

ADVANCED FOREIGN EXPERIENCE IN THE DEVELOPMENT OF INVESTMENT ACTIVITIES OF COMMERCIAL BANKS

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Abstract

This article analyzes the investment activity of commercial banks, advanced foreign experience in the development of investment activity of commercial banks. Based on the literature analysis and the results of the conducted research, scientific and practical proposals for further development of the field are given.

Keywords: Investment, indicators, commercial banks, central bank.

Introduction

In developed countries, the main source of financing the investment activities of commercial banks is time and savings deposits attracted from customers. This is because, firstly, capital is a relatively expensive form of financing the activities of commercial banks; secondly, according to the essence of the activity of commercial banks, they are commercial organizations engaged in attracting temporary free funds of residents and enterprises to deposit accounts and placing them in the form of loans and investments.

Investments in securities are an important component of investment activity in banking practices of developed countries.

The modern state of the investment activity of the banking system of Uzbekistan is far from the brochure. Almost all commercial banks have invested only a very small proportion of their assets in the market because there are many securities with unsatisfactory returns and safety. In particular, gross investments made up only 5.2 percent of the total assets of all commercial banks.

The figure below presents the macro-level data representing the general investment situation of commercial banks of our republic.



**Aggregate balance of assets of commercial banks
(in a percentage)**

Indicator name	01.07.2023.		01.07.2024.		The change is in percent
	billion soum	share, in percent	billion soum	share, in percent	
Assets					
Cash in the cash register and other payment documents	17 363	3,0%	18 307	2,7%	5%
Funds in the Central Bank	22 570	3,9%	26 351	3,8%	17%
Funds in other banks are resident	23 407	4,1%	30 544	4,4%	30%
Funds in other banks are resident	22 439	3,9%	30 490	4,4%	36%
Investments and other securities	35 405	6,1%	43 680	6,3%	23%
Obligations of clients on financial instruments	1 717	0,3%	1 114	0,2%	-35%
Loan deposits, (net)	411 089	71,3%	480 741	69,6%	17%
Fixed assets, (net)	16 110	2,8%	22 094	3,2%	37%
Interest accrued on assets	16 045	2,8%	22 515	3,3%	40%
Other private properties of the bank	3 359	0,6%	5 570	0,8%	66%
Other assets	7 151	1,2%	9 019	1,3%	26%
Total assets	576 655	100,0%	690 424	100,0%	20%

It can be seen that in the analyzed years 2023-2024, the share of Investments and other securities in the total assets of commercial banks can be seen. Over the past five years, the volume of investment activity of commercial banks has grown significantly. In the analyzed year 2023, the investment activity of banks was 4.9%, and by 2024 it will reach 5.6%. In the last 5 years, it can be seen that the investment activity in the assets of banks has developed by 31%.

In our opinion, the increase in the weight of investment activity in the commercial banks of our country is explained by the fact that in recent years a lot of attention has been paid to the development of the real sector of the economy in our country, and the allocation of preferential investment loans by banks to various sectors of the economy.

Research Methodology

In order to research the investment activity of commercial banks, comparative analysis, statistical data study, data grouping, induction and deduction methods were used.

Analysis and results

It can be seen that in the analyzed years 2023-2024, the share of Investments and other securities in the total assets of commercial banks can be seen. Over the past five years, the volume of investment activity of commercial banks has grown significantly. In the analyzed year 2023, the investment activity of banks was 4.9%, and by 2024 it will reach 5.6%. In the last 5 years, it can be seen that the investment activity in the assets of banks has developed by 31%.

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The return of the funds spent by the investor in the implementation of investment activities and the income received in relation to it is considered valuable. It depends on the conditions created for the investor. These banks are usually divided into large and small banks according to their investment portfolios.

Asset composition and dynamics of commercial banks

In the ranking of the countries with the most profitable banking system, China, USA, Great Britain and France are among the European countries.

Indicators	2019	2020	2021	2022	2023
Cash and cash equivalents	2,4	2,7	2,4	3,1	2,9
Credits	76,1	73,8	71,1	67,9	71,3
Investments	1,2	2,6	4,4	4,9	5,6
Fixed assets and intangible assets	2,1	2,3	2,5	2,4	2,7
Other assets	18,2	18,6	19,6	21,7	17,5
Total assets	100	100	100	100	100

As can be seen from the table, the share of investment funds analyzed in 2019-2023 in the composition of the assets of commercial banks, the share of investments in the securities of the state and the Central Bank is very weak, and in the analyzed period it is 1.2-5.6 was around percent. It is worth noting that commercial banks of our country should increase the amount of securities of the state and the Central Bank in order to reach a higher level in order to develop their investment faculty. Because the securities of the state and the Central Bank are, firstly, highly liquid market instruments, and secondly, the interest payments paid on them are significantly higher than those of securities of other economic entities, and finally, this type of income of legal entities, as well as commercial banks, is exempted from tax payments. It should be noted that the high share of investments in the assets of commercial banks has a direct positive effect on the increase of bank income and the development of the real sector of the economy.



Conclusions and Suggestions

In conclusion, the commercial banks of our country have a number of opportunities to organize investment activities, and through their effective use, strengthening the stability of the banking system and increasing the competitiveness of the national economy are among the priority tasks.

- the theoretical foundations of the development of investment activities of commercial banks is a multifactorial process, about which a number of classical and neoclassical economic theorists directly or indirectly put forward teachings. In particular, A. Smith emphasizes that the presence of division of labor is important for increasing the efficiency of bank assets. According to him, the division of labor in society binds people together based on their mutual interest, which provides an opportunity to exchange financial and material resources between them;
- according to the teachings of economic theorists, each bank is selfish in terms of increasing its profit, banks implement different strategies to increase their profit in the financial markets;
- the work done on the state of economic mechanisms and their use in increasing the investment activity of commercial banks shows that there are a number of tasks in front of the commercial banks of our country in this regard, and a number of tasks should be done in order to put them into practice. These issues will be studied in detail in the next article.

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