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## **FORMATION OF A COMPETITIVE STRATEGY OF A COMMERCIAL BANK IN THE DEPOSIT MARKET**

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### **ABSTRACT**

*In the conditions of the developing banking sector of Uzbekistan, the formation of a competitive strategy for a commercial bank in the deposit market is of particular relevance. The article analyzes current trends and dynamics of development of the deposit market, considers the key factors of banks' competitiveness.*

**KEYWORDS:** *Competitive Strategy, Commercial Bank, Deposit Market, Attracting Deposits, Consumer Behavior, Technological Innovation, Digitalization Of Banking Services, Regulatory Requirements, Flexible Interest Rate Policy*

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### **INTRODUCTION**

Forming a competitive strategy for a commercial bank in the deposit market is an important aspect of banking activities, aimed at strengthening the bank's position among competitors and attracting more depositors. The deposit market is one of the key segments of the banking sector, where banks compete to attract free funds from the population and organizations. An effective strategy in this context must take into account many factors, including the economic situation, customer needs, behavioral trends, regulatory requirements and technological innovation.

The main stages of forming a competitive strategy in the deposit market include analysis of the external and internal environment, determination of the bank's competitive advantages, development and implementation of strategies for attracting and retaining customers, as well as monitoring and adjusting strategies depending on changes in the market.

### **LITERATURE REVIEW**

“The banking system is an important direction in the development of the national economy of any country. The correct organization of the banking system is necessary for the functioning of the country's economy. The banking system is the financial basis for the development of a market economy. Its function is focused on the process of production of goods and circulation of capital, on the turnover of savings,” writes N. P. Nazarchuk in his textbook entitled “Banking” [1].

Financial strategy plays a key role in the activities of commercial banks. Financial strategy involves determining long-term goals for financial activities and choosing the most effective



ways to achieve them. The goals of the financial strategy must be subordinate to the overall strategy of economic development and aimed at maximizing the profit and market value of the organization.

O.S. Vikhansky and A.I. Naumov define financial strategy as the general direction of an organization's action, following which in the long term should lead it to its goal [2].

In the works of A.G. Porshneva, Z.P. Rumyantseva and N.A. Salomatin financial strategy - a master plan of action that first defines the priorities of strategic objectives, resources and the sequence of steps to achieve strategic goals; a means of transferring an organization from its present state to the future state desired by management [3].

According to Yu. Brigham and L. Gapensky, financial strategy is the most general approach to organizing and implementing the activities of a corporation [4].

In the framework of this study, we come to the conclusion that a financial strategy is a general plan of action for an enterprise, covering the process of forming finances and planning them to ensure the financial stability of the organization.

## **RESEARCH METHODOLOGY**

During the research process, statistical, analytical, comparative, observational, inductive, deductive, logical, monitoring, express assessments and other methods of analysis were used. As a result of the literature studied, the topic was fully disclosed. The tables have been compiled and collated accordingly.

## **ANALYSIS AND RESULTS**

The development of market relations in Uzbekistan, the creation of banks of various forms of ownership create the basis for the development of competition in the banking system and the development of banking services. The development of competition in the banking services market is of great importance for individuals and legal entities when organizing the provision of fast banking services and playing the role of a locomotive in the economy.

In the context of interbank competition, differentiation of banking products, as well as improvement of customer service technologies, are of particular importance for banks to achieve competitive advantages. It should be noted that competition is developing in many segments of the banking market of our country, including in the deposit services market; the competitive environment in the retail deposit services market is especially improving.

Below is table 1, which contains information on the grouping of commercial banks in Uzbekistan by total and authorized capital as of July 1, 2022 and July 1, 2022.

The total capital of commercial banks, based on the data in Table 1, increased by 20.7% over the year. The average growth rate of total capital was 59.2%. The greatest growth was observed among banks with capital from 2 to 5 trillion. sum (42.4%). The smallest growth: banks with capital up to 350 billion soums (10.0%).

