



THE IMPORTANCE OF BANKS IN INCREASING INVESTMENT ATTRACTION

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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.

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 to attract capital and increase 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 is foreign identifies specific areas of investment attraction, 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 "in order to develop the economy at a high pace, it is necessary to continue an active investment policy [3]." It should be noted that the investment process is financial the market mechanism of supply, in turn, means the active participation of commercial banks. In modern conditions, the country's commercial banks are constantly involved in the investment process. However, the current macroeconomic indicators at the national level show that the share of commercial bank loans in GDP is still relatively low.

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 need to increase the role and place of commercial banks in financing the investment process, to 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 to increase the attractiveness of the investment climate in Uzbekistan. In particular, economists A. Vakhobov, Sh. Khajibakiev, N. Muminov note the following about the investment climate:

“The investment climate is a set of economic, political, legal and social factors that predetermine the level of risk of foreign capital investment and the possibility of 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, the level of external debt [6].

Investment - a social sphere for the benefit of the investor;

- risks to business, research and other activities and tangible and intangible assets imported on the basis of rights, including intellectual property rights, as well as reinvestment [1];
- cash, including cash (including foreign) currency), target bank deposits, shares, stocks, shares, bonds, promissory notes and other securities;
- movable and immovable property (buildings, structures, equipment, machinery and other material 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, which invests in the acquisition of financial assets, the creation and organization of real assets [7]. The difference between banks and other investors is that they invest on the basis of borrowed funds. Therefore, if a bank appears in the market on the one hand as an investor, 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 study. Brief description of the research results:

- The role of banks in increasing the attractiveness of the investment climate
- theoretical justification of the importance of increasing, as well as the importance and role of banks' participation in investment activities;
- to study the role of banks in increasing the attractiveness of the investment climate and their legal framework;
- Analysis of the current state, main economic indicators and efficiency of investment activities of commercial banks in Uzbekistan;
- Factors affecting the investment activity of commercial banks determination;
- Foreign development of commercial banks in investment activities learning from experience;



- 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 largely depends 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 introduced into the economy only if there are economic, political, social and legal conditions [5].

President of the Republic of Uzbekistan Sh. M. Mirziyoev to the Oliy Majlis Application: World experience shows which country is active

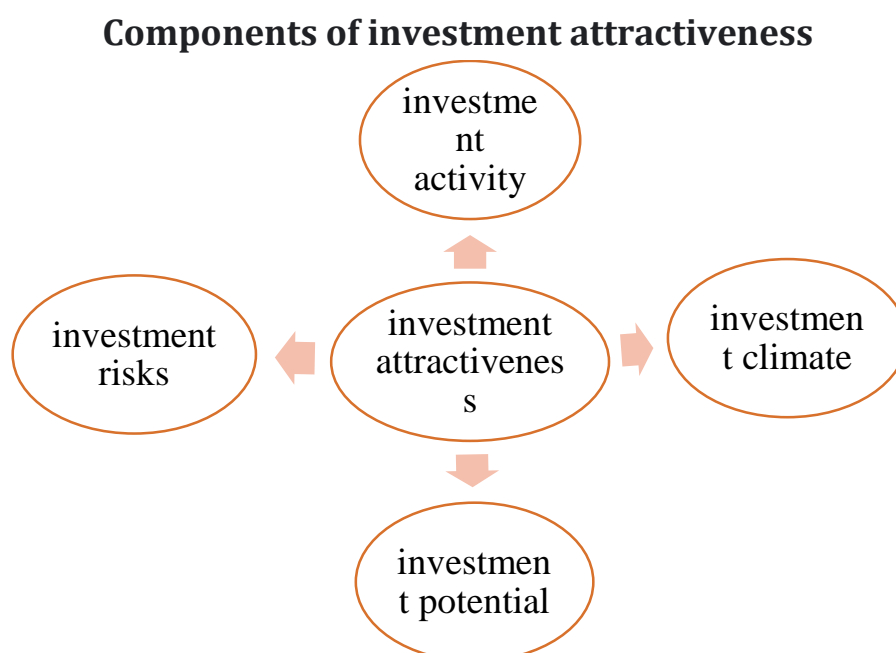
Along with its investment policy, it has achieved sustainable economic growth. Therefore, it is no exaggeration to say that capital is the driving force of the economy, in Uzbek, the heart of the economy.

