

## Ways of Increasing the Activity of Commercial Banks in the Stock Market of the Republic of Uzbekistan

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### Abstract

*Commercial banks are professional participants in the stock market. They, performing issuing and investment operations, at the same time provide trading and intermediary services to companies participating in the market. Therefore, the activity of commercial banks occupies an important place in the development of the stock market.*

*The article identifies urgent problems associated with increasing the activity of commercial banks in the stock market of the Republic of Uzbekistan and develops scientific proposals aimed at solving these problems.*

**Keywords:** *commercial bank, stock market, share, bond, option, investment operation, emission operation, underwriting, portfolio, diversification.*

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### Introduction

Development of the stock market in Uzbekistan is one of the priorities of the state economic policy. In the Development Strategy of New Uzbekistan for 2022-2026, in order to increase financial resources in the economy, increasing the turnover of the stock market from 200 million US dollars to 7 billion US dollars in the next 5 years is recognized as one of the necessary conditions for ensuring macroeconomic stability and maintaining high economic growth rates. [1]. This, in turn, creates the need to increase the activity of stock market participants, including commercial banks, which are professional participants.

### Review of literature on the subject.

According to the portfolio theory of H. Markovits, an investor investing in securities always provides a portfolio that provides low risk in conditions of optimal level of return or provides a portfolio that provides high return in conditions of optimal level of risk. In order to avoid such a mistake, the investor should choose such a portfolio in which the expected return cannot increase without increasing the risk, or vice versa, the risk should not decrease without decreasing the expected return [2].

According to the conclusion of Yu. Morozkin and E. Svistunova, in the conditions of dynamic changes in the stock market, it will be necessary for a commercial bank to develop an improved strategy for forming a portfolio of securities. The management should be able to make corrections to the portfolio of securities based on the monitoring of one or other factors that allow to draw conclusions about the situation in the stock market [3].

According to the "Black-Scholes" model, which allows to determine the price of the option realistically, the underlying asset of the "Call" option does not receive dividends during the entire

term of the option; there are no transaction costs associated with buying or selling an option; the short-term risk-free interest rate remains unchanged throughout the life of the option [4].

According to the passive strategy of commercial banks for managing securities portfolios, since all the information on the stock market is reflected in the market quotations of securities, passive investors believe in the hypothesis of an efficient market and do not expect to receive income from speculative operations[5].

V. According to Aksenov, the asset strategy of managing the securities portfolio of commercial banks is the selection of securities necessary for the formation of the portfolio; has important features such as determining the terms of buying or selling financial assets [6].

According to J. Majidov's conclusion, the level of diversification of the securities portfolio of the commercial banks of our republic is low, and this situation does not allow banks to prevent the increase in the level of risks associated with asset operations carried out with securities. Therefore, it is necessary to ensure the level of diversification of investments in corporate securities based on the criteria and standards used in advanced foreign experience [7].

### Analysis and results

According to the regulation "On the approval of the regulation on the requirements for banks to carry out professional activities as investment intermediaries, investment asset managers and investment consultants" in the implementation of professional activities by banks as investment intermediaries in the securities market, the bank is responsible for each client's securities and money must keep accounts of his funds, carry out transactions and operations related to securities in accordance with the contract concluded with the client, report to him on concluded transactions and performed operations; the bank must have a structural division responsible for banking operations related to the implementation of professional activities as an investment intermediary, investment asset manager and investment consultant; When registering over-the-counter transactions in securities, banks must comply with the requirements for keeping a list of over-the-counter transactions and provide information on the registered transactions to the authorized state body for the regulation of the securities market in accordance with the law [8].