The authorized capital for the year under review increased by 18.2%. The average growth rate of the authorized capital was 52.1%. The greatest growth was observed among banks with capital from 500 to 1 trillion. soums (100.0%), and the smallest is for banks with capital from 350 to 500 billion soums (37.5%).

It can also be observed that the share of the 6 largest banks in the total volume of total capital decreased from 62.5% to 58.1%. Share of banks with capital from 1 to 5 trillion. sum increased from 31.2% to 36.5%. If we consider the authorized capital, the share of the 6 largest banks in the total authorized capital decreased from 59.9% to 55.8%, and the share of banks with capital from 1 to 5 trillion. sum increased from 33.3% to 37.2%.

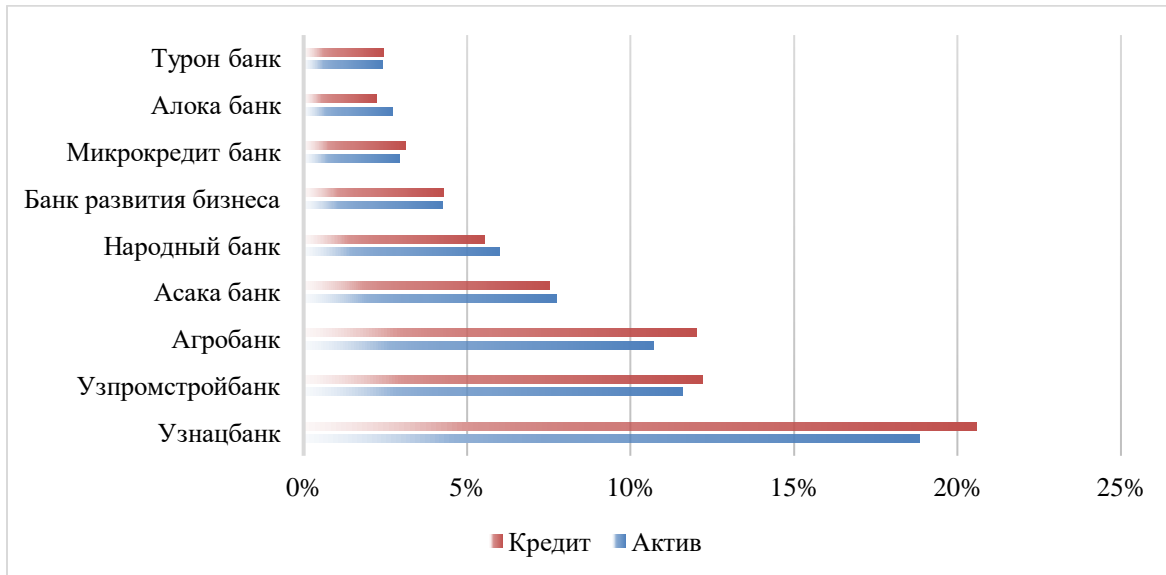
**Table 1 Grouping of commercial banks by total and authorized capital [5]**

Grouping of commercial banks by total and authorized capital														
The name of indicators	Total		from them :											
			up to 350 billion sum		from 350 to 500 billion sum		from 500 to 1 trillion . sum		from 1 to 2 trillion . sum		from 2 to 5 trillion . sum		from 5 trillion sum and higher	
	quantity banks	sum ( billion soums )	units	share in %	units	share in %	units	share in %	units	share in %	units	share in %	units	share in %
<b>as of 07/01/2022</b>														
<b>Total capital</b>	35	86 089	10	1.5 %	4	1.9 %	3	2.9 %	6	10.7 %	6	20.5 %	6	62.5 %
<b>incl. authorized capital</b>	35	60 377	15	3.5 %	4	2.6 %	3	2.8 %	6	12.7 %	3	18.5 %	4	59.9 %
<b>as of 07/01/2022</b>														
<b>Total capital</b>	35	104 158	6	1.4 %	5	2.1 %	3	1.8 %	7	9.3 %	8	27.2 %	6	58.1 %
<b>incl. authorized capital</b>	35	71 388	5	1.5 %	9	4.7 %	7	5.8 %	6	10.8 %	4	21.4 %	4	55.8 %

Based on the data in Table 1, it can be noted that the banking services market in Uzbekistan is at the stage of active development. The total and authorized capital of banks are showing steady growth. There is a tendency towards a decrease in market concentration and an increase in the

share of medium and large banks. Changes in bank capital are influenced by a number of factors, such as economic growth, tightening capital requirements and dividend policy.

