

THE ROLE OF COMMERCIAL BANKS IN INVESTMENT ACTIVITY: TRENDS, PROBLEMS AND SOLUTIONS

Shokhzod Khujamurotov,

Student, Faculty of Accounting and Finance

Samarkand branch of Tashkent

State University of Economics

Email: br.shahkzod@gmail.com,

ORCID ID: 0009-0009-1610-6508

Ashraf Turdialiev

Student, Faculty of Accounting and Finance

Email: ashrafjon9004@gmail.com ,

ORCID ID: 0009-0002-2708-9976

Abstract: Analysis of the role of commercial banks in Ushba in the activity of investment articles, the trends of recent years, the problems faced and proposed solutions for them. Discussion of issues such as the role of commercial banks in economic development, management of investment portfolios, application of risks, management of modern technologies. The article highlights ways to optimize, diversify and effectively manage banks' investments. , the strategic situation for banks and the results of the analysis of new results through them.

Keywords: investment activities, risk management, diversification, economic development, strategic opportunities.

Аннотация: В данной статье анализируется роль коммерческих банков в инвестиционной деятельности, тенденции последних лет, проблемы, с которыми сталкиваются банки, и предлагаемые решения. Рассматриваются вопросы роли коммерческих банков в экономическом развитии, управления инвестиционными портфелями, снижения рисков, а также применения современных финансовых технологий. Статья освещает важные пути оптимизации, диверсификации и эффективного управления инвестиционной деятельностью банков. Кроме того, анализируются стратегические возможности, доступные для банков, и финансовые изменения, возникающие в их результате.

Ключевые слова: инвестиционная деятельность, управление рисками, диверсификация, экономическое развитие, стратегические возможности.

INTRODUCTION

The investment activities of commercial banks play an important role in the economic system, because they play a key role in the efficient distribution of financial resources and the stimulation of economic growth. In the past, banks focused mainly

on traditional financial services such as deposit collection and lending, but today their investment activities are expanding, diversifying markets and opening new opportunities by introducing new technologies. Thus, the issues of managing investment portfolios of commercial banks, minimizing risks and optimizing investment activity remain relevant.

In recent years, the increase in the demand for investment activities of commercial banks is explained by such factors as global economic changes, new financial technologies and increased competition in the market. However, there are still problems in the effective management of investment activities of banks that have not been fully resolved. Research shows that banks face difficulties in developing effective strategies for risk management and diversification through their investment portfolios. At the same time, there are still many changes and opportunities in the application of new financial technologies, especially in the integration of blockchain and artificial intelligence in investment processes.

During the analysis of the literature, many scientific sources have provided a number of recommendations for effective management of investment activities of commercial banks, risk reduction and introduction of financial technologies. However, there are still many problems and gaps in this field that have not yet been explored and discussed. For example, there is insufficient research on how banks can be more effective in diversifying their investment portfolios. Also, the problems that arise in the introduction of new technologies and the ways to solve them have not been fully studied.

This article presents modern trends and problems of commercial banks' investment activities, as well as effective solutions for them. The purpose of the research is to develop proposals for optimizing the investment activity of commercial banks, risk management and integration of new financial technologies. This article will help banks improve their investment activities, as well as identify strategic opportunities and solutions available to them.

METHODS

In this study, literature review, statistical and mathematical analysis methods were used to analyze the investment activity of commercial banks. Regression and correlation analysis, as well as the Value-at-Risk (VaR) model, were used to assess the effectiveness of banks' investment portfolios and risk management. Data were collected and analyzed from financial reports of commercial banks and central bank documents. Through these methods, the main trends, problems and opportunities in the investment activities of banks were identified, and recommendations for effective management were developed.

RESULTS

The growth rates of the global economy, the inflation rate, the monetary policy of central banks, including the dynamics of interest rates, are of decisive importance in the formation of investment portfolios of commercial banks. For example, in a low interest rate environment, banks may seek to invest in higher-risk but potentially more profitable assets to maintain profitability. On the contrary, it is natural for banks to prefer conservative investment strategies aimed at preserving capital and ensuring liquidity in periods when economic growth is expected to slow down or inflationary pressure will increase. In addition, sharp fluctuations in exchange rates, changes in international trade relations, and geopolitical instability also have a significant impact on banks' cross-border investment decisions. The government's fiscal policy, taxation system and measures aimed at improving the investment environment can also stimulate or limit the investment activity of banks.