The attractiveness of the investment climate is the inflow of foreign investment is an important factor in reproduction. Figure

1 shows the investment climate, investment activity, and investment potential in the region as the main elements of investment attractiveness. We believe that through these components, it is possible to increase investment attractiveness on a private basis, ensure 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 direct 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. It is necessary to increase the level of capitalization for commercial banks to carry out active investment activities.

When allocating investment loans by banks, "Commercial banks The Regulation on the procedure for syndicated lending of large investment projects by the Government of the Kyrgyz Republic" [4] also serves as the main regulatory framework.

Figure 1.





In this regulation, the bank carries out syndicated lending the order of organization of the syndicate, the order of registration of credits, syndicated lending, monitoring its account and the procedure for its repayment.

Table 1

In the Republic of Uzbekistan in recent years analysis of major investment projects¹

№	Large investment year of project start	Number of major investment projects launched	Volume of major investment projects launched, USD
1	2015	158	7,4 billion soums
2	2016	164	5,0 billion soums
3	2017	161	2,4 billion soums
4	2018	76 000	21 billion soums and 1,0 billion \$
5	2019	2,8 000	220,7 billion soums and 21,5 billion \$
6	2020	More than 2,000	233,2 billion soums

Implementation of investment projects in the development of the national economy. The importance of growth is great, it is explained as follows:

- modern equipment for the production of foreign investment and introduction of technologies and development of export-oriented products develops production;

- to launch the production of import-substituting products, which will attract

foreign investment in priority sectors of the economy and ensure a decent standard of living;

- Development of small business and agricultural production provides employment to a growing population through acceleration.

The efficiency of investment projects is based on high efficiency will depend on the implementation of the developed plans.

Table 2

Investments of commercial banks of the Republic of Uzbekistan activity analysis²

№	Indicators	2018		2019		2020	
		billion soums	Share %	billion soums	Share %	billion soums	Share %
Assets							
1	Investment and other securities	1 648,6	1,0	2 277,0	1,1	3 157,0	1,2
2	Credit investments	108 467,2	65,1	164 670,1	76,8	207 646,3	76,1
3	Total assets	166 631,8	100,0	214 419,6	100,0	272 726,9	100,0
liabilities							
1	Deposits	59 578,7	40,8	70 001,4	37,3	91 009,0	41,1
2	Loans and leases	72 819,3	49,9	104 378,8	55,6	105 252,2	47,5
3	Issued securities	190,3	0,1	10,0	0,2	872,7	1,3
4	Total liabilities	145 955,7	100,0	187 740,7	100,0	221 696,0	100,0

¹ <https://mift.uz/uz/news/uzbekiston-respublikasining-2019-jil-uchun-investitsiya-faolijati-sarisobi>

² Compiled by the author on the official website of the Central Bank of the Republic of Uzbekistan www.cbu.uz.



The total assets of banks include investments and other assets investments in securities amounted to 1.1-1.2%. This shows that the investment activity of banks in this area is very slow. There are many reasons for this, including:

- The type and volume of liquid securities in the financial market of the Republic is low;
- the rate of inflation and the rate of devaluation of the national currency relative height. In 2019, the inflation rate was 14.3 percent, while in 2020 the figure was 15.2 percent.

