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OPTIMIZATION OF NON-DEPOSIT FINANCIAL RESOURCES IN COMMERCIAL BANKS: IN CASE OF UZBEKISTAN

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ABSTRACT

The financial resources of commercial banks are formed in two directions, the first is at the expense of deposit funds, the second is at the expense of non-deposit funds. This article examines the formation of financial resources in commercial banks, in particular the composition and structure of non-deposit resources. Also, the theoretical aspects of managing the financial resources of commercial banks and the specific features of management are studied.

KEYWORDS: *commercial banks, Central bank, financial resources, management, optimization, deposit, non-deposit, credit, improvement, Uzbekistan.*

INTRODUCTION

For the development of the country's economy, commercial banks must be financially stable. Only then will they provide sufficient credit to economic entities and the population, ensure uninterrupted payments between economic entities, and provide modern financial services to everyone. The efficiency of commercial banks is inextricably linked to the state and structure of their credit portfolio. The financial condition of commercial banks is inextricably linked to the state of their credit portfolio. Reducing the risks arising in the lending process of commercial banks in different countries, increasing the profitability of credit investments, ensuring bank liquidity, and improving the quality of the credit portfolio are priority areas of scientific research. Also, as a result of measures taken to expand the stable resource base of banks, systematically introduce new types of deposits and savings, and further improve the system for accepting and managing savings and term deposits from the population, an increase in the size of the credit portfolio of commercial banks is being achieved. According to findings that the financial resources of commercial banks are formed in two directions, the first is at the expense of deposit funds, the second is at the expense of non-deposit funds. This article examines the formation of financial resources in commercial banks, in particular the composition and structure of non-deposit resources. Also, the theoretical aspects of managing the financial resources of commercial banks and the specific features of management are studied.

Currently, the Government and the Central Bank of Uzbekistan are carrying out systematic tasks to increase the volume of financial resources of commercial banks and ensure the stability of banks. In particular, the Decree of the President of the Republic of Uzbekistan "On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025" serves as an important basis. This decree clearly defines such urgent tasks as reducing the dependence of commercial banks on resources allocated by the state, ensuring equal conditions of competition in the financial market, and increasing the efficiency of the banking system by gradually eliminating functions that are not inherent in the activities of banks.

The financial resources of commercial banks, which are considered necessary for lending activities, are formed through passive operations carried out by banks. Based on this, the formation of financial resources of commercial banks can be divided into two large groups. The first group includes the organization of credit operations using commercial banks' own funds. The second group is formed at the expense of the attracted funds, the structural structure of which is the formation of credit investments, which bring the main interest income of banking activities.

Today, the main share of the balance sheet liabilities of commercial banks operating in our country is made up of liabilities (mainly attracted funds), which make up 85-90 percent of the total bank resources. Depending on the term and source of origin of liabilities, they can be analyzed by dividing them into stable and unstable funds, and based on the amount of expenses paid for them, into cheap and expensive funds.

LITERATURE REVIEW

Commercial banks traditionally rely on deposits as their primary source of funding. However, due to increased competition, regulatory pressures, and changing economic conditions, banks are increasingly exploring non-deposit financial resources such as interbank loans, debt securities, capital markets instruments, and retained earnings. Optimizing the use of these resources is essential for enhancing liquidity, profitability, and financial stability. Non-deposit financial resources refer to all bank funding sources excluding customer deposits. According to Rose & Hudgins (2013) and Saunders & Cornett (2021), these include: Short-term borrowings (e.g., interbank loans, repurchase agreements), long-term debt instruments (e.g., bonds, subordinated debt), equity capital and retained earnings, securitization proceeds and others.

Deposits of commercial banks are the main source of credit operations. Therefore, attracting free funds of the population and business entities to deposit accounts of commercial banks is of great practical importance from the point of view of strengthening their deposit base. In turn, increasing the volume of deposits of commercial banks directly depends on their cost. Therefore, before implementing credit operations, optimizing its sources is a necessary task, as this will result in the correct formation of financial resources in terms of cost and term. According to Berger & Mester (1997) found that banks optimizing their funding structure, including non-deposit sources, improve overall cost efficiency. Also, Gambacorta & Shin (2018) argue that greater reliance on market-based funding can boost profitability, but also increases volatility.

Using the data in the table below, we will examine the mechanism for the formation of financial resources necessary for commercial banks to carry out credit operations and its important elements, (e.g., Zhang et al., 2021).

