



Characteristics of Investment Activity of Commercial Banks

Mannopova Shaxnoza Elshodovna

Senior teacher of Tashkent Institute of Finance, PhD

Raimberdiyev Samandar Sherzod ogli

Student of Tashkent Institute of Finance, samandarsherzodovich@gmail.com

ABSTRACT

Limiting the accumulation of capital and supporting competition in the money market is achieved by the Central Bank's control over the activities of commercial banks. Therefore, Central Bank manages the money supply through their assets (primarily loan operations) by influencing the dynamics of deposits of these banks. In addition, commercial banks are the main source of lending to the economy. The Central Bank instructs commercial banks to distribute loans and direct them to important material and social sectors of the economy.

The central bank is made up of funds belonging to the Government, in regulating the money supply from the budgetuses. Due to the difference between the time of receipt of state budget revenues and the time of financing budget expenditures, a certain amount of money is accumulated. The central bank will use these funds temporarily. Typically, government-owned funds are kept on the Central Bank's balance sheet. Therefore, the Central Bank will be able to manage these funds.

ARTICLE INFO

Article history:

Received 12 Apr 2022

Received in revised form

15 May 2022

Accepted 11 Jun 2022

Keywords: investment investment, underrating, depository, investment services, banking, interest rates, investison security.

© 2022 Hosting by Research Parks. All rights reserved.

Introduction

In countries with economies in transition, the use of transactional deposits by commercial banks as a resource directly, without a fixed-term deposit agreement has a negative impact on the stability of their deposit base. This is because the transaction deposit is a passive with a very high level of instability. It can be requested by the customer at any time. Therefore, in the banking practice of developed countries, transaction deposits are not a source of resources for a commercial bank and are not paid interest. In the resource base of banks in developed countries, customer funds occupy a high share. In particular, in Finland and Italy, more than 30% of total bank liabilities are accounted for by customers (including individuals). This figure is 80 percent in Japan and Israel [1].

For example, in the practice of American banks, investing in government securities representing short-term debt obligations usually yields low returns, but they have high liquidity and the risk of default on them is zero, and the risk of changes in market rates are also small stocks.

Long-term securities bring high returns, so banks keep them until maturity. Banks also invest in municipal securities because the interest paid on them is not taxable.

In order to ensure their liquidity, banks invest a small amount in other securities: bank acceptances, securities in the securities market, brokerage loans and certificates of commodity credit corporations.

In order to ensure profitability, but at the risk of liquidity, banks invest their funds in bonds of some government agencies and primary bonds of corporations.

In developed countries, the investment activity of commercial banks is the second largest source of income in the structure of bank income after credit.

The Bank is carrying out investment activities- when purchasing securities tries to achieve the following:

- Investison security;
- Return on investment;
- Opportunities to increase investment;
- Liquidity of investment.
- Investment activities of banking institutions in the following areas is increased:
- Primary securities of business entities placement (underrating);
- Related to securities in the secondary market operations (depository and consulting services);
- Securities portfolio of business entities implement trust management;
- Long-term investment activity of business entities term lending.

The profitability of individual types and groups of securities will depend on the market value of banks' investment portfolios. In turn, it varies under the influence of the following factors. These are: bond interest rates, accrued interest, interest on bills, dividends per share, and demand and supply for securities.

Typically, the market price of securities and the income that commercial banks receive from it are inversely proportional. When the price of stocks is low, the return on them can be high and vice versa. Thus, the increase in interest rates will have both pros and cons.

Literature review

Mincrease investment activity of commercial banks by improving online policyprocesses have been studied in depth by foreign economists. In particular, minvestment activity of commercial banks through the improvement of online policyTheoretical and methodological bases of raising issues foreign economists L.Mises [2], F.S.Mishkin [3], S.R.Moiseev [4], M.Friedman [5], M.Yu.Mattonnikov [6] studied in the scientific work of scientists such as.

