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# THEORETICAL AND SCIENTIFIC BASES OF INCREASING THE LIQUIDITY OF COMMERCIAL BANKS IN INVESTMENT ACTIVITIES

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## Abstract

This article describes the investment activities of commercial banks and its theoretical and scientific foundations, and presents scientific views, proposals and recommendations on the impact of investment activities on economic efficiency.

**Keywords.** Investment, activity, bank, analysis, risk, credit, forecast, return, attractiveness, efficiency.

## INTRODUCTION:

The role and importance of commercial banks in further improving the economy of our country and improving the well-being of the population are very great. Because commercial banks are one of the main pillars of the country's financial system, and by ensuring stable high growth rates in the sectors of the economy, in the next five years, namely 2022-2026, "increasing the gross domestic product per capita by 1.6 times and per capita income by 2030 to more than 4 thousand US dollars, and "creating the basis for joining the ranks of countries with an income above average" [1], the role of commercial banks in further improving the investment climate and increasing investment attractiveness is incomparable. However, studying and analyzing the effectiveness of investment activities is one of the urgent issues of the day.



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## **LITERATURE REVIEW**

The theoretical and scientific foundations of the topic have been studied by many foreign and domestic scientists. In particular, economist P. Samuelson argued that "investment is the process of using income not for current consumption, but for the purpose of obtaining more profit in the future and expanding activities [2], L.J. Gitman, M.L. Jonklar's textbook "Fundamentals of Investment" states that "Investment is a method of placing capital, which should maintain the value of profit and have a positive effect on its growth" [3]. Russian scientist A.M. Margolin in his textbook "Investments" defines "Investments are capital investments in the form of money, target bank deposits, securities, technologies, machinery, fixed assets and other property, as well as property and non-property rights with monetary value, in production and other objects of activity in pursuit of the investor's strategic goals" [4]. J.M. Keynes's investment theory is considered one of the main sources in the study of the investment activities of commercial banks, while I. Fisher's theory of the direct relationship between investments and interest rates Theories devoted to the dependence of commercial banks on the capital structure and investment decisions of commercial banks help to understand them. Frank Modigliani and Merton Miller in their financial theories study the impact of capital structure on commercial banks and their investment decisions. Uzbek economist D.G.Gozibekov put forward the definition that "the essence of investments is to obtain funds from clear and reliable sources, mobilize them reasonably, maintain the value of capital taking into account the level of risks, and obtain the desired result" [5]. Also, our local economists have conducted research, scientific research on the organization and development of investment activities of commercial banks, and published scientific works. In particular, economist A.Khodzhayev conducted scientific research on ways to improve the investment activities of commercial banks in accordance with the requirements of recent reforms. However, our research shows that all economic It is a pressing issue that each commercial bank, like all economic entities, should further improve its efficiency indicators by expanding the scope of investment activities on a scientific basis, not only through the narrow scope of the lending mechanism, but also through the expansion of its financial capabilities.



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## **RESEARCH METHODOLOGY**

In the process of further accelerating economic growth, the methods of analysis and synthesis, discounting, and net present value are widely used as a methodological basis in the study of the investment activities of commercial banks.

## **ANALYSIS AND RESULTS**

An active investment policy is being pursued in our country. Our research shows that practical work in this area involves not only attracting foreign investments, but also a number of works on the export of investments in our country. The economic potential and role of commercial banks in this are incomparable. However, in commercial banks, like all economic entities, a scientifically and methodologically sound use of investment analysis is required. Because investment analysis is a tool for commercial banks acting as investors to make effective decisions on investments is a set of methodological and practical measures and methods performed to predict, justify and assess the feasibility of increasing the investment potential. Our study of theoretical sources shows that the main goal of the financial and economic activities of each economic entity, regardless of the form of ownership, is to make a profit and increase economic potential. Investments are a means of achieving this goal. However, in order for each investor's decisions to be successful, it is advisable to base them on the results of investment analysis, and a correctly and timely investment analysis allows you to solve the following tasks: assess the real needs of investments and the presence of the necessary conditions for investments; select investment solutions taking into account the tactical and strategic goals of the entity; identify all factors affecting the actual results of investments, planned but not planned deviations; assess in advance the risks for investors when making investments; development of recommendations after investment monitoring to improve the quality indicators of entities. Research shows that investment activity analysis in commercial banks should be carried out in the following sequence: selection, collection and preparation of necessary information; processing of primary information and formation of analytical information; analysis of analytical information; preparation of conclusions and



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recommendations based on the results of the analysis. Investment analysis includes two important stages, and each of them may include several more stages:

Stage 1: assessment of the feasibility of the investment project;

Stage 2: assessment of investment risks.

It is recommended to use horizontal, vertical, trend, comparison, coefficient, integral methods in investment analysis on a scientific basis. At these stages, it is necessary to pay attention to the characteristics inherent in the investment category. An important characteristic of investments is their placement in selected assets for the purpose of maintaining their current value for a certain period of time, increasing their capitalization and accumulation. Investments differ from fixed capital in their readiness to be tied to specific assets based on clear and uncertain risks, calculations, and investment decisions. These features distinguish investments from capital. Investments also differ from loans. In lending, the initiator of the agreement is usually the debtor, while in investing, the initiator is the investor. While a loan is characterized by a payment in the form of interest, investments expect results in the form of dividends, profits, interest, income, material benefits, social, environmental and other effects. According to these features, investment and credit differ from each other. The content of investments is determined by their forms of manifestation, and the purpose is determined by their main function - accumulation. The content of investments is to obtain funds from clear and reliable sources, mobilize them reasonably, maintain the value of capital, taking into account the level of risks, and obtain the desired effect. According to these features, investments differ in content from other financial investments. All of this is based on the process of capital movement. The involvement of capital in the process of movement reflects the essence of investments. Thus, investments are the binding of capital to certain processes, for a certain period of time, under certain and uncertain, but probable risks, with the aim of preserving, capitalizing and accumulating its current value. This idea can be briefly expressed in the most important form as follows: if the total amount of income received exceeds the total amount of expenses incurred, it is necessary to choose the highest profitability (efficiency) from several alternative options for investment decisions.



