

Mechanisms for Increasing the Efficiency of Investment Activity of Commercial Banks

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Abstract

The article analyzes the investment activities of commercial banks. Practical suggestions and recommendations are presented regarding the mechanisms for increasing the efficiency of investment activities of commercial banks.

Keywords: *investment activity, institutional basis, investment project, lending practice, gross domestic product, foreign practice, loan portfolio.*

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Introduction

Today, it is a priority to ensure a favorable investment climate in Uzbekistan. The role of the state in this process is explained by creating a favorable investment environment for attracting capital and increasing its attractiveness. Interest in attracting foreign investments to the national economy requires any country to develop its own investment policy. The developed investment policy defines the specific directions of attracting foreign investments, as well as the system of promoting their attraction, and determines the legal order of investment activities.

In this regard, President Sh.M.Mirziyoev stated in his Address to the Oliy Majlis that "In order to develop the economy at a high rate, it is necessary to consistently continue the active investment policy [8]".

It should be noted that the market mechanism of financial provision of investment processes, in turn, implies the active participation of commercial banks. In modern conditions, commercial banks of the country are constantly involved in investment processes. However, the existing macroeconomic indicators at the republican level indicate that the share of total credit deposits of commercial banks still has a relatively low weight in the structure of the gross domestic product.

This shows that today the activities of commercial banks of the country in providing financial support for investment processes are not yet sufficiently developed. Therefore, both macro and regional state programs create the need to increase the role and role of commercial banks in financial support of investment processes and to further develop their activities in raising the attractiveness of the investment environment.

Analysis of literature on the topic

A number of our scientists have conducted research on the issues of raising the attractiveness of the investment environment in Uzbekistan. In particular, economists-scientists A. Vakhobov, Sh. Khajibakiev, N. Muminov emphasize the following about the investment environment: "Investment environment is a set of economic, political, legal and social factors that predetermine the level of volatility of foreign capital investments and the possibilities of their effective use in the country. The investment environment is a complex, multifaceted concept and has indicators such as national legislation, economic conditions (crisis, growth, stagnation), customs regime, currency policy, economic growth rate, inflation rate, exchange rate stability, level of foreign debt [13]".

Investment - tangible and intangible assets and rights to them, including rights to intellectual property objects, as well as reinvestments, which may include the following [1]:

- funds, including cash (including foreign currency), targeted bank deposits, shares, shares, stocks, bonds, promissory notes and other securities;
- movable and immovable property (buildings, structures, equipment, machines and other material assets);
- property rights related to intellectual property, including technical, technological, commercial and other knowledge, formalized in the form of technical documents, skills and production experience, patented or unpatented (know-how), necessary for organizing this or that type of production, as well as other valuables not prohibited by the legislation of the Republic of Uzbekistan [1].

Investment activity of banks is the activity of the bank as an investor related to the purchase of financial assets, creation and organization of real assets [14]. The investment activity of banks differs from the activity of other investors in that they make investments on the basis of attracted funds. That is why, on the one hand, the bank appears in the market as an investor, and on the other hand, it is a debtor.

Research methodology

Research methods such as analysis and synthesis, induction and deduction, statistics and comparison were used in conducting the research. A brief description of the results obtained during the research:

- to theoretically substantiate the importance of increasing the role of banks in increasing the attractiveness of the investment environment, as well as the importance and role of banks' participation in investment activities;
- study the role of banks and their legal basis in increasing the attractiveness of the investment environment;
- Analysis of the modern state of investment activities of commercial banks in Uzbekistan, the main economic indicators and the level of efficiency;
- to determine the factors influencing the investment activity of commercial banks;
- study of foreign experience of development of commercial banks in investment activity;
- consists in developing proposals on ways to activate the participation of commercial banks in investment activities.

Analysis and results

The level of economic development of the country, the rate of growth of investment activity largely depends on the investment environment. It is important to create the necessary conditions for attracting foreign investment to the economy of the republic, it can be invested in the economy of that country only when there are (positive) economic, political, social and legal conditions in the country [12].

In the Address of the President of the Republic of Uzbekistan Sh.M. Mirziyoev to the Oliy Majlis: "World experience shows that any country that has pursued an active investment policy has achieved stable growth of its economy. That is why investment is the driver of the economy, in Uzbek terms, the heart of the economy, it is no exaggeration [8].