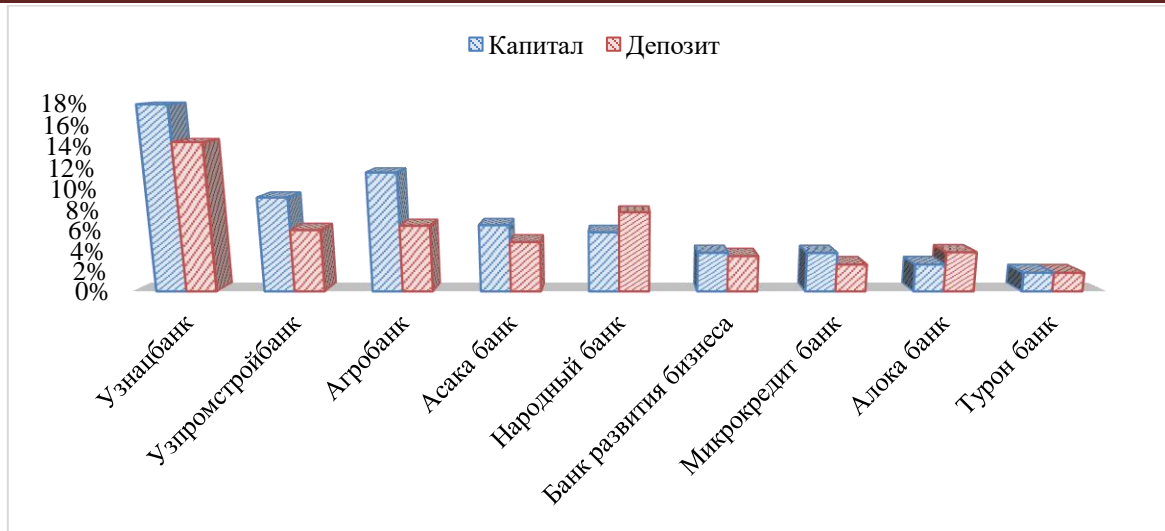
Below is Figure 1, which contains information about the 9 largest commercial banks in Uzbekistan as of January 1, 2022.



**Figure 1.** Information on the main indicators of commercial banks as of January 1, 2023 [5]

Based on the data in Figure 1, it can be noted that Uzpromstroybank (12%) and National Bank (19%) have the largest share in the total assets of the banking system. These banks are universal credit institutions that offer a wide range of services to both individuals and legal entities. The 4 largest banks ( Uzpromstroybank , Uznatsbank , Agrobank and Asaka Bank) control 48% of the assets of the banking system. This indicates a high degree of market concentration.

If we consider the structure of the loan, then Uzpromstroybank (12%) and National Bank (21%) have the largest share in the total volume of loans to the banking system. These banks actively lend to both individuals and legal entities.



**Figure 2.** Information on the main indicators of commercial banks as of January 1, 2023 [5]

Figure 2 shows that Uzpromstroybank (9%) and National Bank (18%) have the largest share in the total capital of the banking system. These banks have a high degree of capitalization, which ensures their risk resistance. Uzpromstroybank , Uznatsbank , Agrobank and Asaka Bank control 36% of the capital of the banking system. This indicates that these banks dominate the market in terms of this indicator.

If we analyze the structure of deposits, we can see that National Bank (14%) and People's Bank (8%) have the largest share in the total volume of deposits of the banking system. These banks enjoy high confidence from the population, which allows them to attract significant volumes of deposit funds.

Having studied the data in diagrams 1 and 2, it can be noted that in Uzbekistan there is a high degree of market concentration, the 4 largest banks dominate in all main indicators. Uzpromstroybank and National Bank are leaders in most indicators. Banks of Uzbekistan have a high degree of capitalization, which ensures their resistance to risks.