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Of course, following this rule, when making investment decisions, it is also advisable to pay attention to the following aspects: determining the efficiency of investments, that is, finding a better or more profitable way to spend funds, taking into account the payback period, risk level, expected inflation rates and taxation prospects. The project-based production direction in the use of funds is considered effective for both the commercial bank and society. Because in production, a specific type of product (work, service) is created, and together with economic value, consumer value is generated. If the price, consumer value and its quality meet the requirements of the buyer, the duration of production of this type of product (work, service) increases. Thus, the circulation of funds is ensured. The most important thing is ysi investors will receive the expected result from the funds they spend. Our research shows that JSCB "Asakabank" was established by the resolution of the Cabinet of Ministers of November 7, 1995, and during this period is one of the leading banks with its place and potential in the financial services market and is pursuing an active investment policy. In particular, since the beginning of 2019 alone, Asakabank has allocated 1545.3 billion soums to finance long-term investment projects. [6] The results of the activities carried out by the bank have been repeatedly recognized as the best bank of the year in our country. The Kashkadarya regional branch of JSCB Asakabank, which was selected as the object of the research, also invested 1491.3 billion soums in all areas in 2022. Soums, 651.5 billion soums (including 70.1 million US dollars in foreign currency) were allocated for 90 projects. As a result, 85 projects were launched and 832 new jobs were created. In particular, in the industrial sector - 512.9 billion soums for 32 projects (of which 54.1 million dollars); in agriculture - 155.5 billion soums for 22 projects (of which 11.4 million dollars); in services - 23.1 billion soums (of which 0.6 million dollars) were allocated for 33 projects. When we analyze the distribution of these loans by sector, the largest loan amount fell on the industrial sector. However, although the number of projects in the service sector is slightly higher than the number of projects in the industrial sector, the amount of loans allocated is much lower. During 2023, 74 projects with a total value of 1,651.1 billion soms were allocated in all areas, with a total of 660.8 billion soms (including 35.3 million dollars in foreign currency). In particular, in the industrial sector - 567.1 billion





soms for 42 projects (including 40.3 million dollars); in agriculture - 66.6 billion somms for 9 projects; in services - 27.1 billion somms (including 0.6 million dollars) were allocated in loans. During the 11 months of 2024, 62 projects with a total value of 1,841.5 billion somms were allocated in all areas, with a total loan amount of 615.0 billion somms (including 41.7 million dollars in foreign currency). In particular, in the industrial sector - 587.8 billion somms were allocated to 28 projects (of which 37.7 million dollars); in agriculture - 7.1 billion somms to 16 projects; in the provision of services - 20.1 billion somms were allocated to 18 projects. The number and amount of projects financed by the bank in 2023 and during the 11 months of 2024 correspond to the share of the industrial sector. Namely, the work carried out by the bank in the field of financing investment projects provides great efficiency not only for the country, but also for the economy of the Kashkadarya region. This efficiency is manifested in several areas:

**1. Promoting economic growth:**

Investment projects stimulate economic growth by creating new jobs, increasing production volumes, and introducing new technologies.

Commercial banks, by financing these projects, increase activity in various sectors of the economy.

**2. Supporting innovation:**

Innovative projects may have high risks, but they can bring significant benefits in the long term.

Commercial banks contribute to the development of new technologies and ideas by financing innovative projects.

**3. Contributing to infrastructure development:**

Infrastructure projects (roads, bridges, power plants, etc.) are important for economic development.

Commercial banks help improve the country's infrastructure by financing these projects.

**4. Supporting small and medium-sized businesses:**

Small and medium-sized businesses (SMEs) are an important part of the economy and create many jobs.

Commercial banks finance SME projects and promote their development.



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**5. Ensuring regional development:**

Commercial banks contribute to the development of rural and remote areas by financing regional projects.

This helps create new jobs in these areas, improve infrastructure, and raise the standard of living of the population.

**6. Attracting foreign investment:**

Commercial banks cooperate with foreign investors and participate in financing large investment projects.

This helps attract foreign investment to the country and modernize the economy.

**7. Ensuring financial stability:**

Commercial banks regulate cash flow and ensure financial stability by financing investment projects. They ensure financial security by evaluating projects and managing risks.

## **CONCLUSIONS AND SUGGESTIONS**

Commercial banks play a key role in financing investment projects. The role and importance of banks in the economic development of the country is of great importance. Because, as a result of this activity of commercial banks, the opportunities to stimulate growth in various sectors of the economy, support innovations and contribute to the development of infrastructure will further increase. Our research shows that the most important tasks facing commercial banks in this area are: Financial analysis and assessment of projects. Setting the terms of credit allocation and financing. Monitoring the implementation of projects. Providing financial advice and assisting in project management.

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