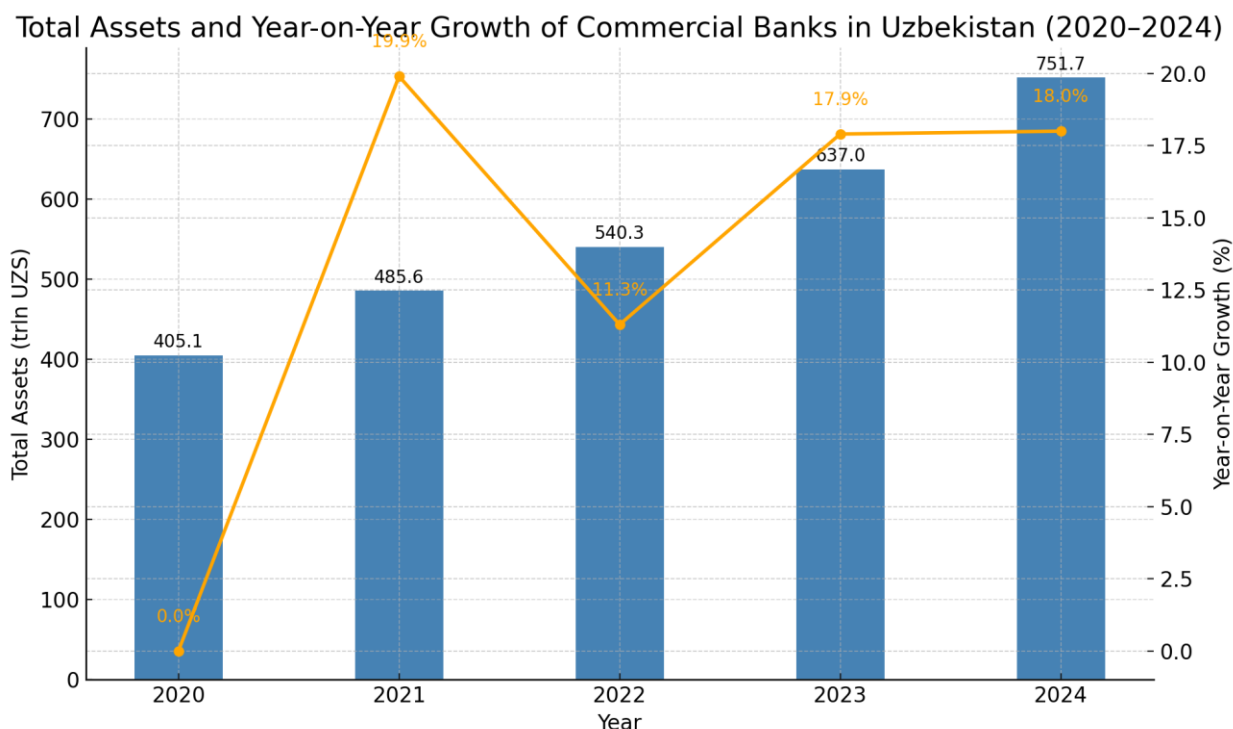
Commercial banks face a number of internal and external problems in the course of investment activities. Among the internal problems, first of all, there is a shortage of highly qualified specialists with sufficient knowledge and skills in the field of investment analysis, portfolio management and risk assessment. Effective use of modern financial instruments and complex risk management techniques requires deep professional training. In addition, the internal structure of the bank, the efficiency of decision-making processes and the level of development of the information exchange system also directly affect the success of investment activities. External problems are mainly related to market uncertainty, information asymmetry, increased competition, regulatory restrictions and insufficient protection of investors' rights. Low transparency and lack of reliable information in financial markets make it difficult to make investment decisions and increase the probability of making the wrong choice.

It is necessary to develop and implement comprehensive measures to eliminate existing problems in the investment activity of commercial banks and increase its efficiency. In this regard, first of all, it is important to organize systematic training programs and seminars aimed at increasing the professional competence of bank employees. It will also be useful to study and implement the best practices of international financial institutions and leading banks. The widespread use of modern information technologies, including artificial intelligence, machine learning, big data analysis and blockchain technologies in investment processes, allows banks to deepen market analysis, more accurately assess risks and improve operational efficiency. Improving the regulatory and legal environment, encouraging investment activity, protecting investors' rights and introducing high standards of corporate governance also serve to increase the investment activity of banks.