Today, it is important to develop competition in the deposit services market of the Republic of Uzbekistan and solve the problem of increasing the competitiveness of banks. The development of competition in the banking services market of the Republic of Uzbekistan requires an active policy in the deposit market and widespread customer attraction. The activities of commercial banks in the deposit services market serve to expand the client base while forming a strong resource base for banks. It is for this reason that the analysis of bank deposit services in the conditions of interbank competition, the development and implementation of an effective banking strategy in the conditions of interbank competition are important issues for banks.

At the same time, one of the main priorities of the strategic management of commercial banks in modern conditions is a competitive strategy for attracting available funds from individuals and legal entities.



Competitive strategy is an element of the bank's strategic management; it is a set of measures and a general concept aimed at strengthening strategic methods for achieving established goals, priority areas and the market position of competitors in the relevant market. Competitive strategy occupies a special place in the strategic management system of banks. Competitive strategy includes the main directions of marketing strategy (such as pricing, advertising, assortment strategy).

In addition to improving the quality of banking services, expanding the volume of banking products, developing a broad attraction of deposits by increasing online and digital banking services is one of the priorities of the competitive strategy.

The formation of a developed system of competitive relations in the deposit services market of the Republic of Uzbekistan and increasing the competitiveness of banks are the most important factors for the effective development of the economy. Solving this problem will be possible only if the necessary strategic and tactical measures are taken both at the level of each individual bank and at the level of the banking system as a whole.

The bank deposit market of the Republic of Uzbekistan is developing very actively, and this situation is confirmed by the trend of increasing household deposits in banks. The main factor determining the dynamics of household funds in banks in the long term is the level of citizens' confidence in the banking system.

When determining a strategy in the market for banking deposit services, it is necessary to determine the goal of the sales channel strategy as the goal of transforming the bank into a multi-channel bank and developing services through alternative online sales channels. To do this you need the following:

- Transfer of services provided through non-bank cash desks to remote channels and 24-hour service centers;
- Ensuring the full implementation of transaction services through remote channels;
- Ensuring cash and conversion transactions through ATMs;
- Development of attracting deposits through the bank's mobile applications;
- Transfer of all money transfers to the mobile application.

In order for banks to be leaders in the deposit services market in a competitive environment and strengthen the resource base by attracting cheap resources, it is necessary to implement the following:

- introduction of new types of long-term deposits, types of deposits and securities;
- long-term resource from residents and legal entities due to attractive interest rates (providing an increase in interest in proportion to the length of the term) and flexible and favorable conditions (adding additional contributions without losing interest in case of partial withdrawal ahead of schedule), payment terms, free provision of additional banking products encourage participation more;



- optimization of the bank's level of dependence on interbank deposits through a mechanism to curb the attraction of deposits from the interbank market.

In the conditions of interbank competition, it seems advisable to implement measures in the following direction of developing the deposit services market and increasing the efficiency of deposit services:

- develop an optimal pricing policy for deposits to enter the deposit services market and offer deposit rates above the market level to attract a large number of clients;

- in order to maintain its position in the deposit services market and further increase it, it is necessary to establish representative relations with the most prestigious banks in order to develop the practice of servicing accounts in foreign currency and ensuring the rapid transfer of funds into foreign currency. As a result, the number of clients carrying out export-import transactions will increase, which will serve to increase the deposit base due to the fact that deposits are retained for a certain period when receiving and transferring funds.

- stimulate the attraction of bank funds to retail and corporate clients by digitalizing their deposit services.

## CONCLUSION

Formation of a competitive strategy for a commercial bank in the deposit market of Uzbekistan is important for strengthening the positions of banks and their growth. A successful strategy requires market analysis, understanding customer needs and the implementation of modern technologies.

Technological innovation and digitalization of services help attract and retain investors. New deposit products, improved quality of service and a flexible interest policy provide competitive advantages. Regulatory compliance and risk management are essential for sustainable development.

Thus, a successful strategy must be flexible, innovative and customer-focused, which contributes to deposit attraction and economic development of the country.

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