

# The Role of Investment in Improving the Activities of Banks in Uzbekistan

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## Abstract:

The article examines the priorities of increasing the role of banks in increasing the attractiveness of the investment climate in the Republic of Uzbekistan. They also studied the current state of activities related to the intensification of the role of banks in increasing the attractiveness of the investment climate, expanding the attractiveness of the investment climate. Scientific proposals and practical recommendations were developed to solve the problems identified during the study.

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## Introduction

Today, the priority is to ensure the continuous improvement of the favorable investment climate in Uzbekistan. The role of the state in this process is explained by the creation of a favorable investment climate for attracting capital and increasing its attractiveness. The interest in attracting foreign investment to the national economy requires any state to develop its own investment policy. The developed investment policy defines the specific directions of attracting foreign investment, as well as the system of incentives for their attraction and determines the legal order of investment activities. In this regard, President Sh. M. Mirziyoev in his Address to the Oliy Majlis noted that "for the rapid development of the economy, it is necessary to consistently pursue an active investment policy [8]." It should be noted that the market mechanism for financing the investment process, in turn, means the active participation of commercial banks. In modern conditions, the country's commercial banks are constantly involved in the investment process.

This shows that today the activity of commercial banks in financing the investment process is not yet sufficiently developed. Therefore, both macro and regional government programs make it necessary to increase the role and place of commercial banks in financing the investment process and further develop their activities to increase the attractiveness of the investment climate.

## Analysis of the literature on the subject

A number of our scientists have conducted research on improving the attractiveness of the investment climate in Uzbekistan. In particular, economists A.Vakhabov, Sh.Khajibakiev, N.Muminov say about the investment climate: "Investment climate is a set of economic, political, legal and social factors that predetermine the level of risk of foreign capital investment and their effective use in the country. . The investment climate is a complex, multifaceted concept that includes indicators such as national legislation, economic conditions (crisis, growth, stagnation), customs regime, monetary policy, economic growth rates, inflation rates, exchange rate stability, and the level of external debt." [13].

Investment - tangible and intangible assets and rights to them, including rights to intellectual property, as well as reinvestments, which may be made by the investor on the basis of risks in the social sphere, business, scientific and other activities for profit, which may include [1 ]:

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

The investment activity of banks is the activity of the bank as an investor in connection with the purchase of financial assets, the creation of real assets and the placement of funds for

the purpose of earning income [14]. The difference between the investment activities of banks and other investors is that they invest on the basis of borrowed funds. Therefore, if a bank appears in the market as an investor on the one hand, 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 the research. A brief description of the results of the research:

- Theoretical substantiation of 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 of the role of banks in increasing the attractiveness of the investment climate and their legal framework;

- Analysis of the current state of investment activity of commercial banks in Uzbekistan, the main economic indicators and the level of efficiency;

- identification of factors affecting the investment activities of commercial banks;

- study of foreign experience in the development of commercial banks in investment activities;

- Development of proposals to increase the participation of commercial banks in investment activities.

### Analysis and results

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

In his Address to the Oliy Majlis, President of the Republic of Uzbekistan Sh.M. Mirziyoyev said: "World experience shows that a country that pursues an active investment policy has achieved sustainable growth of its economy. Therefore, it is no exaggeration to say that investment is the driver of the economy, in Uzbek, the heart of the economy [8].

The attractiveness of the investment climate is an important factor in increasing the inflow of foreign investment. Figure 1 shows the investment climate in the region, investment activity, investment potential as the main elements that make up the investment attractiveness. We believe that through these components, it is possible to increase investment attractiveness on a private basis, providing investment activity by assessing investment risks by assessing and identifying the investment potential of a particular region.

The sources of resources of commercial banks consist of their own funds and borrowed funds. If own funds consist of bank capital, the attracted 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 the level of capitalization.

Regulations on the procedure for syndicated lending of large investment projects by commercial banks [9] also serve as the main regulatory framework for the allocation of investment loans by banks.

This regulation specifies the procedure for establishing a bank syndicate for the implementation of syndicated lending, the procedure for obtaining loans, the procedure for monitoring syndicated lending, its accounting and its repayment.

