



## THEORETICAL FOUNDATIONS FOR ENHANCING THE INVESTMENT ACTIVITY OF COMMERCIAL BANKS

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Today, the investment activity of banks serves to support the main sectors of the national economy, particularly industry, agriculture, and services. Therefore, attracting investments and managing them effectively plays a decisive role in increasing the competitiveness of banks.

For the banking system of Uzbekistan, it is an urgent task to modernize the financial infrastructure, strengthen the legislative framework, and improve risk management mechanisms. Especially for commercial banks, it is important to expand investment products and services, ensure financial stability, and introduce advanced foreign practices.

Thus, measures aimed at increasing the investment activity of commercial banks serve as an important factor in improving the global competitiveness of the national economy. This, in turn, leads to sustainable economic growth, the creation of new jobs, and an improvement in the population’s standard of living. From this perspective, efforts to strengthen the investment activity of commercial banks should be further expanded.

Enhancing the investment activity of commercial banks can be applied not only in terms of various performance indicators but also when selecting specific financial leverage for the overall investment portfolio. In addition, regulatory bodies in many countries recommend that banks express their investment policy in a written document, highlighting the following aspects:

1. The risk that the bank may not receive repayment on the purchased security on time;
2. The scheduled maturity dates of the securities until redemption, as well as the liquidity level of all purchased securities;
3. The objectives the bank aims to achieve through its investment portfolio;
4. The diversification of the investment portfolio intended to reduce risks through the bank’s operations [2].

In managing the bank’s activities, its management constantly optimizes the following investment strategies:

**Growth strategies** are formed from the shares of companies whose market value is steadily increasing. The goal of this type of strategy is to achieve growth in the capital value of the securities portfolio along with receiving relatively high dividends. However, dividend payments are made in small amounts.

**Aggressive growth strategies** aim for the maximum possible additional growth of the bank’s fund. These include equity strategies of young, fast-growing companies.

Like these companies, investments in the bank's portfolio carry significant risk but stand out for their potential to generate the highest returns.

**Conservative growth strategies** are considered the least risky. They are mainly composed of equity strategies of large, well-known companies characterized by stability, even if their market value growth rate is not high. In this case, the bank's portfolio composition remains stable for a long period. Conservative growth investment strategies are aimed at preserving capital.

**Moderate growth strategies** combine the financial instruments and investment characteristics of aggressive and conservative growth. In implementing this strategy, reliable long-term securities are purchased alongside risky fund instruments that are regularly updated. This ensures moderate growth of the fund and a balanced risk level. Reliability is provided by conservative growth securities, while profitability comes from aggressive growth securities. Moderate growth strategies are the most common model of securities portfolios and are used by banks that avoid high risk.

**Income strategies** are designed to achieve high returns through interest and dividend payments. Income is mainly generated from shares with moderate market value growth and high dividends, bonds with high current yields, and other securities. The feature of this type of strategy is that its goal is to obtain a minimum level of return corresponding to the lowest risk acceptable to conservative investors. Therefore, the objects of this strategy are highly reliable instruments of the stock market, with stable interest payments and high market value ratios.

**Growth and income strategies** are formed to prevent potential losses from both the decline in market value on the stock exchange and low dividend or interest payments.

The essence of the investment activity of commercial banks lies in the effective allocation of investment potential between different groups of assets. When forming a portfolio, depending on the initial goals and objectives, a certain ratio is chosen between the various types of assets that make up the investor's portfolio. The main task of a bank manager is to properly consider the investor's needs and to form the asset portfolio accordingly [3].

Portfolio investment is an important tool in planning, evaluating, and monitoring the final results of commercial banks' investment activities in the securities market [4]. It includes shares, bonds with various levels of risk and guarantees, as well as fixed-income securities guaranteed by the state. Theoretically, a portfolio can consist solely of one type of security or change its composition through substitution of various securities. No single security alone can achieve such an effective result.

The main purpose of portfolio investment is to improve investment conditions — by giving the set of securities new characteristics that are not inherent in each security individually, thereby creating the opportunity for the investor to obtain stable returns with minimal risk. Therefore, a securities portfolio is considered a reliable foundation for reducing risks and ensuring returns for the investor.

## References:

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