development strategy. The focus should be on setting goals for improving or optimizing deposit policy.

2. Identify the problems that hinder the achievement of the goal and the factors that cause them. Most of the factors that shape the desired problem occur in the external environment of banking activities. Some of the problems under the influence of external environmental factors are reflected in the internal environment of the bank in one form or another. Therefore, in determining and evaluating the factors that cause the problem, it is advisable to apply not only the principle of "cause and effect", but also the principle of "manufacturer-product" proposed by the famous American scientist EA Singer.
3. Identify the means and mechanisms to achieve the goal. Almost all the problems that arise in the development, implementation and improvement of deposit policy are fundamental, ie theoretical and methodological. An in-depth study of the theoretical and methodological foundations of deposit policy will be a priority in the selection of appropriate tools and mechanisms.
4. Develop a program to achieve the goal. The program is essentially a set of measures to implement the deposit policy and a "road map" for their implementation.
5. Development of types and procedures of operations carried out under the Deposit Policy Implementation Program. The main attention should be paid to compliance with legislation, regulations, as well as quality management in accordance with the requirements of ISO 9000: 2015.
6. Development of a system of monitoring and control over the implementation of operations and procedures. If the monitoring and control functions are concentrated at the disposal of separate

bodies of the bank, it is not necessary to develop a special internal banking document for the implementation of these functions.

7. Assess the level and effectiveness of compliance with the requirements of the deposit policy in the Banking Development Strategy and develop a system of incentives (or penalties) for employees directly and indirectly involved in this area.

In our article, we try to identify the main trends in the banking system of the Republic of Kazakhstan, one of the strategic partners of the country, by analyzing the activities of deposits of individuals and legal entities, as well as the current state of deposit policy by the People's Bank. You can also find the analysis of consumer financial behavior in the articles of N. Khasankhonova [10]

RESEARCH METHODOLOGY

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

ANALYSIS AND RESULTS

According to the National Bank of the Republic of Kazakhstan,

At the end of 2018, there were 28 commercial banks and 7 organizations engaged in certain types of banking operations in the country. During 2017, 5 commercial banks closed. During this period, Kazinvestbank, Delta Bank and Kazakh Bank suspended their activities on the basis of the relevant court decisions, while the licenses of Bank Astana and Eximbank Kazakhstan were revoked by the National Bank.

According to the table, at the end of 2018, the total balance in the banking sector of the Republic of Kazakhstan amounted to 25,240,959 million tenge, or 65,697 million US dollars at the exchange rate of the coin at the end of the year. Compared to 2014, the consolidated balance of banks increased by 7,001,704 million tenge or 138.4%. However, the balance sheet in US dollars decreased by \$ 34,326 million compared to 2014.

During the analysis period, the volume of deposits of individuals and legal entities in national and foreign currencies showed an increasing trend. In particular, the volume of deposits attracted to the banking sector in 2014 amounted to 11,702,829 million tenge, while at the end of 2018 the balance of deposit accounts amounted to 17,305,378 million tenge. Accordingly, the share of deposits in the consolidated balance sheet increased from 64.2% in 2014 to 68.6% in 2018.

Table 1

Dynamics of the consolidated balance sheet of commercial banks of the Republic of Kazakhstan (mln. Tenge)

(Prepared on the basis of <https://nationalbank.kz/>)

Indicators	01.01.2015 yil	01.01.2016 yil	01.01.2017 yil	01.01.2018 yil	01.01.2019 yil
Concentration balance	18 239 255	23 784 427	25 561 157	24 220 516	25 240 959
US dollar / coin exchange rate at the end of the year	182,35	339,47	333,29	332,33	384,20
Aggregate balance expressed in US dollars	100 023	70 063	76 693	72 881	65 697
Credit and leasing to customers	10 360 923	13 764 673	13 662 143	11 034 734	11 632 369
Share of credit operations,%	56,8	57,9	53,4	45,5	46,1
Obligations to customers	11 430 551	15 829 587	17 471 404	16 779 346	17 164 724
Term funds	272 278	432 201	261 517	145 665	140 654