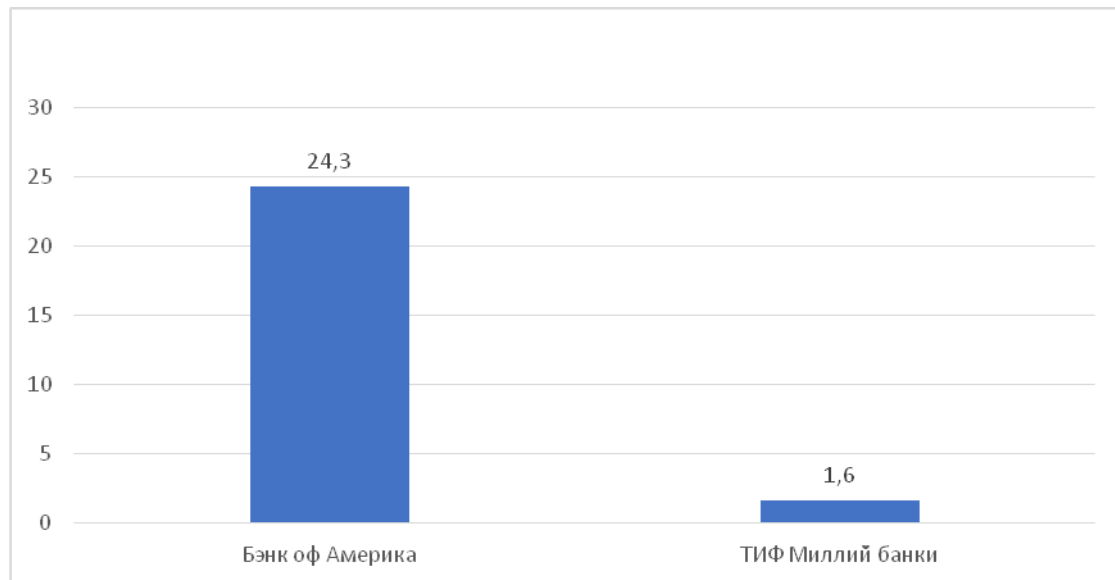
**Table 1. Amounts and levels of securities transactions of commercial banks of the Republic of Uzbekistan [9]**

Indicators	2019	2020	2021
Investments in securities, bln. soum	3 157	9 448	19 634
The share of investments in securities in the volume of gross assets of commercial banks, %	1,2	2,6	4,4
Amount of securities put into circulation by banks, bln. soum	2 873	9 523	10 613
The share of funds received from the sale of securities of commercial banks in the total volume of their liabilities, %	1,3	3,1	2,8

From the data presented in Table 1, it can be clearly seen that the amount of investments in securities by the commercial banks of the Republic of Uzbekistan and the level of these investments in relation to the gross assets of the banks had an increasing trend in 2019-2021. However, the level of investments in securities relative to the gross assets of commercial banks was

low during the analyzed period. This indicates that the level of development of the investment operations of the banks of our republic with securities is low.

From the data presented in Table 1, it can be seen that the amount of securities issued by commercial banks of our republic had an increasing trend in 2019-2021. However, the weight of these investments in the total volume of liabilities of commercial banks decreased significantly in 2021 compared to 2020. Investment transactions with securities are highly developed in the banking practice of developed countries (Figure 1).



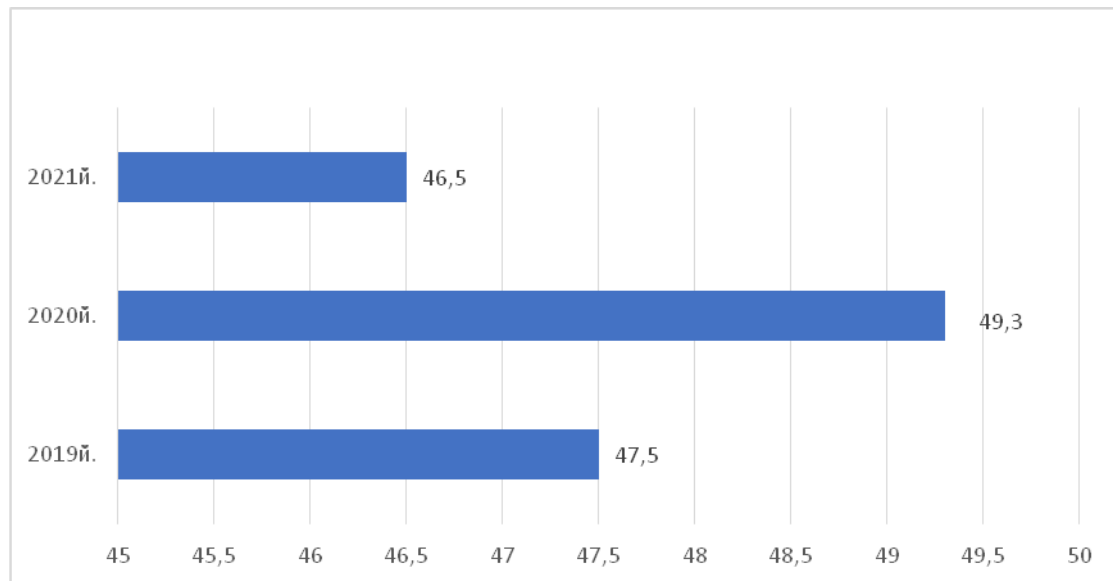
**Figure 1. Share of investments in securities in Bank of America (USA) and TIF National Bank in gross assets as of January 1, 2021 [10]**