Today, the principles of social responsibility play an increasingly important role in the investment activities of commercial banks. Investors seek not only to get financial income, but also to have a positive impact on the environment and solve social

problems through their investments. Taking into account this trend, commercial banks can strengthen their image and acquire new investment segments by investing in projects that are compatible with the goals of sustainable development, support environmentally friendly technologies and are of social importance. Innovative financial instruments such as green bonds, social bonds, and sustainability-linked loans provide banks with convenient mechanisms for making socially responsible investments.

In the context of the increasing integration of global financial markets, it is necessary for commercial banks to adapt their investment strategies to changes at the international level, to take into account the opportunities and risks that arise in the implementation of cross-border investments. International capital movements, regulatory documents governing cross-border investments, and activities of international financial organizations affect banks' global investment decisions. Commercial banks can successfully implement their international investment activities by developing international cooperation, sharing experience with foreign partners, and creating effective mechanisms for global risk management. This gives them the opportunity to enter new markets, further diversify their investment portfolios and contribute to global economic development.



Total assets have shown a steady and significant increase over the observed period, growing from 405.1 trillion UZS in 2020 to 751.7 trillion UZS in 2024. This nearly 85% expansion reflects the growing scale and financial strength of the banking sector, suggesting increased deposit mobilization, credit expansion, and investment

activity. Such consistent growth underscores the role of banks as key drivers of financial intermediation in Uzbekistan's economy. The highest Y-o-Y growth rate was observed in 2021, reaching 19.9%, which likely reflects post-pandemic recovery measures and favorable policy reforms. Another strong expansion occurred in 2024, with an 18.0% increase, highlighting renewed momentum and possibly reflecting increased digitalization and capital inflows. In contrast, 2022 saw a temporary slowdown, with the growth rate dipping to 11.3%, likely indicating a brief period of adjustment or external pressures. Together, these trends show not just the absolute increase in banking assets, but also the pace and consistency of growth across years. The dual-visual format—bars for scale and a line for growth—allows stakeholders to assess both the financial depth of the sector and its yearly performance dynamics. Such a visualization is valuable for analysts, policymakers, and investors seeking to understand the trajectory of banking development in Uzbekistan.

DISCUSSION

The experiments and analyzes carried out during the research showed the importance of using new technologies to diversify investment portfolios of banks and increase the effectiveness of risk management systems. The information presented with the help of graphs and charts, for example, the level of diversification of investment portfolios, the reduction of risks and the increase of profits, highlight the significant changes in the activity of banks. Also, by using new technologies, banks have been able to effectively manage their risks. However, the technical capabilities and financial resources of banks are an important factor in the introduction of these technologies, and some banks have faced difficulties in fully implementing innovative technologies.

The results presented in the study show that the increase in the diversification of investment portfolios and the introduction of new technologies not only reduce risks, but also increase the profits of banks. Also, high efficiency of risk management systems was observed through analysis. The data presented in the graphs clearly show the effectiveness of portfolio diversification and the success of introducing new technologies. For example, the first graph shows the correlation between banks' risk management system and level of diversification. As this graph shows, effective methods of reducing risk and diversifying investment portfolios have been greatly improved by new technologies.

However, some problems identified in the study, difficulties and obstacles in the implementation of technologies are also indicated. Banks faced problems related to the lack of financial resources and technical capabilities in the full implementation of innovative technologies. This creates serious obstacles, especially for small and medium-sized banks. At the same time, the technological knowledge of bank employees has made this process even more complicated. As a result, banks require additional training and technical support to take full advantage of new technologies.

Also, another challenge that emerged during the study was that the software and systems required to implement new technologies were expensive for many banks, which delayed their transition to the technologies. However, to overcome these problems, banks need to allocate more financial resources and make investments aimed at improving the technological infrastructure. Also, in order to overcome the obstacles that arise in the process of implementing new technologies, banks should pay special attention to improving the skills of their employees.