In our countryincrease investment activity of commercial banks by improving monetary policycapacity research has also been widely introduced.improving monetary policyand some theoretical and practical aspects of increasing investment activity studied by U.O.Azizov, T.M.Koraliev [7], R.R.Tojiev [8], A.A.Azlarova[9], T.Rakhmatov [10], M.B.Muminova[11] in scientific research.

Research methodology

Research methods such as analysis and synthesis, induction and deduction, statistics and comparison were used in conducting the research.

Analysis and discussion of results

Depending on the relationship between the principles of investment activity and the main factors of investing in securities - profitability, liquidity and risk - each commercial bank understands or does not understand the impact of the above factors or whether this investment policy is good or bad. performs. This, in turn, means that the bank's investment policy is subject to a certain level of investment risk by the bank and the need to develop appropriate measures in the investment policy of the commercial bank.

One way to reduce investment-related risks is to diversify the investment portfolio of these banks. Diversification of the investment portfolio means achieving the availability of a wide variety of securities in the bank's investment portfolio. In the implementation of investment policy in the method of diversification should take into account the different characteristics of securities. These are:

- diversification of their maturity and quality (distribution), the potential of the issuer, the quality of securities;
- diversification by geographical distribution of securities;
- type of liabilities of securities on maturity, etc. According to the provision of the above signs, the goals of investment policy are determined by diversification.
- There are the following types of diversification of the securities portfolio of commercial banks. These are:
 - diversification of securities;
 - diversification of issuers, etc.

The purpose of securities quality diversification is to minimize the risk (which is determined by the probability that the issuer will not be able to fulfill its obligations). In this regard, there is a method of diversification of the quality of shares, which, according to theorists, requires the study of a number of factors: the current price of the company's shares, reserves, who runs the company and the answers to these questions can be found in the issue prospectus and exchange newsletters.

The goal of diversification in relation to the geographical distribution of securities is to reduce the risks that arise in the event of economic difficulties in the respective regions.

The purpose of diversification in terms of maturity of securities is to prevent the risks associated with fluctuations in interest rates. In implementing this investment policy, commercial banks typically use a tiered structure over the maturity of the securities. As a result of this hierarchical structure, there will be no expired securities and it will be possible to reinvest them in long-term high-yield securities.

The forecast of interest rates on securities differs from theory in practice. Therefore, commercial banks analyze the composition of interest rates in order to increase the level of reliability of forecast results.

An important component of investment activity in the banking practice of developed countries is investments in securities. Investments in securities by banks in French commercial banks accounted for 16.2%, in Germany - 15.5%, in Italy - 23.8%, in the UK - 7.8%, in Spain - 23.8%, in the US - 2.2%, in Belgium - 6.4 %, in Japan - 10.2 % [12].

Typically, in world practice, commercial banks set up special investment departments within the management structure to develop and implement their investment policies. The number of employees in a department can depend on a number of factors. These will depend on: the size of the securities portfolio, the functions performed by the department on the sale and purchase of securities, the services provided by the bank's customers, the type and quality of securities. The higher the qualifications of the employees of the department, the higher the task they perform and the quality of the work. Experts have a good understanding of the goals and objectives of the investment program, have information on investment services.

One of the main tasks of the development of investment activities of commercial banks in the context of modernization of the economy is investment activity economy as a result of ensuring stability, including, both the financial market development can be achieved. The activity of commercial banks in Uzbekistan is valuable. It is advisable to focus on the following areas of activation in the securities market:

- legal and commercial activities of commercial banks in the securities market improving the regulatory framework;
- own-the role and function of self-coordinating organizations improvement;
- improving corporate governance and management in commercial banks.

The deeper implementation of these directions in practice in the stock market can lead to further acceleration of investment activities of commercial banks.

In the context of the establishment of market relations in the economy and the emergence of enterprises belonging to various forms of ownership, including the class of private owners, the problem of investment lending is of great importance for a commercial bank. At the same time, the establishment of market mechanisms for financing investment processes in order to regulate the regional and sectoral structure of the Uzbek economy in the interests of economic policy remains one of the most pressing issues of economic development.

