

Modern Interest Rate Policy of Commercial Banks

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Annotation. In the modern economy, interest rate policy is the main element of monetary regulation carried out by the central banks of the Republic of Uzbekistan. The main tool for carrying out such a policy is setting the target value of the interest rate. The manifestation of deflationary tendencies in the economies of the leading countries made it necessary to reduce the interest rates of central banks. The phenomenon of negative interest rates set by central banks on the deposits of commercial banks attracted by them has appeared.

Keywords: Monetary mechanism, interest rate, interest rate band, deflation, quantitative easing

An important role in the formation of interest rates on deposits is played by the degree of risk assumed by the bank, as well as the marketing strategy and goals of the bank. Banks that want to reduce the share of deposits in their liabilities, reduce interest payments and, conversely, trying to attract large deposits and for long periods, banks offer customers high rates of deposit interest, since the prevalence of term deposits in the sources of formation of banking resources allows effective liquidity and solvency management. The recommended level of the share of term deposits in total liabilities is 60%. Time deposits are the most predictable part of borrowed resources, which makes it possible to lend for longer periods and, therefore, at a higher interest rate.

As you know, the value of interest rates on deposits depends on the inflation rate in the country. That is, the higher the inflation, the higher the interest on the deposit will be. For example, in Uzbekistan, the inflation rate in 2019 was 11.7%, respectively, banks set an average interest on deposits of 12.3%, so that the population has at least a minimum annual deposit income. While the inflation rate in the European Union over the past ten years has fluctuated between 0.8% and 3.2%, and at the end of 2019 it was 2.5%. Accordingly, the rates on deposits in EU banks are in the region from 0.1% to 2.75% (subject to storage in euros), or 5-6% (if the account is opened in US dollars).

In the banking sector of the Republic of Uzbekistan, 2020 can be described as a year when all banks, fighting for their survival, raised interest rates on deposits very significantly. On July 1, the Central Bank introduced a number of monetary instruments in order to encourage banks to pursue acceptable interest rate policies. The regulator has established acceptable interest rates, including on deposits in national currency, which for legal entities is 16%, for individuals - 18%. If in early spring the maximum rate on sum deposits was 23%, now banks, following the regulator's recommendations, have reduced it to 18%.

This percentage allows depositors to protect their savings from inflation - the rate is 5.5-7% higher than the annual inflation rate (11-12.5%) predicted by the country's Central Bank. It should be borne in mind that in January-August, the devaluation of the national currency amounted to 8%. After the introduction of an acceptable rate by the Central Bank, the conditions for profitable deposits in most banks became similar: the term is 12-18 months, the minimum amount is from 100 thousand soums to several million. (Table 1). Against this background, the choice comes down to the selection of the necessary additional conditions - the possibility of

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replenishing the deposit, partial withdrawal of funds from the account, saving interest in case of early closure of the deposit, and so on.

The opportunity to spend part of the funds from the deposit is available in five banks, provided that a certain amount of the balance is maintained. Capitalization, that is, the addition of accrued interest to the principal amount of the deposit, in addition to the Kazakh Tenge Bank, appeared in Turkistan Bank. True, in the latter there is a very short term of the deposit - until November 2020, and only HUMO cardholders can open it. More and more banks offer flexible conditions for early closing of deposits. Interest is saved either in full or reduced depending on the period of storage of funds in the account.

Interest, depending on the deposit, can be paid in advance, every few days, monthly or at the end of the storage period.

Table 1.

Deposit interest rates for commercial banks

Bank name	Rate	Term	Min. summ
"Agrobank"	18%	13 month	500 thousand
AsiaAllianceBank	18%	18 month	-
"QishloqQurilishBank"	18%	13 month	-
Trustbank	18%	24 month	500 thousand
"Turonbank"	18%	18 month	1 mln
"NationalBank"	18%	18 month	1 mln
IpotekaBank	18%	18 month	500 thousand
HamkorBank	18%	13 month	1 mln
Mikrokreditbank	18%	12 month	500 thousand
NBU	18%	18 month	100 thousand
"Uzsanoatqurilish"	18%	12 month	3 mln

With the introduction of an acceptable rate by the Central Bank, the profitability of deposits in the national currency fell. The average maximum rate of deposits in soums decreased by 4 percentage points. Foreign currency deposits have undergone fewer changes since the beginning of the year. The average maximum rate dropped from 5% to 4%. As of September, the highest rate offered by the country's banks is 6% (in January it was 8%). You can open a deposit with such a profitability in QishloqQurilish Bank for a period of 25 months. At the same time, the depositor has the opportunity to make additional funds to the deposit, there is also a capitalization of interest (monthly addition of accrued interest to the amount of the deposit).