From the data presented in Figure 1, it can be seen that in the structure of Bank of America's assets, investments in securities occupy a relatively high weight. This shows that his investment operations with securities are developed.

It can be seen from the data of Figure 1 that investments in securities occupy a very small part of the assets of the TIF National Bank. This indicates that the National Bank's investment operations with securities are underdeveloped.

Relatively high rate of inflation and depreciation of the national currency in our republic hinders investment attractiveness of securities. In addition, the level of diversification of the securities portfolio of commercial banks is low.

Another problem that hinders commercial banks from increasing their activity in the stock market is the instability of resources in banks. In particular, in the composition of liabilities of banks, the resources attracted from foreign banks occupy a high weight.



**Figure 2. The weight of resources attracted from foreign banks in the total volume of liabilities of commercial banks of the Republic of Uzbekistan, in percent [11]**

It can be seen from the data of Figure 2 that almost half of the liabilities of commercial banks of our republic are taken by loans from foreign banks. This indicates that the resource base of banks is not stable.

### Conclusions and suggestions

During the research, we formed the following conclusions:

- The development of the stock market in the Republic of Uzbekistan is defined as one of the necessary conditions for ensuring macroeconomic stability and maintaining high economic growth rates in 2022-2026;
- commercial banks in our republic have the right to carry out investment, emission and trade-mediation operations as a professional participant of the stock market;
- the amount of investments in securities made by the country's commercial banks and the level of these investments in relation to the gross assets of banks had an increasing trend in 2019-2021, however, the level of investments in securities in relation to the gross assets of commercial banks was low during the analyzed period;
- the amount of securities put into circulation by the commercial banks of our republic had a tendency to increase in 2019-2021, however, the weight of these investments in the total volume of obligations of commercial banks decreased significantly in 2021 compared to 2020;
- Bank of America has a relatively high share of securities investments in its assets, which indicates the development of its investment operations with securities;
- The fact that TIF National Bank has a very small share of investments in securities indicates that its investment operations with securities have not been developed.

In our opinion, in order to increase the activity of commercial banks of our republic in the stock market, it is necessary to implement the following measures:

1. In order to increase the amount of bank investments in securities by increasing the level of stability of the resources of commercial banks, first, by increasing the weight of term deposits in the volume of liabilities, it is necessary to reduce the weight of loans received from foreign banks in the volume of liabilities; secondly, by increasing the volume of issuance of highly liquid securities (Government and Central Bank securities), it is necessary to allow commercial banks to increase the level of diversification of the portfolio of securities and to increase the amount of income from investments in securities.

2. In order to increase the volume of emission and trade-brokerage operations of commercial banks with securities, first of all, it is necessary to increase the level of profitability of bank assets; secondly, tax benefits should be applied to the income from long-term securities of banks; thirdly, it is necessary to create the necessary conditions for the development of underwriting operations of banks with securities (improving the analysis of the liquidity and solvency of securities issuers, forming the optimal risk distribution mechanism, establishing the use of "stand-by" underwriting as a necessary condition).

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