The attractiveness of the investment environment is an important factor in increasing the flow of foreign investments. Figure 1 under consideration shows the investment climate, investment activity, and investment authority in the region as the main elements of investment attractiveness. We believe that it is possible to increase investment attractiveness on the basis of private grounds that provide investment activity by assessing investment risks by evaluating the investment potential of a certain region and determining its characteristics through these components.

Sources of resources of commercial banks consist of direct own funds and borrowed funds. If own funds consist of bank capital, the borrowed funds are formed at the expense of various forms of deposits. In order for commercial banks to carry out active investment activities, it is necessary to increase capitalization levels first.

In allocating investment loans by banks, the regulation "On the procedure for the implementation of syndicated lending of large investment projects by commercial banks" [9] also serves as the main regulatory and legal framework.

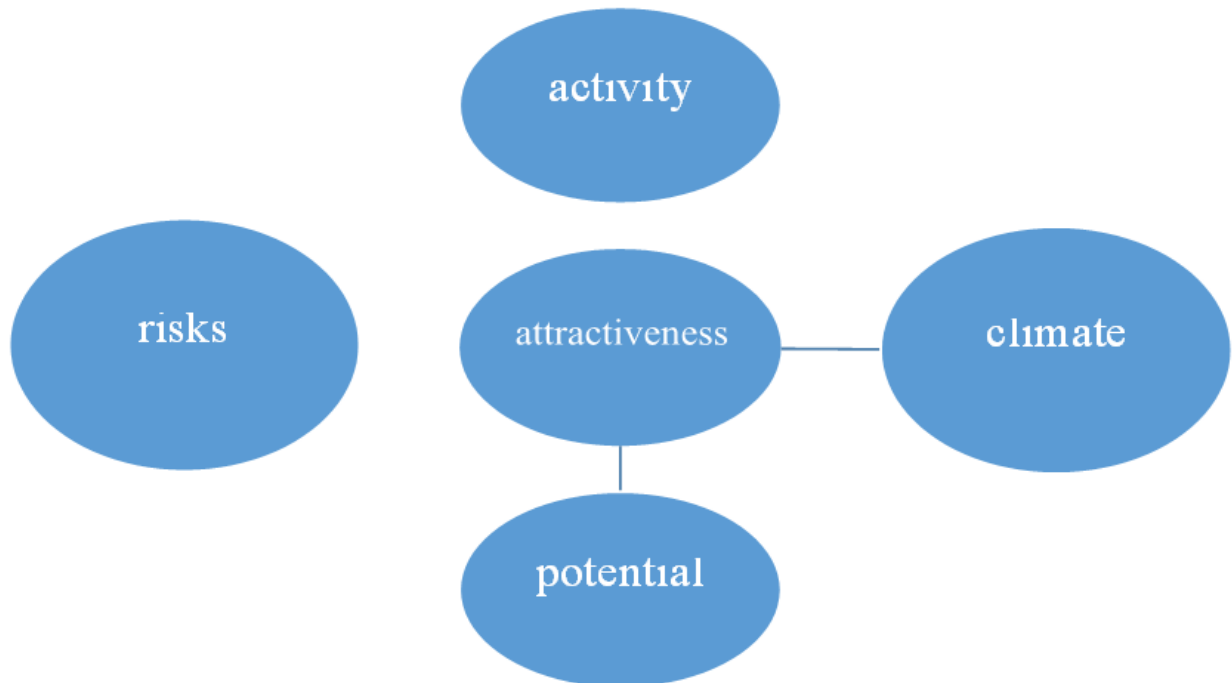


Figure 1. Structural elements of investment attractiveness

In this regulation, the procedure for the establishment of a bank syndicate for the implementation of syndicated lending, the procedure for issuing loans, monitoring of syndicated lending, its accounting, and the procedure for returning it are mentioned.

Table 1 Analysis of major investment projects implemented in the Republic of Uzbekistan in recent years

№	A big investment projects to work year of download	Launched large investment projects the number	The volume of large investment projects launched, US dollars.
1	2017	158	7,4 billion soums
2	2018	164	5,0 billion soums
3	2019	161	2,4 billion soums
4	2020	76.000	21 trillion soums and \$1.0 billion
5	2021	2.800	220.7 trillion sums and \$21.5 billion
6	2022	More than 2 thousand	233,2 billion soums

The implementation of investment projects is of great importance in the development of the national economy, which is explained as follows:

foreign investments introduce modern techniques and technologies into production and develop the production of products intended for export;

- to establish the production of import-substituting goods and to direct foreign investments to the priority sectors of the economy and to ensure the standard standard of living of the

population;

- provides jobs to the growing population by developing small businesses and accelerating agricultural production.