Total deposits	11 702 829	16 261 788	17 732 921	16 925 011	17 305 378
Deposit weight,%	64,2	68,4	69,4	69,9	68,6
Ratio between deposits and loans,%	112,9	118,1	129,8	153,4	148,8
Total bank capital	2 359 682	2 494 486	2 844 859	3 091 036	3 017 554
Bank capital balance,%	12,9	10,8	11,2	12,7	11,9
Issued securities	1 215 103	2 100 933	1 778 127	1 321 077	1 665 143

The volume of foreign currency deposits in the deposit portfolio of commercial banks tended to increase. In particular, at the end of 2018, the share of corporate deposits in US dollars amounted to 49.3%, an increase of 5.5 percentage points compared to 2017. The opposite situation was observed with deposits of individuals: in 2017, the share of deposits in US dollars in total deposits was 52.2%, while in 2018 it was 47.4% or 4.8%. decreased to the point. In 2018, the average weighted interest rates on time deposits of legal entities in the national currency amounted to 7.1% (8.0% in 2017) and on time deposits of individuals amounted to 10.4% (11.7% in 2017).

The increase in the volume of deposits attracted to the banking system has allowed to strengthen the resource base of commercial banks with relatively cheap and long-term financial resources. At the end of 2018, interest rates on loans to legal entities increased by 11.7% (the average weighted interest rate in 2018 was 12.4%, a decrease of 1.2 percentage points compared to 2017), loans to individuals The interest rate was 17.2 percent (the average weighted interest rate in 2018 was 18.5 percent, in 2017 - 18.8 percent, a decrease of 0.3 percentage points). At the same time, the ratio between deposits and loans, which is one of the indicators of financial stability of a number of banks, was at

the level of demand. In particular, this figure was 112.9% in 2014, 153.4% in 2017 and 148.8% in 2018.

The share of private capital in the consolidated balance sheet of commercial banks was in line with the standards set by the International Basel Committee on Banking Supervision. At the end of 2018, it was 11.9 percent.

It should be noted that in our opinion, the National Bank of the Republic of Kazakhstan is making unexpected decisions to attract temporarily vacant funds of the population through commercial banks and other organizations. In particular, in May 2017, the sale of gold bars to the public was launched. From November 2018, not only commercial banks, but also organizations authorized to work with foreign currency in cash began to trade in gold. At the end of 2018, there were 5 types of gold bars on sale: 5,10,20,50 and 100 grams. According to the National Bank, in 2018, 3,962 gold bars weighing 151 kilograms were sold to the population for 3 billion tenge.

According to the results of the analysis, the following main trends in the field of deposit operations in the banking sector of the Republic of Kazakhstan can be noted:

first, the fact that almost half of the attracted deposits are in US dollars has led to an increase in the level of dollarization in the deposit portfolio of the banking sector. This is mainly due to macroeconomic factors (depreciation of the national currency, inflationary expectations of the population and businesses, the influence of the Berliner effect (noted by the American scientist Joseph S. Berliner), etc.). However, it can pose serious risks to the banking system. In addition, the increase in the dollarization rate of deposits reduces the efficiency of the interest rate channel of the monetary policy transmission mechanism pursued by central banks, reducing the amount of money supply denominated in the national currency. The increase in the level of dollarization of these deposits is reflected in the weakening of the impact of the central bank's refinancing rate (discount rate) on interest rates on deposits and loans;

secondly, the decline in inflation in Kazakhstan from 2017 (4.59% in 2014, 7.54% in 2015, 14.32% in 2016, 7.76% in 2017 and 7.01% in 2018), as well as , The reduction of the base rate of the National Bank introduced in 2015 (refinancing rate at the end of 2014 by 12%, the

base rate at the end of 2015 by 16%, in 2016 by 12%, in 2017 by 10.25%, in 2018 by 9.25%) did not lead to an increase in the level of attractiveness. The lack of stability in the national currency, as well as the high level of fluctuations in the global economy (in particular, the rate of return of the National Bank's strategic portfolio in 2018 due to the increase in the base rate by FZT -0.37%) for the population and businesses remains a growing factor. In this case, it is necessary to take effective systemic measures to strengthen confidence in central banks, increase the efficiency of the monetary policy transmission mechanism, ensure the stability of the national currency, develop the financial market;

In our opinion, the analysis of the situation in the banking sector of Kazakhstan should be continued with a dynamic analysis of the situation with the deposit policy in a particular commercial bank. The object of the analysis was 647 service centers, JSC with a share of 37.8% in the deposit market, including 42.2% on time deposits and 42.2% on demand deposits. People's Bank of Kazakhstan (hereinafter referred to as JSC "People's Bank").

