

WAYS TO IMPROVE THE EFFICIENCY OF INVESTMENT ACTIVITIES OF COMMERCIAL BANKS

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Annotation:

The article examines the theoretical foundations and practical aspects of the effective organization of investment activities of commercial banks. The main attention is paid to ways to increase the effectiveness of investment projects implemented by banks, diversifying the investment portfolio, strengthening the risk management system, introducing digital technologies, and improving the methodology of investment analysis. Also, an analysis was conducted based on the criteria for assessing the economic efficiency of bank investments (NPV, IRR, DSCR). Existing problems in the banking sector of Uzbekistan have been identified, and proposals and recommendations based on international experience have been developed. The results of the work are aimed at increasing the effectiveness of the organization of investment activities of commercial banks, strengthening their active participation in financing the real sector, and contributing to the sustainable development of the economy.

Keywords: Commercial banks, investment activity, efficiency, portfolio investment, risk management, digital technologies, investment analysis, NPV, IRR, DSCR, financing, bank investments.

Introduction

In modern economic conditions, commercial banks, in addition to traditional credit and deposit operations, face the need to diversify their income and ensure financial stability through investment activities. The changing nature of global financial markets, unstable interest rates, and increased competition are forcing banks to seek new sources of income. The processes of liberalization of the economy of Uzbekistan, the development of the capital market and integration processes with international financial institutions make the issue of increasing the efficiency of investment activities of commercial banks a topic of particular importance. Therefore, the study of ways to improve efficiency through the proper formation of the investment portfolio of banks, optimal risk management, and the use of modern technologies is a very relevant issue today.

The reform of the financial sector of the Republic of Uzbekistan and the development of the capital market significantly expand the investment opportunities of commercial banks. The activation of the government securities market, the emergence of the corporate bond segment, and the expansion of opportunities to attract borrowed funds from foreign markets open up prospects for banks to use new investment instruments. However, to effectively utilize these new opportunities, banks need to revise their investment strategies, improve risk management systems, and train professional

personnel. At the same time, factors such as macroeconomic stability, the inflation rate, and exchange rate fluctuations also have a direct impact on the effectiveness of the bank's investment portfolio.

The study of international experience and best practices, as well as their adaptation to local conditions, is of particular importance. The experience of investment activities of banks in countries with developed financial markets, modern portfolio management methods, risk assessment and mitigation mechanisms are a valuable source of knowledge for Uzbek banks. However, instead of directly copying these experiences, it is necessary to develop adapted approaches, taking into account local economic conditions, the legal environment, and cultural characteristics. Also, within the framework of the strategy of transformation into regional financial centers, the opportunities for expanding the international investment activities of Uzbek banks are of great importance.

The changing needs of clients and the increase in their demand for investment services encourage commercial banks to apply new approaches. The increase in the level of financial literacy of individual clients, the strengthening of pension provision and long-term savings needs, and the desire of corporate clients to improve the efficiency of financial management require more professional and individual investment solutions from banks. This creates the need for banks not only to improve their domestic investment activities, but also to bring investment services provided to clients to a new level. Therefore, issues of providing investment consulting, portfolio management services, and the development of digital investment platforms also increase the relevance of this topic.

Literature Review

In the process of analyzing the literature on the topic, a number of leading economists and specialists of the world have conducted scientific research on ways to increase the efficiency of investment activities of commercial banks. Including

Qodirov Q.Q. emphasized the importance of diversifying the investment portfolio of commercial banks, using modern assessment methods (NPV, IRR, DSCR), and developing decision-making based on economic analysis to increase the effectiveness of their investment activities[1].

Sodiqov Sh.Sh. in his research: Effective investment activity of commercial banks is the main factor in the development of the real sector of the economy. Therefore, the quality of the investment portfolio and the risk management system occupy a central place[2]. Frederic S. Mishkin in his research The main task in the investment activities of commercial banks is to direct resources to the most effective projects. This depends not only on financial analysis, but also on the economic environment and the level of risk[3]. In his research, David G. Luenberger notes that portfolio theory, risk quantification, and modern financial equilibrium models (CAPM, VaR) are key tools for the effective organization of investment activity[4].

According to Lavrushin, the effectiveness of investment activity of commercial banks

depends on financial balance, optimal risk distribution, and long-term strategic planning. He emphasizes that banks should use deep analytical and forecasting tools when directing their investment portfolios towards real sector projects[5].

Abalkina M.Yu. in her research considers cooperation between the state and the private sector important in financing Bank investments. According to him, for effective investment activity, it is necessary to expand the system of long-term lending to infrastructure projects[6].