The effectiveness of investment projects depends on the actual implementation of the plans developed on the basis of high indicators.

Investments and other securities in the total assets of banks make up 1.1-1.2 percent. This shows that the investment activity of banks in this direction is very slow. There are a number of reasons for this, including:

- The type and volume of liquid securities in the financial market of our republic is small;
- relatively high rate of inflation and devaluation of the national currency. Inflation rate was 14.3 percent in 2020 and 15.2 percent in 2021.

Only in 2022, the exchange rate of the national currency against the US dollar depreciated by 13.9% compared to the beginning of the year (from 8341 soums/dollar to 9501 soums/dollar) [19];

Table 2 Analysis of investment activities of commercial banks of the Republic of Uzbekistan

№	Indicators	2020		2021		2022	
		billion soum	share in percent	billion soum	share in percent	billion soum	share in percent
	Assets						
1	Investment and other valuable papers	1 648,6	1,0	2 277,0	1,1	3 157,0	1,2
2	Loan deposits	108 467,2	65,1	164 670,1	76,8	207 646,3	76,1
3	Total assets	166 631,8	100,0	214 419,6	100,0	272 726,9	100,0
	Obligations						
1	Deposits	59 578,7	40,8	70 001,4	37,3	91 009,0	41,1
2	Loans and leasing	72 819,3	49,9	104 378,8	55,6	105 252,2	47,5
3	Released securities	190,3	0,1	10,0	0,2	872,7	1,3
4	Total obligations	145 955,7	100,0	187 740,7	100,0	221 696,0	100,0

Use only market mechanisms in determining the exchange rate of the national currency against foreign currency, create equal competitive conditions for all economic entities in the foreign exchange market, increase the stimulating role of foreign exchange policy in the development of exports in non-traditional sectors, strengthening regional and international economic cooperation, quality jobs and high-value-added products improving the business and investment environment that serves to attract direct foreign investments, knowledge and technologies to all sectors of the economy to directly stimulate production, implement a strict monetary policy aimed at ensuring the stability of the national currency, actively and appropriately use monetary instruments in this regard, from the form of ownership. Regardless, the requirement for compulsory sale of foreign currency income of all exporting enterprises was canceled.