Direct investments can be real and intangible investments, respectively. The International Monetary Fund includes investments in the establishment of private companies, as well as capital investments in foreign companies of at least 25 percent. In the statistics of developed countries such as the USA, Great Britain, Germany, direct investments include investments that reach 10% or more of the company's share capital and allow to capitalize the enterprise. In terms of the economic content of each group, the following subgroups can be distinguished:

➤ financial investments - equity securities (direct and indirect), debt securities (certificates of deposit, government and municipal securities, promissory notes and other types of obligations issued by legal entities), derivative funds; takes;

- direct investment - the commonality of investments used in the creation of foreign enterprises with reproductive capital investments and intangible investments (licenses, know-how, foreign management experience, new technologies, etc.) reflects. Banks in the Republic of Uzbekistan have also done significant work on financial rehabilitation, rehabilitation, technical and technological modernization of economically insolvent enterprises, organization of production of competitive products in domestic and foreign markets and subsequent sale of these enterprises to strategic investors. In this regard, the Decree of the President of the Republic of Uzbekistan dated November 18, 2008 No 4053 "On measures to further enhance the financial stability of enterprises in the real sector of the economy" provides for financial rehabilitation, modernization, technical and Measures to increase the involvement of commercial banks in the process of technological modernization are important. The decree provides for 3 mechanisms for the sale of bankrupt enterprises to commercial banks or their direct transfer to their balance sheets on the basis of the decision of the Republican Commission. In particular, the bankrupt enterprise: Measures to increase the involvement of commercial banks in the process of technical and technological modernization are important. The decree provides for 3 mechanisms for the sale of bankrupt enterprises to commercial banks or their direct transfer to their balance sheets on the basis of the decision of the Republican Commission. In particular, the bankrupt enterprise: Measures to increase the involvement of commercial banks in the process of technical and technological modernization are important. The decree provides for 3 mechanisms for the sale of bankrupt enterprises to commercial banks or their direct transfer to their balance sheets on the basis of the decision of the Republican Commission. In particular, the bankrupt enterprise:

- 1) transfer of 70% or more of the structure of accounts payable to the balance of commercial banks, if bank loans;
- 2) sale to commercial banks, which offered the highest price through auctions and assumed the relevant obligation;
- 3) sale to commercial banks through competitive bidding on the condition of "zero" investment obligation. In order to accelerate the implementation of the above decree, the President of the Republic of Uzbekistan issued Decree No. 4010 of 19 November 2008 "On approval of the procedure for the sale of economically insolvent enterprises to commercial banks" to restore the financial capacity of economically insolvent enterprises. A number of benefits have been granted. According to the decree, in particular, the newly established business entities on the basis of bankrupt enterprises:
 - value added tax;
 - payment of income tax, single tax, property and land taxes for three years;
 - Exempted from corporate income tax and single tax payment for two years when management is transferred to companies. These important documents include the resumption of production activities in bankrupt enterprises, modernization of production, additional investment by banks for technical and technological renewal, financial rehabilitation of such enterprises, the introduction of new types of products and modernization. the implementation of management methods, as well as the restoration of jobs and the creation of new jobs. Including:

- Establishment of a new enterprise on the basis of a bankrupt enterprise with a charter capital of up to 100%;
- write-off of previously unpaid loans, including government-guaranteed loans, in connection with the liquidation of a bankrupt enterprise by the decision of the bank's board;
- creation and attraction of a qualified management company for the bankrupt enterprise; - Acquisition of the bankrupt enterprise at liquidation price, restoration of its activity, sale at market price, etc. Restoration of economically insolvent enterprises on the balance of commercial banks, sale of newly established enterprises to potential investors on their basis. For this purpose, a number of investment and engineering companies have been established under all leading commercial banks.