In addition to QishloqQurilish Bank, the capitalization opportunity is provided by Turonbank. However, here funds are accepted into the account to the account of children under 18 years of age. During the entire period, you can replenish the deposit with an amount of \$ 100. In addition, after the expiration of the term, within two years, you can receive a mortgage, consumer and educational loan, not exceeding four times the size of the deposit.

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In total, deposits in foreign currency are offered by 22 out of 31 banks in Uzbekistan. The interest rate varies between 3-6%. In order to open a deposit, you will need from \$ 100 to \$ 500. In some banks, the minimum deposit amount is \$ 2000 (Ziraat Bank Uzbekistan) and even \$ 5000 (Orient Finance Bank).

Funds can be deposited for a period from 3 months to 3 years. Deposits with the longest shelf life are sometimes offered with the most favorable rates, as in the case of QishloqQurilish Bank. In addition to the fact that the bank offers the highest rate, among other conditions - the possibility of replenishment, a low minimum contribution (\$ 100).

But this is not always the case. In some banks, low-yield deposits are issued for two or more years. The problem with long-term deposits is that the depositor may need money before the end of the term. Some banks allow in this case to keep the interest in full. For example, in "Kapitalbank", where the deposit is kept for 36 months, if it is closed early, interest is charged for the full months the funds are on the deposit.

In other banks, such as InfinBank, when withdrawing money ahead of time, interest is not paid, and previously paid interest is withheld from the principal. In some cases, interest is paid at a reduced rate (1-3%) and only after keeping funds in the deposit for a certain time (3-6 months). Most banks accept deposits in US currency. Deposits in euros are offered by Kapitalbank (4% for 36 months), Microcreditbank (4%, 12 months), NBU (2% for 3 months), Ravnaq Bank (2%, 18 months), Asaka Bank (2.5%, 24 months), etc.

Table 2

Profitable deposits in foreign currency

Bank name	Rate	Term	Min. summ
"QishloqQurilishBank"	6%	25 month	\$100
ZiraatBankUzbekistan	5,5%	18 month	\$2000
"Agrobank"	5%	13 month	\$100
Trustbank	5%	24 month	\$100
Microcreditbank	5%	6 month	\$300
NBU	5%	18 month	-
"Universalbank"	5%	18 month	\$200
"NationalBank"	4,5%	36 month	-
AsiaAllianceBank	4%	18 month	\$500
InFinBank	4%	25 month	\$500
IpotekaBank	4%	12 month	-
"Kapitalbank"	4%	36 month	\$500

In the context of the existing monetary mechanism, the use of a short-term interest rate on monetary liquidity circulating in the payment system of central banks cannot ensure the effectiveness of monetary policy aimed at achieving such goals as supporting economic growth

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and ensuring relative stability of price indicators. The approach of interest rates, targeted by the monetary authorities of countries with developed markets, to zero values and the drop in rates on deposits of credit institutions with central banks to negative values are not accidental consequences of non-standard monetary policy.

They represent the natural results of the transformation of the monetary mechanism under the influence of both the evolution of government regulation and the "response" of market forces to the actions of regulators. Changes in the monetary mechanism consisted in the special role of reserves (balances on correspondent accounts) of commercial banks in the final settlement of interbank settlements in the closed payment system of the central bank, as well as in the dependence (with the adoption of Basel standards) of the credit activity of commercial banks on the capital / assets ratio. But overcoming these tendencies is possible only as a result of a relatively long period of deleveraging. In addition, in modern conditions, a transition in the policy of central banks from the regulation of interest rates to the integrated management of credit aggregates is necessary.

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