In his research, L.N. Krasavina advocates for the introduction of a system of indicators for assessing the effectiveness of investment activities of commercial banks. In his opinion, banks should analyze investment projects not only on a financial basis, but also on the basis of socio-economic criteria[7].

In her research, A.G. Gryaznova believes that the main factors in ensuring the effectiveness of bank investments are a high level of liquidity, a balanced portfolio structure, and the integration of risk management strategies. He recommends modern mathematical models for making investment decisions[8].

Kolesnikova E.B. in her research notes that for commercial banks to conduct an effective investment policy, it is necessary to digitalize and automate their investment activities. He also believes that fintech technologies increase accuracy and speed in bank investments[9].

Research Methodology

Economic research methods such as analysis of research conducted by world scientists on ways to increase the effectiveness of investment activities of commercial banks, collection of all data on the topic, comparison, and logical thinking were used.

Analysis and Discussion of the Results

In modern economic conditions, the effectiveness of the investment activity of commercial banks is a key factor in the financial stability and economic development of the country. Banks ensure the inflow of funds into the real sector of the national economy and contribute to the optimal distribution of resources not only through credit and deposit operations, but also through effective management of the investment portfolio. In developing countries such as Uzbekistan, the effectiveness of banking investment activity is especially important, which is necessary to ensure economic modernization, innovative development, and international competitiveness. Effective management of the bank's investment portfolio not only strengthens the financial stability of banks, but also increases the reliability of the entire financial system and strengthens the attention of investors and depositors to the banking sector.

The investment activity of commercial banks is an important component of the modern financial system and serves as a bridge between the real and financial sectors of the economy. Banks, through their investment portfolios, play an important role in actively participating in the state and corporate securities market, ensuring the liquidity of financial instruments, and developing market infrastructure. The effectiveness of the

bank's investment activity directly affects the level of development of the country's capital market, the diversity of financial instruments, and the attractiveness of the investment climate. At the same time, effective investment activity allows banks to diversify their income, protect against changes in interest rates, and achieve long-term financial goals. This is especially important for ensuring the stability of banks in conditions of macroeconomic uncertainty and volatility of global financial markets.

In the era of digitalization and technological innovations, the ways of increasing the effectiveness of investment activities of commercial banks are radically changing. Artificial intelligence, machine learning, and big data technologies allow banks to make investment decisions more accurately and quickly, forecast market trends, and better assess risks. Robo-advisor platforms and automated portfolio management systems play an important role in reducing errors caused by the human factor of bank employees and optimizing investment processes. Blockchain technology and cryptocurrencies provide opportunities to create new investment instruments and reduce transaction costs. At the same time, digital technologies allow banks to analyze market data in real time, conduct stress tests, and carry out dynamic portfolio rebalancing.

Table 1 Ways to improve the efficiency of investment activities of commercial banks

No	Direction	Practical methods	Expected results
1	Diversify the investment portfolio	Selection of investment projects for various industries and regions	Risk reduction, ensuring a stable income stream
2	Improvement of the mechanism for analyzing investment projects	Assessment based on indicators such as NPV, IRR, DPP, DSCR	Financing only economically beneficial projects
3	Strengthening the risk management system	Credit scoring, stress tests, insurance mechanisms	Reduce the likelihood of investment losses
4	Implementation of digital technologies	Big Data, AI, automated monitoring systems	Reduce operating costs and increase decision speed
5	Development of a long-term investment strategy	Strategic planning, forecasting models	Ensuring stability and long-term profitability
6	Development of co-financing mechanisms with the state	Guarantees, subsidies, "public-private partnership" model	Increased access to strategic projects
7	Strengthening the financial monitoring system	Real-time analysis, monitoring of financial indicators	Establishing constant control over investment activity
8	Increasing the investment potential of bank employees	Professional development, training, and certification programs	Ensuring effective investment management through personnel
9	Stimulation of financing of innovative projects	Cooperation with startups, technology parks, R&D centers	Attraction of new technologies and high-profit projects
10	Implementation of international experience	Optimization of the internal system based on the banking practices of developed countries	Increasing competitiveness and efficiency

Improvement of institutional factors and the regulatory system is an important direction for increasing the effectiveness of banking investment activity. Modern prudential control standards, in particular the requirements of Basel III, encourage banks to implement more effective capital management and risk management systems. Improving transparency and reporting standards will serve to improve the quality of the bank's investment activities and strengthen investor confidence. Coordination of the Central Bank's policy and macroeconomic measures creates a favorable environment for banks to develop sustainable investment strategies and long-term planning. At the same time, the improvement of the legislative framework, the independence of the judicial and legal system, and the protection of property rights are important institutional foundations for increasing the effectiveness of the bank's investment activities.