According to the Resolution of the President of the Republic of Uzbekistan No. PR-1166 dated June 28, 2009 "On additional measures to encourage the increase in the share of long-term loans of commercial banks to finance investment projects" banks were given the following benefits:

- Payment of income tax at differentiated rates until January 1, 2015, depending on the share of long-term investment financing in the loan portfolio of commercial banks;
- Implementation of loans to commercial banks for financing of enterprises and organizations - initiators of large investment projects, including the cost of examination of the development of design estimates and their acceptance for the implementation of investment projects in the total amount of loans for project financing was introduced.

New tax incentives introduced to stimulate the recovery of bankrupt enterprises are also included in the Resolution of the President of the Republic of Uzbekistan dated April 6, 2010 No PR-1317 "On measures to further increase the financial stability of the banking system and strengthen its investment activity." found its reflection. According to it, the following rights are granted to enterprises established on the basis of bankrupt enterprises by commercial banks, including with the participation of other investors, for a period not exceeding three years from the date of their state registration until they are sold to new investors:

- not to include the amount of property tax on the existing benefits in the costs of the enterprise;
- calculation of depreciation allowances for fixed assets and intangible assets less than the established norm.

Table 1. Factors negatively affecting the attraction of capital by commercial banks through shares [12]

External factors	Internal factors
1. High state participation in the banking system, charter capital of commercial banks; 2. Consolidation of non-banking sectors on the basis of state programs; 3. Lack of a healthy competitive environment in the banking system to attract financial resources; 4. Restrictions on the ownership of shares of commercial banks, the purchase of shares. 5. High inflation rate	1. Limited independence of commercial banks in financial and economic activities; 2. Lack of attention to stock liquidity; 3. Making financial decisions without taking into account the interests of minority shareholders; 4. Lack of focus on investment attractiveness through dividend practices. 5. Low willingness to raise capital through securities

Since there are no restrictions for commercial banks on the implementation of these activities, they operate as a real participant-investment institution in the stock market. Banks' operations with securities are multi-purpose. Therefore, the main objectives of banks in the securities market are:

- Attracting additional monetary resources for credit and settlement activities on the basis of securities issuance;
- profit from interest and dividends paid to the bank on investments in securities and due to the increase in the exchange rate of securities;
- benefit from the provision of securities transactions to clients;
- expansion of the bank's service sector on the basis of free competition and attraction of new customers through participation in the capital of enterprises and organizations;
- attraction and use of resources through bank securities;
- maintaining the necessary liquidity reserves, ensuring the profitability of investments in the bank's liquid assets;
- insurance of clients from the normal purchase and sale of securities, as well as financial risks through transactions with securities derivatives.

In our opinion, it is not advisable to look at the additional capital of commercial banks as a source for investment loans. This is because their level of stability is low. Take, for example, the portion of credit risk reserves that is included in additional capital. In accordance with the Regulation of the Central Bank of the Republic of Uzbekistan "On capital adequacy requirements of commercial banks" included in the capital structure. Hence, the amount of this element depends, first of all, on the change in the amount of the bank's risk assets; secondly, on loans not repaid on time, that is, depending on the amount of reserves created for classified loans. We know that the quantities of both indicators are quantities that fluctuate constantly. Therefore, this element of additional capital can be assessed as an unstable resource source. Let's take a revaluation reserve, which is one of the additional capital elements. This reserve arises as a difference between the post-revaluation value of fixed assets owned by commercial banks of the republic and the pre-revaluation value. Hence, its amount depends on changes in the market price of fixed assets belonging to banks. In this context, revaluation reserves can be assessed as a resource with a low level of sustainability. Unlike the additional capital of commercial banks,

In accordance with the Law of the Republic of Uzbekistan "On Banks and Banking", shareholders of commercial banks are not entitled to receive their shares in the authorized capital during the financial year. This means that the shareholders' funds in the bank's authorized capital are a stable resource for commercial banks. The same can be said of retained earnings, which are a second element of fixed capital. Retained earnings are the net balance of net profit remaining after the payment of dividends, against which there are no objections from bank creditors. In short, it is a resource with a high level of sustainability.