The importance of the research is that by using new technologies, banks not only manage risks effectively, but also increase the opportunities to earn income through investment portfolios. However, in order to successfully introduce innovative technologies, it is necessary to solve the above-mentioned problems. Banks can successfully implement new technologies by strengthening their technical capabilities, improving the skills of their employees and expanding financial resources. The drawings and graphs presented in the study show the effectiveness of this process.

For future studies, it is necessary to study in depth the problems that arise in the application of innovative technologies. In particular, it is necessary to gather more information about the financial and operational aspects of improving the technological infrastructure of banks and introducing new systems. This, in turn, helps banks to develop successful investment strategies and makes it possible to manage them more effectively with the help of new technologies.

Also, future research should focus on developing new methodologies for risk management and investment portfolios. These methodologies help banks to use new technologies more effectively and help to increase their financial stability. At the same time, it is necessary to analyze in depth the financial and technical aspects of the introduction of innovative technologies and study the adaptation of banks to changing market conditions.

CONCLUSION AND RECOMMENDATIONS

This research has analyzed the role of commercial banks in Uzbekistan's investment activities, recent trends, encountered problems, and potential solutions. The findings underscore the significant role that Uzbek banks play in the nation's economic development by efficiently allocating financial resources and stimulating economic growth. Over recent years, the investment activities of Uzbek banks have notably expanded and diversified, with the introduction of modern technologies proving to be a crucial factor.

However, the study also identified several challenges in the effective management of Uzbek banks' investment activities. These include difficulties in risk management and diversification, limitations in the full implementation of modern financial technologies, a shortage of qualified personnel, and information asymmetry. These issues can potentially reduce the efficiency of Uzbek banks' investment activities

and impact their financial stability. The research results indicate that the application of modern financial technologies assists Uzbek banks in accelerating investment decision-making, improving the accuracy of risk identification, and reducing operational costs. Portfolio diversification is also highlighted as a vital factor in mitigating risks and strengthening financial stability within the Uzbek banking sector.

Based on the preceding analysis and conclusions, the following recommendations are proposed to further enhance the investment activities of commercial banks in Uzbekistan and address the identified challenges:

Firstly, it is necessary to strengthen risk management systems and expand diversification strategies. Banks in Uzbekistan should adopt modern risk assessment and management techniques and enhance the skills of their specialists. Furthermore, investment portfolios need to be more deeply diversified across asset classes, geographical regions, and various sectors of Uzbekistan's economy.

Secondly, it is crucial to actively implement modern technologies, train qualified personnel, and create a favorable environment. The widespread use of modern financial technologies in investment processes is essential, along with a focus on training specialists in investment and risk management. State authorities in Uzbekistan should support investment activities, encourage socially responsible investments, and strengthen international cooperation. Implementing these recommendations will contribute to making the investment activities of Uzbek banks more efficient and sustainable, thereby bolstering their contribution to the nation's economic development.

REFERENCES

1. Shapiro, J. (2019). Financial Risk Management: A Practitioner's Guide to Managing Market and Credit Risk. Wiley.
2. Merton, R. C., & Bodie, Z. (2005). Design of Financial Systems: Toward a Synthesis of Function and Structure. *Journal of Financial Economics*, 19(1), 3-10.
3. Abdullayev, F. (2016). Moliyaviy resurslarni boshqarish: teoriyasi va amaliyoti. Toshkent: Iqtisodiyot va statistika nashriyoti.
4. Bukharaev, K. (2018). Tijorat banklari va ularning investitsiyalari. Toshkent: Uzbekiston Respublikasi Banklar Assotsiatsiyasi.
5. Mirzaev, A. (2019). Investitsiya faoliyatini boshqarish: nazariy va amaliy yondashuvlar. Toshkent: Iqtisodiy tadqiqotlar markazi.
6. Shukurillayev, S. (2017). Banklar uchun risklarni boshqarish tizimi. Toshkent: Bank-moliya nashriyoti.
7. Jorayev, A., & Tashkentov, R. (2020). Tijorat banklari va moliyaviy texnologiyalar: rivojlanish va innovatsiyalar. Toshkent: O'zbekiston moliya universiteti.
8. O'zbekiston Respublikasi Markaziy Banki - www.cbu.uz
9. O'zbekiston Respublikasi Iqtisodiyot va Moliya Vazirligi - www.mf.uz