



Investment Policy of Commercial Banks and the Mechanism of its Organization

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Abstract: The article examines the theoretical and methodological foundations of the processes related to the investment policy of commercial banks and the mechanism of its organization. Factors influencing the process of investment policy organization of commercial banks are systematized. A scientific proposal and practical recommendations on the possibility of ensuring liquidity by increasing the efficiency of investment activities of commercial banks have been formed.

Key words: investment policy, investment activity, investment risk, investment mechanism, securities issuer, market risk, liquidity level.

Introduction

In order to maintain its high level of efficiency, solvency, and liquidity in the conditions of the market economy, the commercial bank always pays attention to one of the central problems of its investment activity - the issues of satisfying the conflicting interests between the depositors and shareholders and ensuring that it is in the best interests of all parties.

The incompatibility of the interests of the parties in this relationship is reflected in the contradiction between the liquidity of the bank and the profitability of banking operations. More precisely, this contradiction is reflected in almost every operation of the bank. On the one hand, shareholders want to get high income, that is, in this case, the bank should invest funds in long-term securities, and on the other hand, bank depositors should be able to quickly withdraw their deposits.

The conflict between liquidity and profitability determines the investment risk, and it can be considered by a commercial bank as the possibility of achieving higher profits without reducing the level of liquidity. The following risk factors can be found in the investment activities of commercial banks. These are: credit, market and interest rate risks.

Credit risk is associated with a decrease in the financial condition of the securities issuer, in which it will not be able to fulfill its financial obligations. In addition, credit risks are related to the ability of the government and public organizations to pay on the loan funds received from the population.

It is important for the government not only to receive loans, but also to have the ability to pay its obligations, for the organization of the state's securities market and for the proper functioning of the entire financial and credit mechanism.

The essence of market risk is related to the occurrence of unexpected changes in the securities market, as a result of these changes, the value of some securities as an investment object may decrease, and their sale will be possible only with a large discount.

Literature review

Investment activity of commercial banks, important aspects of the implementation of investment policy by banks, factors affecting the investment policy of banks in financial and industrial groups, the main features of the activity of commercial banks in increasing the investment activity of banks have been studied by many economists as a special scientific research, and these studies have important scientific approaches. . I.Yu.Belyaeva, M.A.Eskindarov conducted research on increasing the investment activity of commercial banks, effective organization of shareholder relations [1].

T.I. Minina and A.S. Kudakov studied such issues as the investment activity of banks and the main aspects of its organization [2]. I.A.Zaripov conducted scientific research on the organization of the investment mechanism, the formation of investment policy by commercial banks and the increase of the role of banks in the implementation of promising investment projects within the group [3]. J.Ya.Nurillayev, B.O.Tursunov, Sh.S.Raimberdiyev's studies examined the theoretical and methodological foundations of financing investment projects by commercial banks. The system of financing investment projects of commercial banks, the possibilities of effective use of funds attracted to commercial banks to expand the financing of investment projects have been evaluated[4].

K.F.Kubaevich, K.Z.Abdullayevna, S.G.Akhmadjanovna, K.R.Makhmudovna in their studies note that in order to maintain their high efficiency, solvency, and liquidity levels, commercial banks should pay special attention to increasing investment activities.

Research methodology

The article uses methods of scientific abstraction, systematic analysis, factor analysis, induction and deduction, data grouping, and comparison.

Analysis and discussion of results

A number of economic and organizational factors influence the level of profitability of commercial banks' investment activity. Among these factors, the following can be cited as the main ones. These are:

- ✓ stable developing economy of the state;
- ✓ the existence of different forms of ownership in the field of goods production and services, including the priority of private and shareholder forms of ownership in banking;
- ✓ the presence of a smooth and clearly functioning structure of the credit-financial system;
- ✓ existence of modern and developed securities market institutions;
- ✓ availability of legal acts and procedures controlling the circulation of securities and the activities of securities market participants;
- ✓ validity of high-quality securities circulation in the practice of conducting international investment activities of commercial banks;
- ✓ availability of highly qualified specialists and entrepreneurs for the field of investment activity and securities market, their training, etc.

