

**FACTORS HINDERING THE GROWTH OF INVESTMENT ACTIVITY OF BANKS IN
UZBEKISTAN**

Student: **A.Yakubov**

Scientific supervisor: **A.Karimova**

Samarkand Institute of Economics and Service

Abstract: This article discusses the main problems, as well as prospects for the development of investment activities of commercial banks in the Republic of Uzbekistan. Particular attention is drawn to the need for comprehensive changes in the banking system aimed at creating a modern banking system, increasing the investment attractiveness of banks, introducing new banking standards and their project financing. In addition, recommendations are given for improving the project financing system aimed at increasing the investment activity of commercial banks.

Keywords: economy, investment, investment activity, investment project financing, commercial banks, goals of investment activity of banks, investment activity of banks.

Introduction. In the modern world, banking institutions represent one of the most important components of both national and global economic systems. Banks perform the role of financial intermediaries that ensure the effective circulation and redistribution of monetary resources within the economy. Their activities are directly connected with supporting economic growth, stimulating investment processes, maintaining financial stability, and ensuring the continuous functioning of the payment system. In the context of globalization, digital transformation, and the growing integration of international financial markets, the role of banks in socio-economic development has significantly increased. Today, commercial banks are not only providers of traditional financial services but also active participants in the implementation of strategic investment projects aimed at modernizing industries and increasing the competitiveness of the national economy.

Banks play a key role in mobilizing temporarily free financial resources and directing them toward productive sectors of the economy. Through lending operations, investment financing, and financial intermediation, banking institutions contribute to the development of entrepreneurship, industrial modernization, infrastructure expansion, and technological innovation. In many developing economies, including the Republic of Uzbekistan, the banking sector serves as the primary source of financing for large-scale economic reforms and investment programs. The effectiveness of banking activities directly influences the investment climate, business activity, and overall pace of economic development.

Recognizing the strategic importance of the banking sector, the government of the Republic of Uzbekistan adopted the “Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020–2025.” This strategy outlines the key priorities for modernizing the national banking system, strengthening financial stability, increasing competitiveness, and expanding the role of private capital in the banking sector. The document also identifies existing problems in banking activities, including insufficient capitalization, a high level of state participation, limited diversification of banking services, and the need to improve risk management systems. The implementation of the reform strategy is aimed at creating a modern, transparent, and efficient banking system capable of supporting sustainable economic growth and integrating into international financial markets.

The main part. At the present stage of economic development, commercial banks have become the main financial support for increasing the investment potential of the country. Their activities are closely related to attracting domestic and foreign investments, financing strategic sectors of the economy, and supporting private entrepreneurship. One of the priority objectives for banks in the short and medium term is to increase the share of portfolio investments and expand the use of modern investment instruments in the financial market. The development of investment banking services contributes to increasing the efficiency of capital allocation, diversifying financial risks, and strengthening the stability of the financial system.

Among the various forms of financing real investments, project financing occupies a particularly important place. Project financing is considered one of the most effective mechanisms for implementing large-scale investment projects, especially in infrastructure, energy, industry, transportation, and agriculture. Unlike traditional lending, project financing is primarily based on the future cash flows generated by the project itself, which allows the attraction of significant financial resources while minimizing risks for investors and lenders. This mechanism is widely used in international banking practice and is becoming increasingly important for the economic modernization of Uzbekistan.

Currently, only several major commercial banks in Uzbekistan actively participate in project financing operations. These include the National Bank for Foreign Economic Affairs of the Republic of Uzbekistan, the People's Bank of the Republic of Uzbekistan, Asaka Bank, Uzpromstroybank, Agrobank, and Asia Alliance Bank. Among them, the National Bank for Foreign Economic Affairs of the Republic of Uzbekistan plays a leading role due to its extensive experience in financing strategic investment projects and attracting international financial resources. These banks finance projects in key sectors of the economy, including industrial production, infrastructure development, energy modernization, agriculture, and export-oriented industries.

