

COMPOSITION, DYNAMICS, AND PRACTICAL SOLUTIONS FOR MANAGING LIABILITIES IN THE BANKING SYSTEM OF UZBEKISTAN

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Abstract: This article analyzes the current structural composition, recent development dynamics, and existing challenges in resource management concerning commercial bank liabilities in the Republic of Uzbekistan. Based on the study, scientific and practical recommendations are developed to strengthen the deposit base, mitigate interest rate and liquidity risks, and improve Asset and Liability Management (ALM) mechanisms.

Keywords: commercial banks, bank liabilities, deposit base, bank liquidity, interest rate risk, ALM models, bank bonds, dedollarization.

INTRODUCTION. Ensuring the stability and financial strength of the banking system is one of the key imperatives in the face of ongoing global macroeconomic volatility and financial architecture instability. A fundamental function entrusted to commercial banks is to supply the real sector of the economy with long-term and cost-effective financial resources. To achieve this, establishing a robust and stable resource base (liabilities) within the banking system is of paramount importance.

In accordance with the Decree of the President of the Republic of Uzbekistan No. PF-5992 dated May 12, 2020, "On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020–2025," strategic priorities include increasing the share of private capital and deposits, reducing reliance on external resources, and expanding the accessibility of banking



services. Optimizing the composition of commercial bank liabilities, regularly analyzing their dynamics, and introducing advanced liability management mechanisms are critical tasks to successfully fulfill these strategic goals.[1]

LITERATURE REVIEW.The theory and practice of bank liabilities and their management have been extensively researched by both foreign and domestic scholars.

Foreign economists such as J. Sinkey (2002) advanced the concept of Asset and Liability Management (ALM), proving that a bank's net interest margin and liquidity can be maximized by optimizing liability structures. F. Mishkin (2016) emphasized that disruptions in the stability of bank liabilities constitute a primary risk factor triggering systemic crises within the financial sector.[2]

Among domestic economists, scholars such as A. Omonov, Sh. Abdullaeva, and O. Ishonqulov have explored ways to expand the resource base and improve deposit operational systems of commercial banks in Uzbekistan. However, amidst deepening institutional transformations and the rapid development of digital financial technologies, practical mechanisms for managing the maturity and currency structure of liabilities require further comprehensive research.[3]

METHODOLOGY.This study utilizes methods of systemic and comparative analysis, statistical grouping, structural-dynamic analysis, and econometric-statistical methods. The empirical foundation of the research comprises official statistical data from the Central Bank of the Republic of Uzbekistan, consolidated financial statements of commercial banks, and relevant regulatory legal acts.

ANALYSIS AND RESULTS.The composition and sources of liabilities within the banking system of Uzbekistan are fundamentally categorized into three major blocks:

1. Deposits and savings (funds of legal entities and individuals);



2. Borrowings from other banks and International Financial Institutions (IFIs);
3. Term securities and other liabilities.

1- Table

Key Trends in Liability Dynamics:[4]

Structure of Liabilities	Approximate Share (%)	Relative Characteristics & Features
Deposits (Individuals & Legal Entities)	50 – 55%	Core balance sheet base; cost-effective yet volatile
Interbank & IFI Borrowings	35 – 40%	Long-term; predominantly foreign currency denominated, higher risk
Bonds & Other Liabilities	5 – 10%	Term capital source; underdeveloped relative to potential

- Growth of the Deposit Base: Driven by the Central Bank's tight monetary policy and attractive positive real interest rates, the volume of time deposits in national currency by individuals and businesses has increased significantly.

- Reduction in Dollarization: In recent years, the share of foreign currency deposits within the liability structure has steadily declined, while the weight of national currency (som) resources has expanded.

- Competition for Resources Among Private Banks: Private and digital banks (such as Anorbank, TBC Bank, etc.) have demonstrated high growth rates by offering flexible, high-yield retail deposit products.

Existing Challenges in Liability Management: **Maturity Mismatch:** A structural mismatch exists where bank assets (primarily long-term investment and mortgage loans) have extended maturities, whereas liabilities feature a high proportion of short-term and demand deposits, elevating liquidity risk.

1. Dependence on External Resources: Large state-owned banks maintain a high proportion of foreign borrowings and external credit lines in



their liabilities, creating vulnerability to foreign exchange risk during national currency depreciation.

2. High Cost of Resources: Inflationary expectations and elevated interest rates drive up the cost of resource acquisition for banks, hindering the reduction of lending rates for the real sector.

DISCUSSION. To enhance the practical effectiveness of liability management in Uzbekistan's banking system, commercial banks must look beyond traditional deposit-gathering and actively leverage capital market instruments.[5]

If banks expand the issuance of subordinated and corporate bonds to build a long-term resource base, it will significantly alleviate the maturity gap problem on bank balance sheets. Furthermore, regulatory frameworks must be strengthened by tying Basel III liquidity standards—such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)—more directly to liability structures.

CONCLUSION AND PRACTICAL RECOMMENDATIONS. The findings of this study indicate that optimizing the composition of liabilities and managing them efficiently in the banking system of Uzbekistan requires implementing the following practical measures:

1. Extending the Maturity Profile of the Deposit Base: Broadly introducing flexible, tiered interest rate systems for non-withdrawable savings and term deposits, alongside expanding inflation-indexed deposit products.

2. Leveraging Capital Market Instruments: Actively promoting the issuance of long-term corporate and subordinated bonds, as well as certificates of deposit in both national and foreign currencies by commercial banks.

3. Improving the Asset and Liability Management (ALM) System: Reorganizing the Asset and Liability Management Committee (ALCO) activities based on modern GAP analysis and duration models, while regularly conducting stress tests for interest rate and liquidity risks.



4. Developing Digital Banking and Retail Sectors: Channeling the temporarily idle funds of the population into the banking system through mobile applications and remote banking services to lower operational costs and reduce resource acquisition expenses.

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