Table 2

Dynamics of balance indicators of JSC "People's Bank of Kazakhstan" for 2015-2019 (as of January 1) (mln. Tenge)

(Prepared on the basis of <https://nationalbank.kz/>)

Indicators	01.01.2015 yil	01.01.2016 yil	01.01.2017 yil	01.01.2018 yil	01.01.2019 yil
Total assets	2 506 414 (16 269 \$)	2 809 782 (15 406 \$)	4 454 938 (13 123 \$)	8 857 781 (26 654 \$)	8 959 024 (23 319 \$)
Allocated loans	1 482 245 (9 621 \$)	1 648 013 (9 038 \$)	2 176 069 (6 410 \$)	3 251 102 (9 783 \$)	3 481 048 (9 061 \$)

Total deposits	1 766 648 (11 4 67 \$)	1 848 213 (10 136 \$)	3 043 371 (8 966 \$)	6 131 750 (18 451 \$)	6 526 930 (16 988 \$)
Debt securities issued	189 515 (1 230 \$)	311 009 (1 706 \$)	597 525 (1 760 \$)	962 396 (2 896 \$)	900 791 (2 345 \$)
Private capital	392 179 (2 546 \$)	475 221 (2 606 \$)	529 928 (1 561 \$)	934 457 (2 812 \$)	1 065 646 (2 774 \$)
Funds of credit institutions *	107 395 (697 \$)	107 192 (588 \$)	168 258 (496 \$)	255 151 (768 \$)	168 379 (438 \$)

Note; * The funds of credit institutions include loans from internal and external sources.

As shown in Table 2, the balance sheet of JSC "People's Bank of Kazakhstan" as of January 1, 2019 amounted to 8,959,024 million tenge or 23,319 million US dollars, and as of January 1, 2016 (2,809,782 million. tenge or 15,406 million US dollars) in national currency, an increase of 3.2 times, in US dollar equivalent - by 51.4%. During this period, the volume of deposits of individuals and legal entities in the national currency increased from 1,648,013 million tenge in 2015 to 6,526,930 million tenge in 2018, equivalent to 10,136 million US dollars. From US \$ 16,988 million. The share of deposits in the bank's balance sheet at the end of 2018 was 78.2%, which is 12.5 percentage points higher than in 2015 (65.7%). Along with the increase in the volume of attracted deposits, the amount of the bank's equity capital showed an upward trend. In particular, at the end of 2015, the volume of private capital in the national currency amounted to 475 221 mln. by the end of 2018, it had increased to 1,065,646 million tenge.

However, the amount of private capital in US dollars equivalent to 2,606 mln. Decreased from USD 2,774 million to USD.

As of January 1, 2019, the number of issued debt securities, including deposits, in the bank's resource base amounted to 900,791 million tenge. In 2015, this figure was 311,009 million tenge. Borrowings from internal and external sources (including the balance of funds in correspondent accounts of partner banks) increased from 107,192 million tenge in 2015 to 168,379 million tenge in 2018. However, their share in the bank balance sheet (1.9% in 2018) is not significantly higher. Still, their interest rates look more attractive. During 2018, interest rates on borrowed funds ranged from 2 to 7 percent per annum.

In our opinion, it is expedient to analyze the structure of the bank's deposit portfolio before drawing certain conclusions on the current state of deposit policy in JSC People's Bank.

