International Journal of Scientific Trends- (IJST)
ISSN: 2980-4299
Volume 2, Issue 10, October, 2023
Website: https://scientifictrends.org/index.php/ijst
Open Access, Peer Reviewed, Scientific Journal

Investment Activity of Commercial Banks and its Mechanisms of Formation

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Abstract
This article describes the role of commercial banks in the conditions of the developing market economy, the state of banks in Uzbekistan and the development prospects. The economic importance and conditions of banks in the formation of the financial base of the state have been analyzed and results have been given.

Keywords: : Digital economy, commercial bank, economy, credit, finance, investment, liquidity, deposit, securities.

Introduction

In the digital economy, commercial banks operate in an environment of ever-increasing competition. They compete with each other and with other credit and financial institutions, including foreign banks that offer various types of services. In the conditions of strong competition, one of the main areas of activity of commercial banks is investment activity.
Investments are long-term investments in securities of private, state enterprises and organizations. The main purpose of investment activities by commercial banks is to ensure their profitability and liquidity (ability of the bank to fulfill its obligations on time). In the economies of developed countries, the investment policy of commercial banks is one of the main areas of banking activity and plays a key role in ensuring banks' liquidity. The investment activities of banks are carried out by placing their funds in various securities: ordinary and preferred shares, bonds, government debt obligations, certificates of deposit, promissory notes, etc.
In developed countries, the investment activity of commercial banks is the second source of bank income after loan interest.
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:

- stable developing economy of the state;
- existence of a smooth and clearly functioning system of the credit-financial system;
- existence of modern and developed securities market institutions;

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- the existence of legal acts and procedures controlling the activity of securities market participants ;
- implementation of high-quality securities transactions in international investment activities of commercial banks;
- availability of highly qualified specialists and entrepreneurs for the investment sector and the securities market, preparation of their activities, etc.

The profitability of separate types and groups of securities depends on the market price of the banks' investment portfolio. In turn, it changes under the influence of the following factors. These are: bond interest rates, accrued interest, interest on bills, dividends on shares, and supply and demand for securities.

Usually, the market price of securities and the income earned by commercial banks are inversely proportional. When the price of securities is low, the income from them can be high and vice versa.

Thus, the increase in interest rates will have negative and positive aspects.

When stock interest rates rise, investing funds may benefit the bank, but higher interest rates, in turn, mean that the bank's investment portfolio is depreciating. When such a situation occurs in the stock market, in practice, the bank's investment funds are tied or "closed".

In cases where the rate of return on certain types of securities is related to changes in the interest rate, the duration of the securities plays an important role. The shorter the duration of the security, the more stable its price, and vice versa, the longer the duration, the more it is affected by fluctuations in interest rates.

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.

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 contradiction between liquidity and profitability determines the investment risk and it can be considered as a possibility for a commercial bank to achieve high income without reducing the level of liquidity.

The following risk factors can be encountered in the investment activity of commercial banks. These are: credit, market and interest 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.

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The ability of the state government not only to receive loans, but also to pay its obligations is important for the organization of the state's securities market and 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.

The fact that a commercial bank risks its liquidity and puts its significant funds into investment activities for the purpose of obtaining income creates an opportunity for the emergence of large or small investment risks 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.

Based on the relationship between the principles of investment activity and the main factors of investing in securities - profitability, liquidity and risk - every commercial bank realizes the influence of the above factors, or implements this investment policy well or badly. This, in turn, means that the bank will take a certain level of investment risk in the investment policy of the bank, and it means that it is necessary to develop appropriate measures in the investment policy of the commercial bank.

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 in terms of their payment term and quality (distributed), the capacity of the issuer, the quality of securities;
- diversification by geographical spread of securities;
- the type of obligations of securities in terms of maturity and others. According to the supply of the above signs, the objectives of the investment policy are determined while diversifying.

Forecasting stock interest levels is different in practice than in theory. Therefore, commercial banks analyze the composition of interest rates in order to increase the level of reliability of forecast results.

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