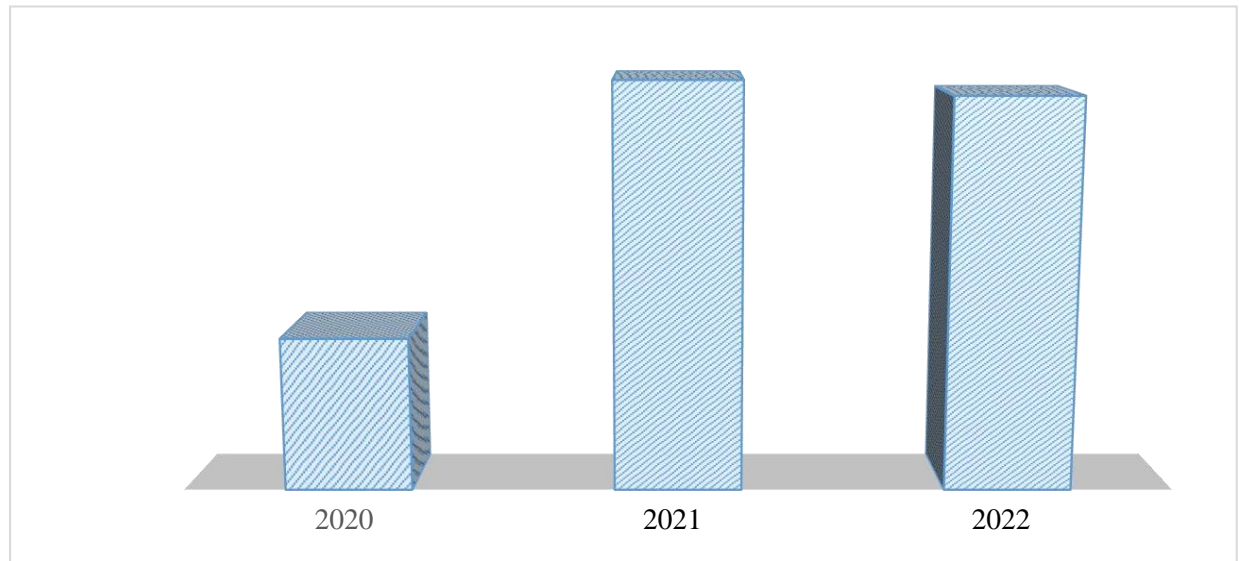


Figure 2. The share of investment loans in the loans of commercial banks of the Republic of Uzbekistan (percentage)

In the current conditions of economic liberalization, the state has a special role in the modernization of various industries and sectors, structural reforms, and determining the priorities of the investment policy. In general, it can be said that by attracting investments in every sector of the economy, it leads to further expansion of production and improvement of the living conditions of the population.

Conclusions and suggestions

To further expand the investment activities of commercial banks in our country, to continue implementing measures to support exporting enterprises and small businesses, to ensure the active participation of commercial banks in these projects with their credit resources in order to accelerate the implementation of investment projects by enterprises of the real sector of the economy, and finally as a result, it creates conditions for their transformation into large investment institutions.

It should be noted that the active participation of commercial banks in investment processes plays an important role in the further development of the economy and the growth of the country's economic potential. In addition, the role of commercial banks is important in increasing investment activity aimed at ensuring the necessary level and structure of investments in the economy of the republic and its separate sectors, finding sources of investment and identifying the priority sectors of their use.

In our opinion, the following issues should be resolved in order to increase the investment activity and attractiveness of the investment environment in the country's economy:

1. It is desirable to increase the level of competitiveness of commercial banks and to transform banks into a system operating on the basis of advanced banking practices, to increase the level of financial literacy and protection of the rights of the population in the field of banking and financial services.
2. Strengthening the trust of the population in the banking system of our country, continuously monitoring the requirements of the customers to the banking system, increasing the culture of

providing banking services, providing advanced banking services that satisfy the needs of customers, further reforming and increasing the stability of the financial and banking system of the Republic are among the priorities.

3. When directing investments to our republic, it is appropriate to pay special attention to the creation of conditions that are the basis for the balanced and balanced development of the economy at the micro and macro level, and to develop convenient and optimal ways to attract the idle funds of the population and direct them to the financing of investment projects. output and active application in practice is necessary.
4. It is necessary to activate the participation of commercial banks in the financing of investment projects, to improve the system of project expertise and risk assessment, to prevent the occurrence of problematic debts on loans, to ensure the continuous growth and quality of the loan portfolio of commercial banks, and to increase the attractiveness of the securities of joint-stock companies in our country.

In order to increase the investment activity of commercial banks, to regularly introduce new types of deposits and savings, taking into account the requirements of the population and economic entities, to conduct a comprehensive in-depth analysis of what prevents the increase of deposits in banks and their attraction to the banking system, and to take additional measures in this regard necessary.

5. It is desirable to coordinate the participation of commercial banks in investment activities and organize monitoring of financing and implementation of investment projects. This, in turn, leads to the direct participation of banks in the investment process, the transparency of the project, and the reduction of the financing period.
6. It is necessary to develop effective mechanisms for attracting foreign direct investments by commercial banks and to improve the procedure for assessing factors affecting the financing of investment projects.
7. It is desirable to develop a statistical, analytical and research base in order to improve the methods of formation, acceptance and implementation of monetary policy based on the in-depth study of external factors and the complete formation of the balance of payment accounting and analysis system.
8. It is necessary to improve the mechanisms of regulation and control of the banking system, including the system of risk management and assessment of commercial banks, which allows identifying problems arising in the activity of commercial banks at the initial stages and taking measures to eliminate them.
9. It is desirable to coordinate the implementation of the "Electronic Government" system, to further develop the payment system, including the establishment of an effective information exchange system of commercial banks, providing remote banking services that allow for quick real-time account management and bank transactions.

In short, the implementation of the measures proposed above will have a positive effect on the sustainable growth of our economy in the perspective of the development of the activation of the participation of commercial banks in investment activities.

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