The main goal of the bank to organize the investment portfolio of banks based on the purchase of securities is not only to generate income for the bank and to establish the first source of reserve replenishment (cash and debts of other banks), but also to liquidate securities in the shortest possible time, with the least risk, almost without loss. is to be able to convert into money.

The fact that a commercial bank risks its liquidity and puts its significant funds into investment activities for the purpose of earning a profit creates an opportunity for a large or small amount of investment risk to occur in the banking business. In this case, the investment activity of commercial banks is related to the risk of active operations with securities. This, in turn, requires the bank's management to develop a clear strategy, strategy and work plan in this area, that is, to conduct an investment policy.

Thus, investment policy in the banking system is a direction of commercial banks' activity, which includes the bank's asset operations with securities based on a certain level of risk and is aimed at ensuring the profitability and liquidity of the bank's activities.

In developed countries, the investment activity of commercial banks is the second source of bank income after loan interest from the point of view of generating income. The following factors affect the level of profitability of investment activities of commercial banks.

- a sustainable developing economy of the country.
- the existence of different forms of ownership in the field of production and service, including the priority of private and shareholder forms of ownership in banking.
- the presence of the structure of the credit-financial system operating in a uniform and precise manner.
- availability of modern and developed securities market institutions.
- availability of authorized bodies and legal procedures that control the activities of securities market participants:
- implementation of high-quality securities circulation in the practice of conducting international investment activities of commercial banks:
- availability of highly qualified specialists and entrepreneurs for the field of investment activity and securities market, their training and others:

Credit, market and interest risks can be encountered in the investment activities of commercial banks. One of the ways to reduce investment risks is to diversify the investment portfolio of banks. Diversification of the investment portfolio means achieving the availability of various securities in the bank's investment portfolio. When implementing investment policy in the diversification method, it is necessary to take into account various characteristics of securities. These are:

- ✓ diversification according to their maturity and quality (distribution), issuer's capacity, quality of securities;
- ✓ diversification in terms of geographical spread of securities;
- ✓ the type of obligations of securities on the maturity date, etc.

According to the provision of the above signs, the objectives of the investment policy are determined while diversifying.

There are the following types of diversification of the securities portfolio of commercial banks. These are:

- ✓ diversification;
- ✓ diversification by issuers of securities, etc.

Conclusions and suggestions

In our opinion, it is inappropriate 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 included in additional capital. Pursuant to the Regulation of the Central Bank of the Republic of Uzbekistan "Requirements for Capital Adequacy of Commercial Banks", reserve allocations of commercial banks intended to cover losses from loans, which do not exceed 1.25% of the amount of bank assets at risk, are included in the composition of additional capital. Therefore, the amount of this element depends, firstly, on the change in the amount of risky assets of the bank; secondly, it depends on the amount of reserves established for non-performing loans, that is, for classified loans. As we know, the quantities of both indicators are constantly fluctuating quantities. Therefore, this element of additional capital can be evaluated as a source of unstable resources.

Let's take revaluation reserve, which is one of the additional capital items. This reserve occurs as a difference between the value of fixed assets belonging to commercial banks of our republic after the

reevaluation and the value before the reevaluation. So, its amount depends on changes in the market price of fixed assets belonging to banks. In this context, the reevaluation reserve can be evaluated as a source of resources with a low degree of stability. In contrast to the additional capital of commercial banks, the elements of their core capital have the characteristic of stability. Let's take the paid-up part of the authorized capital. According to the Law of the Republic of Uzbekistan "On Banks and Banking Activities", shareholders of commercial banks are not entitled to receive their shares in the authorized capital during the financial year. Therefore, shareholders' funds in bank charter capital are a stable resource for commercial banks. The same can be said about the second element of fixed capital, retained earnings.

The level of stability of non-cumulative preferred shares issued by commercial banks is determined by the following factors: non-cumulative preferred shares of commercial banks cannot be returned to the bank at the will of the subjects who bought them. Banks themselves decide on the issue of buying back these shares; non-cumulative preferred shares of commercial banks will not have a specific maturity, that is, they will be indefinite. It should be noted that by the decision of the general meeting of shareholders, dividends may not be paid to non-cumulative preferred 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 therefore, on the basis of this, it will be possible to sharply increase the volume of investment loans provided by banks for the purpose of financing investment activities.

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