In 2020 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) [8];

Applying only market mechanisms in determining the exchange rate of the national currency against foreign currencies, creating equal conditions for all economic entities in the foreign exchange market; increase the stimulating role of monetary policy in the development of exports in non-traditional sectors, strengthen regional and international economic cooperation; improving the business and investment climate, which will attract foreign direct investment, knowledge and technology to all sectors of the economy to directly stimulate the production of quality jobs and high value-added products; implementation of a strict monetary policy aimed at ensuring the stability of the national currency, active and consistent use of monetary instruments in this regard, active and personal use of monetary instruments, compulsory sale of foreign exchange earnings of all exporting enterprises; regardless of ownership.

Restriction of commercial banks' investments in enterprises the existence of the Republic of Uzbekistan was adopted on November 5, 2019 Article 7 of the new Law on Banks and Banking Act prohibits banks from establishing legal entities and acquiring shares or stakes in the charter funds (authorized capital) of legal entities [2]. This restriction does not apply to joint-stock companies listed on the stock exchange in the amount of not more than twenty percent of the shares placed on the secondary market of securities.

In the current context of economic liberalization, various sectors and the state has a special role to play in prioritizing modernization, restructuring and investment policy.

In general, it can be said that further expansion of production by investing in every sector of the economy will serve to improve the welfare of the population.

Conclusions and suggestions

Further investment activity of commercial banks in the country continue to take measures to expand and support exporting enterprises and small businesses; investment projects by enterprises of the real sector of the economy in order to accelerate the implementation of this by commercial banks ensuring their active participation in projects with their own credit resources and, ultimately, turning them into large investment institutions.

It should be noted that commercial banks are active in the investment process participation in the further development of the economy and the country's economy lays an important role in capacity building. In addition, the role of commercial banks is important in ensuring the required level and structure of investments in the



economy and its individual sectors, increasing investment activity of investment entities to identify and prioritize the use of investment sources.

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

1. Increasing the level of competitiveness of commercial banks and it is desirable to transform banks into a system based on best banking practices, 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, regular monitoring of customer demand for the banking system; Improving the culture of banking services, providing advanced banking services that meet the needs of customers, further reforming and stabilizing the financial and banking system of the country are among the priorities.

3. In directing investments to the country proportionate and balanced at the micro and macro levels of the economy special attention was paid to creating favorable conditions for its development It is necessary to develop the most convenient and optimal ways of attracting free funds of the population in the financing of projects and to pay attention to the need to actively apply them in practice and direct them to the financing of investment projects.

4. Commercial banks in financing investment projects strengthen participation, improve project expertise and risk assessment system; It is necessary to ensure the sustainable growth and quality of the loan portfolio of commercial banks by preventing the emergence of

problem loans in the country and increasing the attractiveness of securities of joint-stock companies.

5. Regular introduction of new types of deposits and savings, taking into account the needs of the population and businesses in order to increase the investment activity of commercial banks; At the same time, it is necessary to take additional measures to analyze the growth of deposits in banks and what hinders their involvement in the banking system.

6. Investments of commercial coordination banks it is advisable to participate in the financing of the project and organize monitoring of investments and implementation. This, in turn, will lead to the direct involvement of banks in the investment process, the transparency of the project, as well as the reduction of funding periods.

7. Foreign direct investment by commercial banks it is necessary to develop effective mechanisms for attracting and improve the procedure for assessing the factors influencing the financing of investment projects.

8. In-depth study of external factors and balance of payments account and monetary policy based on the complete formation of the analysis system improving the methods of formation, adoption and implementation in order to develop a statistical, analytical and research base compatible.

9. Mechanisms of regulation and supervision of the banking system, e.g. in particular, it is necessary to improve the risk management and assessment system of commercial banks, which will allow to identify problems in the activities of commercial banks at an early stage and take measures to address them.



10. It is expedient to coordinate the implementation of the e-government system, further develop the payment system, including the organization of an effective system of information exchange of commercial banks with the provision of remote banking services that allow you to

quickly manage accounts and conduct banking operations in real time.

In short, the implementation of the above measures will have a positive impact on the sustainable growth of our economy in the future, the development of increased participation of commercial banks in investment activities.

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