Table 3

Dynamics of the structure of deposits of JSC "People's Bank" in 2015-2018 (million tenge)
(Prepared on the basis of <https://nationalbank.kz/>)

Indicators	01.01.2015 yil	01.01.2016 yil	01.01.2017 yil	01.01.2018 yil	01.01.2019 yil
Total time	1 145 475	2 145 442	2 738 125	4 397 857	4 292 662

deposits					
including					
-individuals	764 935	1 276 609	1 470 536	2 691 886	2 918 070
- legal entities	380 810	868 833	1 267 589	1 705 971	1 374 592
Total current deposits	702 468	898 289	1 062 537	1 733 893	2 234 268
including					
-individuals	173 264	196 821	244 912	413 363	477 520
- legal entities	529 204	701 468	837 625	1 321 530	1 756 748
Total deposits	1 848 213	3 043 731	3 820 662	6 131 750	6 526 930

In Table 3 we shows that in the deposit portfolio of JSC "People's Bank" time deposits of legal entities and individuals play a key role and have a steady growth trend. In particular, at the end of 2014 the total volume of time deposits amounted to 1,145,475 million tenge, of which deposits of individuals amounted to 764,935 million tenge (66.7%), and by 2019, the volume of such deposits will reach 4,292,662 million tenge. tenge, of which time deposits of individuals amounted to 2,918,070 million tenge (67.9%). The share of time deposits in total deposits was 65.8% at the end of 2018 and increased by 3.9 percentage points compared to 2014.

Based on the results of the above analysis, the following factors are characteristic of the banking system of Kazakhstan and individual banks:

- The growing level of "dollarization" of deposits in the banking sector is one of the factors reducing the effectiveness of the

central bank's monetary policy, as well as increasing the level of global and monetary risks that are not controlled by commercial

banks. At the same time, the lack of a certain stability in the exchange rate of the national currency against major foreign currencies leads to the preference of foreign currencies in the choice of deposit currency by the population and businesses;

- The increase in the share of time deposits in the structure of deposits indicates the level of confidence of the population and businesses in the banking system. The increase in time deposits in commercial banks will have a positive impact on the state of financial stability, expanding the lending capacity of banks. At the same time, the increase in the ratio between deposits and loans will mitigate external factors. This, in turn, will have a positive impact on the implementation of national economic development programs.

CONCLUSIONS AND SUGGESTIONS

Adherence to the indicators characterizing the stability of the deposit base of commercial banks is important in the development and implementation of the deposit strategy of commercial banks.

In order to attract free funds to deposit operations and further strengthen the resource base of banks, it is advisable for commercial banks of the Republic of Uzbekistan to take the following measures:

- In order to eliminate discrepancies in the deposit policy of the bank due to the priority of time deposits, as well as to increase the share of customers in the resource base by attracting free funds to bank plastic cards, the practice of giving priority to deposits in the deposit policy should be abandoned. , as well as the introduction of a mechanism to maintain a balance between them and the creation of a system of "internal financial turnover" in the implementation of settlements by plastic cards.
- Significantly increase the amount of deposits attracted from legal entities and individuals;
- To take measures to gradually ensure the participation of foreign investors in the charter capital of all commercial banks established in the form of joint-stock companies;
- Attracting free funds of the population and businesses to long-term deposits and the development of innovative deposit programs;
- Analysis of the deposit portfolio of commercial banks in the CIS countries shows an increase in the level of "dollarization" of deposits and the lack of certain stability in the exchange rate of the national currency against major foreign currencies, as well as foreign currency in the choice of deposit currency by individuals and businesses;

- The increase in the level of dollarization of deposits reduces the efficiency of the interest rate channel of the monetary policy transmission mechanism pursued by the Central Bank, while reducing the amount of money supply in the national currency. This negative situation is reflected in the weakening of the impact of the Central Bank's refinancing rate on interest rates on deposits and loans.

Research on improving the deposit policy of commercial banks has identified a number of problems in the industry and developed a set of scientific proposals and practical recommendations to address them. In particular, the lack of a link between the deposit policy and the tasks set out in the strategy for the development of banking, the lack of integrated services in the implementation of deposit policy in the internal banking regulations, shortcomings in the introduction of innovative types of deposits in the banking sector. Problems such as under-utilization of securities issuance opportunities in strengthening the deposit base of banks have a negative impact on the effectiveness of deposit policy pursued by banks. In addition to proposals to address these issues, a new structure of deposit policy and a mechanism for its implementation have been developed. In addition, a system of indicators has been proposed to assess the effectiveness of deposit policy in order to ensure the stability of funds held in deposit accounts.

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