Table 1. The mechanism for the formation of credit resources of commercial banks

№	*Ways of formation*	*Formation methods*	*Market instruments*
1.	Credit Financing	- interbank loans, Central Bank loans	Money market instruments
2.	Deposit Financing	- deposits and savings - current accounts	
3.	Debt Financing	By issuing securities	
4.	Equity Financing	through the issuance of shares	Capital market instruments
5.	Off-Balance Sheet Transactions	- contingent liabilities, - guarantees, - market transactions	Money market and capital market instruments

Based on the data in the table below, it should be noted that two main market instruments play an important role in the formation of resources for lending in commercial banks: money market instruments and capital market instruments. The main methods of forming resources in money market instruments are interbank loans, deposits and savings of legal entities and individuals, Central Bank loans, and the issuance of securities. At the same time, the formation of credit investment resources based on capital market instruments is carried out through the issuance of shares.

In the process of managing and systematically analyzing the sources of credit investments of commercial banks, it is an important task to constantly monitor the status of the resources attracted by the bank, their agreed term, their classification by economic sectors, the cost of resources directed for lending and their profitability, as well as other indicators. The optimization of non-deposit financial resources is a complex, multidimensional task influenced by cost, risk, regulation, and market conditions. As the financial ecosystem evolves, banks must employ advanced tools and sound strategic frameworks to manage these resources effectively (Basel Committee on Banking Supervision, BCBS). On the other hand, Beck et al. (2010) and Demirgüç-Kunt & Levine (2008) found that in developing economies, access to non-deposit funds is limited, and optimization strategies depend heavily on local capital market development.

In the figure below, we can consider the theoretical foundations of optimizing the sources of financial resources of commercial banks in the current globalization environment.

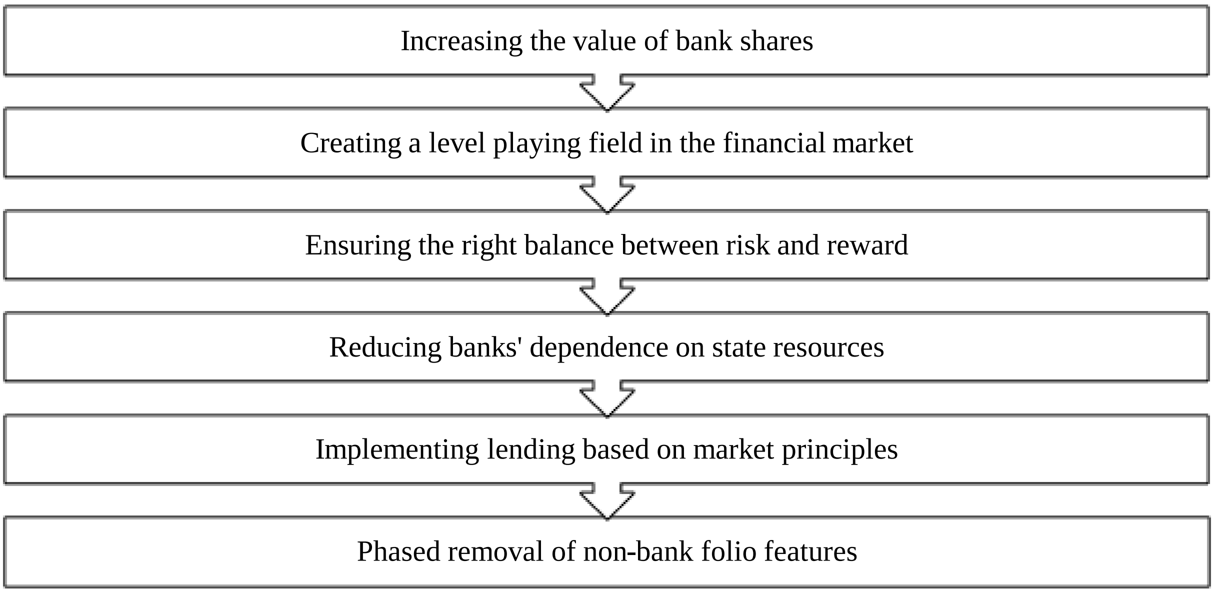

Fig 1. Theoretical foundations of optimizing sources of credit of commercial banks in modern conditions

Since the passive and active operations of a commercial bank are closely interconnected, the composition and nature of liabilities are largely reflected in the implementation of active operations of commercial banks. At the same time, the nature of resources is also affected by changes in the lending policy of banks. In the process of managing, effectively forming and systematically analyzing the financial resources of commercial banks, the status of the resources attracted by the bank, their agreed term, classification by economic sectors, the cost of resources directed for lending and their profitability, as well as constant monitoring of other indicators, has a positive impact on the profitability of financial resources and the formation of the bank's loan portfolio (A.A, Omonov, 2008).