**Table 1**

**Implemented in recent years in the Republic of Uzbekistan analysis of major investment projects**

No	Great investment projects launch year of release	Launched large investment projects	Launched large investment size of projects, dollar
1.	2015	158	7.4 billion soums
2.	2016	164	5.0 billion soums
3.	2017	161	2.4 billion soums
4.	2018	76 thousand	21 trillion soums and \$ 1.0 billion
5.	2019	2.8 thousand	220.7 trillion soums and \$ 21.5 billion
6.	2020	2 thousand	more than 233.2 trln.sum

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

- foreign investment in the production of modern equipment and technologies, the development of export-oriented products;
- to launch the production of import-substituting goods and, for this purpose, to direct foreign investment in priority sectors of the economy and ensure a decent standard of living;
- provide jobs for the growing population through the development of small business and the acceleration of agricultural production.

The effectiveness of investment projects will depend on the actual implementation of plans developed on the basis of high performance.

**Table 2**

**Investment of commercial banks of the Republic of Uzbekistan activity analysis**

No	Indicators	2017		2018		2019	
		million sum	share percent	million sum	share percent	million sum	share percent
	Assets						
1.	Investment and other securities	1648,6	1.0	2277.0	1.1	3157.0	1.2
2.	Credit investments	108467,2	65.1	164670.1	76.8	207646.3	76.1
3.	Total assets	166631,8	100.0	214419.6	100.0	272726.9	100.0
	Liabilities						

1.	Deposits	59578,7	40.8	70001.4	37.3	91009.0	41.1
2.	Loans and leases	72819,3	49.9	104378.8	55.6	105252.2	47.5
3.	The value of the issue papers	190,3	0.1	10.0	0.2	872.7	1.3
4.	Jami obligations	145955,7	100.0	187740.7	100.0	221696.0	100.0

In the total assets of banks, investments in investments and other securities account for 1.1-1.2%. This shows that the investment activity of banks in this area is very slow.

There are a number of reasons for this, including:

- The type and volume of liquid securities in the financial market of the Republic is small;
- relatively high inflation rate and devaluation rate of the national currency.

In 2018, the inflation rate was 14.3 percent, while in 2019 it was 15.2 percent. In 2019 alone, the exchange rate of the national currency against the US dollar depreciated by 13.9% compared to the beginning of the year (from 8,341 soums / dollar to 9,501 soums / dollar) [19].

Applying only market mechanisms in determining the exchange rate of the national currency against foreign currency, creating equal competition for all businesses in the foreign exchange market, increasing the stimulating role of foreign exchange policy in developing exports in non-traditional sectors, strengthening regional and international economic cooperation, quality jobs and high value-added products to improve the business and investment climate, to attract foreign direct investment, knowledge and technology to all sectors of the economy to directly stimulate production, to implement a strict monetary policy aimed at ensuring the stability of the national currency, to actively pursue monetary instruments and policies in this regard. active and personal use of monetary instruments, the requirement for compulsory sale of foreign exchange earnings of all exporting enterprises, regardless of the form of ownership, was abolished.

### 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 ensure the active participation of commercial banks in these projects with their credit resources in order to accelerate the implementation of investment projects. creating conditions for their transformation 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. In addition, the role of commercial banks is important in ensuring the required level and structure of investments in the economy of the republic and its individual sectors, increasing investment activity of investment entities to find sources of investment and identify priority areas for their use.

In our opinion, in order to increase investment activity in the country's economy and the attractiveness of the investment climate, it is necessary to address the following issues:

1. It is expedient to increase the level of competitiveness of commercial banks and transform banks into a system operating on the basis of advanced banking practice, increase the level of financial literacy and protection of the rights of the population in the field of banking and financial services.

2. Strengthening public confidence in the banking system of the country, constant monitoring of customer demand for the banking system, improving the culture of banking services, providing advanced banking services to meet the needs of customers, further reforming and stabilizing the financial and banking system.

3. It is expedient to pay special attention to creating conditions for balanced and balanced development of the economy at the micro and macro levels in attracting investments to the country and to develop convenient and optimal ways to attract vacant funds of the population to finance projects and direct them to financing investment projects. it is necessary to go out and actively apply in practice.

4. It is necessary to ensure the steady growth and quality of the loan portfolio of commercial banks by increasing the participation of commercial banks in financing investment projects, improving the system of project expertise and risk assessment, preventing problem loans and increase the attractiveness of securities of joint stock companies.

5. In order to increase the investment activity of commercial banks, the regular introduction of new types of deposits and deposits, taking into account the needs of the population and businesses, a comprehensive analysis of what hinders the growth of deposits in banks, their involvement in the banking system. measures need to be taken.

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