The use of international experience and best practices is a strategic direction for increasing the effectiveness of the investment activity of the banking sector of Uzbekistan. The experience of banks in countries with developed financial markets in modern portfolio management methods, risk diversification strategies, and the creation of innovative financial products can be a valuable source of knowledge for local banks. Cooperation with international financial institutions, joint projects, and technical assistance programs play an important role in enhancing the professional competencies of Uzbek banks and introducing modern technologies. However, instead of directly copying international experience, it is necessary to develop adapted approaches, taking into account local economic conditions, legal environment, and cultural characteristics. The training of professional personnel and the development of human resources are fundamental directions for increasing the effectiveness of the bank's investment activities. Considering the complexity of modern financial markets, it is necessary to constantly update the knowledge and skills of bank employees, participate in international certification programs, and undergo advanced training courses. Training specialists with deep knowledge in financial analysis, risk management, portfolio management, and digital technologies increases the competitiveness of banks. At the same time, the creation of intra-bank knowledge exchange systems, the implementation of experience exchange programs and mentoring systems will contribute to the rapid development of young specialists. Increasing employee motivation, creating incentive systems and career development opportunities are also important factors in increasing the effectiveness of the bank's investment activities.

Improving the strategy of working with clients and developing client-oriented investment services is an important direction in modern banking. In-depth analysis of clients' financial needs, development of individual investment strategies, and provision of personal financial advisory services provide banks with a competitive advantage. Providing investment services through digital channels, creating mobile applications and online platforms will increase the level of convenience for clients and reduce the operating costs of banks. Client segmentation and the development of specific investment products for each segment will allow banks to strengthen their position in the market. At the same time, financial literacy programs and investment education

demonstrate the social responsibility of banks and contribute to increasing the number of clients in the long term.

Improvement of the risk management system and implementation of modern risk management methods is an important component of increasing the efficiency of the bank's investment activity. Systems for comprehensive assessment and management of credit risk, market risk, operational risk, and liquidity risk allow banks to create an optimal investment portfolio. The use of stress-testing methodology, scenario analysis, and portfolio resilience testing in extreme conditions ensure the financial stability of banks. The development of hedging strategies using modern derivative instruments allows for protection against currency and interest rate risks. Optimal risk-return balance and effective portfolio diversification ensure the long-term stability of banks. At the same time, it is important to form a risk culture and increase the awareness of employees at all levels about risk.

The creation of innovative financial products and the introduction of new investment instruments to the market is the main direction of the growth and development strategy of banks. Structured products, hybrid instruments, and integrated investment solutions provide banks with high profitability and a competitive advantage. The creation of investment products based on the principles of ESG (Environmental, Social, Governance) corresponds to modern global trends and attracts socially responsible investors. The development of pension funds, education funds, and other targeted investment schemes contributes to the formation of a long-term savings culture among the population. The creation of special investment products for small and medium-sized businesses supports the real sector of the economy. Cooperation with fintech companies and the introduction of open banking systems will help create a new investment ecosystem.

Future development prospects and strategic planning are important for the continuous improvement of the effectiveness of the bank's investment activities. Full implementation of digital transformation processes, widespread use of artificial intelligence and machine learning technologies will ensure the future competitiveness of banks. It is necessary to prepare for the use of new technological capabilities such as the Central Bank's digital currency (CBDC) and programmable money. Within the framework of the strategy of becoming a regional financial center, the entry of Uzbek banks into international markets and their integration into global investment chains will create great opportunities. Developing investment strategies that take into account climate change and sustainable development goals is essential for long-term success. Constant innovation, the ability to adapt to changing market conditions, and strategic thinking are key to the future growth and development of banks.

The research results show that the investment activity of commercial banks serves as an important factor in financing the real sector of the country's economy. The quality of the investment portfolio, proper risk assessment and management, and attention to financial and social effectiveness in project selection directly affect the overall financial

stability of banks. If investment resources of banks are mobilized at a sufficient level, this will accelerate the pace of economic growth.

To increase the investment efficiency of commercial banks, it is important to diversify their portfolios, widely apply modern investment valuation methods (NPV, IRR, DSCR), as well as introduce innovative and digital technologies. With the help of digital tools, the speed and accuracy of decisions increase, which serves to automate investment processes and reduce operating costs.

It is also necessary to establish effective cooperation between the state and banks, stimulate large investment projects through long-term guarantees, subsidies, and tax benefits. One of the main proposals is to ensure the transparency of investment activities, improve the qualifications of employees, and improve the bank's internal control systems based on international experience. Thus, banks can not only attract profitable investments, but also become a strong financial institution that ensures stability in the economy.

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