The new era in the development of the economy of our republic also poses urgent tasks for the banking system, the solution of which is carried out by further expanding the lending potential of commercial banks and increasing the stability, reliability and efficiency of their activities. To fulfill the specified tasks, it is possible to achieve an increase in the volume of lending by commercial banks by expanding the stable resource base in banks, effectively forming deposit and non-deposit financial resources, increasing the volume of savings and term deposits from the population, and improving the system for managing the sources of financial resources necessary for lending at commercial banks (U.D. Ortiqov, 2024).

RESEARCH METHODOLODY

This research paper examines the issues of optimizing non-deposit financial resources of commercial banks. The research methodology includes a comprehensive review of existing literature and similar contexts on improving the management of financial resources of commercial banks in the Republic of Uzbekistan, analysis of indicators related to the financial resources of commercial banks, and statistical data.

This study adopts a quantitative and descriptive research design, aiming to evaluate how commercial banks optimize non-deposit financial resources and the impact of such optimization on performance indicators like profitability, liquidity, and risk.

T\he article is based mainly on secondary data. The main part of the analysis data is the data of the Central Bank of the Republic of Uzbekistan and the State Statistics Agency. At the same time, the results of research conducted by other researchers on improving the credit of commercial banks were also widely used.

The research will also incorporate comparative and correlational analysis to determine relationships between different types of non-deposit funding sources and bank performance across selected institutions and time periods.

ANALYSIS AND RESULTS

The main tool for ensuring the stability of the bank is to bring the quality of the loan portfolio and the profitability of the portfolio to an acceptable level. One of the important tasks for this is to optimize the bank's lending sources. The problem of effective formation and optimization of loan portfolios in the presence of restrictions on the amount of available credit

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resources (in a period when the state provides cheap funds), their cost, and the conditions for attracting resources is a key and constantly addressed issue for bank specialists.

In the activities of commercial banks of Uzbekistan, a sharp increase in credits was observed under the influence of the growth of credit sources, the beginning of the processes of economic liberalization, the expansion of the level of dollarization and several other key factors. The total credit portfolio increased by 20 percent or 63.7 trillion soums compared to the same period last year, in particular, corporate loans increased by 13 percent to 355.6 trillion soums, and household loans increased by 45 percent to 177.5 trillion soums.

The table below presents the level of market coverage of lending activities in commercial banks of Uzbekistan and its analysis during 2018-2023.

Table 2. Market coverage of lending activities of commercial banks, (trillion soums)

Years / Indicators	*01.01.2019*	*01.01.2020*	*01.01.2021*	*01.01.2022*	*01.01.2023*	*01.01.2024*
Number of commercial banks	*28*	*29*	*30*	*32*	*33*	*35*
Total amount of deposits	69,8	90,7	114,7	156,2	216,7	241,7
Total amount of loans	110,6	167,4	211,6	276,9	326,4	420,6
Level of market coverage of banking system loans, (%)	53,9	41,8	43,0	41,4	47,9	49,2

Source: Developed by the author

Based on the results of the analysis, we can say that in the period 2018-2023, we can see that the share of non-deposit funds in the total financial resources of commercial banks is higher. Also, as of January 1, 2024, deposit funds in the total resources increased by 7.2 percentage points from non-deposit sources and reached 241.7 trillion soums. At the same time, it should be noted that non-deposit funds, having formed a growth dynamic over the years, increased by 14.2 percentage points in 2024 compared to the same period of the previous year and reached 225.5 trillion soums.

In our opinion, the formation of a base of sources of credit investments by commercial banks, the proper management of the decomposition of deposit and non-deposit financial resources, not only by attracting new customers to the bank, but also by constantly changing and optimizing the structure of sources of financial resources, is an important component of the rational use of bank assets and liabilities.

Some scientific studies emphasize that it is desirable for the share of deposit funds in the financial resources of commercial banks to be high, while the share of non-deposit funds is low. It is also important to manage and optimize the share of non-deposit funds and their sources. Statistical data show that the share of non-deposit funds in the resources of the US banking system is on average 23.2 percent, and it is noteworthy that the main part of these sources is not formed at the expense of interbank loans and leasing, as in the domestic banking system, but at the expense of international obligations and obligations of non-bank financial institutions.

The decrease in liquidity in commercial banks, in turn, led to a significant increase in the volume of operations to attract funds from the interbank money market. Based on the data in the table below, information is provided on the structural composition of non-deposit funds in the resources of the banking system of Uzbekistan and the dynamics of its changes.