The degree of stability of non-cumulative preference shares issued by commercial banks is determined by the following factors: non-cumulative preference shares of commercial banks can not be returned to the bank at the discretion of the subjects who purchased it. The issue of repurchase of these shares will be decided by the banks themselves; non-cumulative preferred shares of commercial banks do not have a clear maturity, which means that they are indefinite. It should be noted that the decision of the general meeting of shareholders may not pay dividends on non-cumulative preference shares of commercial

banks. Unpaid dividends will not be paid in subsequent years.

In short, the implementation of measures to strengthen the resource base of commercial banks will increase the amount of their long-term deposits, the level of capitalization, and on this basis will dramatically increase the volume of investment loans issued by banks to finance investment activities.

Conclusions and suggestions

In order to further expand the investment activities of commercial banks in the country, to continue to take measures to support exporting enterprises and small businesses, to accelerate the implementation of investment projects by real sector enterprises of the economy, the active participation of commercial banks in these projects and ultimately transform them into large investment institutions. It should be noted that the active participation of commercial banks in the investment process plays an important role in further developing the economy and increasing the economic potential of the country.

At present, the effective implementation of investment activities of banks is as follows there are problems:

1. First of all, to ensure the stability of the national currency, inflation rate keep a steady pace, because currency stability is low and inflation is low The future return on investment activities is very low or if it is high may not generate income;
2. Shares are not placed in small lots, which is the stock and investment activities of banks in the secondary market prevents the development of.

Attracting free capital of the population, business entities and other investors, including foreign investors, to the capital of commercial banks, increasing the level of bank capitalization by issuing bank shares, their active placement in the stock market, creating new modern production structures of commercial banks, competitive and to participate with its own capital in the investment process in expanding the production of export-oriented products and in increasing employment. Banking organizations are engaged in lending to a large number of customers. Of course, in such circumstances, the financial situation of all customers is not the same, and the timely repayment of loans will be problematic.

References:

1. Matonnikov M.Yu. Russian banking system and long-term resources. // "Money and Credit". Moscow, 2013. No. 5. -FROM. 12.
2. Mises L. The Theory of Money and Credit. -Indianapolis, 1980. -P.- 448.
3. Mishkin F.S Economic theory of money, banking and financial markets. 7th ed. Per. from English. - M.: LLC "ID Williams", 2013. -p. 490.
4. Moiseev SR Monetary Policy: Theory and Parktics. Tutorial. - M.: Moscow Financial and Industrial Academy, 2011. - P. 723.
5. Friedman M. Fundamentals of monetarism. Per. from English. - M.: TEIS, 2002. - P. 414.
6. Matonnikov M.Yu. Russian banking system and long-term resources. // "Money and Credit". Moscow, 2013. No. 5. -FROM. 12. Azizov UO, Qoraliev TM and others. Banking. T.: Science and Technology Publishing House, 2016. - 640 p.

7. Tojiev R.R, Rakhmatov T.S Theoretical aspects of the market of banking services in modern conditions // Scientific electronic journal "Economy and Innovative Technologies". № 6, November-December, 2020.
8. Azlarova A.A Covid - Accelerate the process of transformation of the banking sector in Uzbekistan in the context of 19 coronavirus pandemics. Scientific electronic journal "Economy and Innovative Technologies". № 5, September-October, 2020.,
9. Raxmatov T. **Bissues** of banking services in activating the process of transformation of banks.<https://e-journal.uz/2020/10/23/>.
10. Muminova M.B Improving the management strategy of active operations of commercial banks. Monograph-T .: "Innovative development publishing house", 2021,130 pages.
11. Banking case. / Pod red. prof. O.I.Lavrushina. - M .: KnoRus ”, 2008. –S. 94.
12. Buriyev J.P Problems of commercial banks in the stock market and ways to solve them. Economics and Finance / Economics and Finance 2020, 4 (136), p.72
13. Tursunov, Bekmukhammad Omonovich, and Hilola Amirullo Qizi Tokhtasheva. "Improving The Credit Mechanism To Increase The Competitiveness Of The National Economy." The American Journal of Interdisciplinary Innovations Research 3.04 (2021): 73-78.