Table 3. The composition of non-deposit funds of commercial banks of the Republic of Uzbekistan, (trillion soums)

Source structure	**2019**	**2020**	**2021**	**2022**	**2023**
Resident banks' funds	3,4	4,3	4,2	3,5	3,9
Non-resident bank funds	0,3	0,4	1	1,2	4,8
Loans and leases received	55,6	47,5	49,3	46,5	39,1
Accrued interest payable	1,2	1,1	1,2	1	1,3
Other obligations	1,8	1,7	2,2	1,9	1,6
Subordinated debts	0,1	1,8	1,3	1,1	1,4
Share in liabilities:	**63,8**	**59,1**	**62,7**	**58,3**	**54,6**

Source: Developed by the author

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Based on the data in the table above, it can be said that the volume of non-deposits attracted by commercial banks operating in our republic has been on a downward trend for years. In particular, in 2019, the share of non-deposit resources attracted by commercial banks in the structure of liabilities was 63.8 percent, and by 2023 this figure had decreased by almost 9 percentage points and amounted to 54.6 percent.

Also, the main part of the attracted non-deposit financial resources falls on loans and leases received by commercial banks. It should be noted that about 75-80 percent of non-deposit financial resources fall on one source, namely attracted loans and leases. At the same time, almost 4 percent of non-deposit financial resources are generated at the expense of resident banks' funds. We can see that these financial resources are relatively stable and fluctuate slightly from year to year. Although resident banks' funds decreased in 2022, they again formed growth dynamics in 2023.

At the same time, it should be noted that the external debt funds attracted by commercial banks in large volumes were also the main financial resources for the implementation of lending activities. Based on the results of the analysis, it can be said that the volume of liabilities of commercial banks from the external sector has increased sharply mainly over the past 3 years, which is explained by the extensive attraction of external debt funds to finance asset operations. As a result, the total liabilities of commercial banks from the external sector increased from 8.6 percent of GDP in 2017 to almost 17 percent at the end of 2024.

Therefore, the efficiency of commercial banks and the continuity of stable income in banks are primarily dependent on the extent to which commercial banks are provided with "financial resources". The formation of initial parameters of the dynamics of credit resources of commercial banks, their effective management in terms of terms and prices, as well as the determination of extreme values of the number of borrowers and the volume of credit resources, and the improvement of the structure of capital dynamics in commercial banking activities based on the assessment of the time-dependent equilibrium value of the dynamics of various indicators of banking activities are urgent tasks.

CONCLUSION AND RECOMMENDATIONS

The main part of non-deposit financial resources attracted by commercial banks operating in our country falls on loans and leasing. At the same time, it can be said that this indicator, which is considered the main source, is decreasing from year to year. The decrease in dependence on loans and leasing attracted by banks, in turn, means a transition to financing through internal sources of resources. Mainly, loans and leasing continue to dominate the structure of commercial banks' liabilities, but the volume of this source is decreasing. This indicates that banks prefer diversification in financing. It should be noted that the sharp increase in the share of non-resident banks' funds in the structure of non-deposit financial resources is explained by the strengthening of international financial integration. The increasing use of subordinated loans and other long-term financial instruments as non-deposit financial resources in the banking system is also a positive development.

Optimizing non-deposit financial resources is critical for modern commercial banking. Through a mix of diversification, cost management, regulatory compliance, and technology adoption, banks can enhance their financial sustainability and competitiveness. These recommendations offer a strategic roadmap for both short- and long-term improvements in funding practices.

Based on the above considerations, it is considered necessary to attach particular importance to the following when optimizing non-deposit financial resources of commercial banks:

1) the volume of loans and leases received is decreasing year by year, but is still the main source of financing. It is important for commercial banks to reduce dependence on external debt by strengthening internal capital;

2) a sharp increase in the share of non-resident banks in non-deposit financial resources may increase currency risks and dependence on external debt. It is advisable to carefully develop work with non-resident banks and analyze the results of international financial ratings;

3) banks should develop strategic plans to maintain a balance between capital and liabilities. Strengthening risk management systems is explained by ensuring the stability of the liability structure;

4) commercial banks should diversify their non-deposit funding sources to reduce concentration risk and enhance funding stability. This can include: issuing long-term bonds, utilizing securitization for asset-backed financing;

5) optimize Cost of Funds through Market Timing and Instruments. Banks should actively monitor market conditions to minimize the cost of capital. Strategies may include: using derivatives to hedge borrowing costs, timing bond issuance when interest rates are low, exploring foreign currency-denominated funding when advantageous.

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