Despite the positive dynamics in the development of project financing, a number of significant problems still hinder its effective expansion in Uzbekistan. These problems include limited long-term financial resources, insufficient development of the domestic capital market, high credit risks, imperfect legal mechanisms for protecting investors, and limited experience in managing complex investment projects. In addition, the need for improving professional competencies in the field of project analysis, risk assessment, and financial management remains highly relevant. Solving these issues requires the implementation of comprehensive reforms aimed at strengthening the institutional foundations of project financing and increasing the investment attractiveness of the banking sector.

Therefore, the search for effective opportunities and mechanisms for improving bank project financing in Uzbekistan remains one of the most important priorities of the country's socio-economic policy. The development of project financing can significantly contribute to activating investment activity, supporting innovative industries, modernizing infrastructure, and ensuring sustainable economic growth. In this regard, improving the efficiency of banking investment activities and expanding the participation of commercial banks in financing strategic projects are essential conditions for strengthening the national economy and increasing its competitiveness in the global market.

Currently, the National Bank for Foreign Economic Affairs of the Republic of Uzbekistan continues to hold a leading position in the country's financial market. A large resource base, capital and assets can help the bank to provide large and long-term loans, take a stable position in the international financial market, and attract foreign investment. [2]

Among the types of investment, attracting foreign investment has a special impact on the development of economic sectors, which, in turn, leads to an increase in the total social product,

the use of new technologies, the rational use of new jobs, which is of paramount importance for their use in investment activities in the banking sector.

The presence of foreign capital in the economy indicates the stability of the banking and financial system. Currently, there are only a few banks in Uzbekistan, some of which are owned by foreign investors. However, despite this, they significantly increased competition in the financial market, making a significant contribution to the use of modern banking technologies, in the service sector, as well as in the service culture.

In addition, they make it possible to strengthen public confidence in banking institutions, attract foreign currency savings to deposits, expand the range and improve the quality of services provided to customers and the public, as well as the volume of attracted foreign direct investment in the economy. The system of managing investment flows has become more transparent, guarantees of private property rights have increased, and additional incentives have been created for private investors. Thus, the share of centralized investments in their total volume decreased in 2020 to 19.5% compared to 23.5% in 2017.

It should also be noted that in recent years the contribution of the banking sector to the financing of investment projects has increased several times, that is, if at the beginning of the zero years the share of bank loans in investment sources was about 2-3%, then in the last 2-3 years this indicator has grown to 10-11%, reflecting the process of expanding the mechanisms for on a market basis.

Important reform trends of our time include the steady continuation of economic improvement and liberalization, profound structural changes, ensuring macroeconomic stability, protecting private property, developing small businesses and private entrepreneurship and their interests. Major works are being carried out to increase the importance of private property and their share, step-by-step reduction of state assets in the economy, the use of modern corporate governance methods by ensuring the participation of foreign investors in the authorized capital of joint-stock companies and in the management system.

The investment policy pursued by the banking system plays an important role in ensuring financial and economic stability by modernizing the technical and technological renewal of the economy, sharply increasing its competitiveness, export potential, organizing new production facilities based on innovative and energy-saving technologies, and developing production facilities for the production of new types of products that are in demand on the world market.

In the investment activity of banks, the main focus is on ensuring timely and complete financing of projects included in the programs for the development of industries, localization and regional development.

Assigning positive ratings to all domestic commercial banks by international rating agencies plays an important role in cooperation with international financial institutions, especially in increasing investment activity.

Attracting foreign investment is a key task in the development of the national economy. The solution of this problem is largely due to the improvement of the investment environment and the potential for their development. Today, a solid legal platform is being created in our republic to attract foreign investment and effectively use it. Uzbekistan treats foreign investment as factors for further increasing the growth rate, using advanced experience, methods and know-how in the national economy, modernizing and updating production, supporting small and private entrepreneurship, and increasing citizens' incomes by creating new jobs. Socio-economic stability in the country, priority of law, capacity of the domestic market, wealth of natural resources, high intellectual potential, stability of the financial and banking system, developed infrastructure and logistics, elasticity of tax policy, participation of foreign investors in privatization processes, additional benefits and preferences for joint ventures and other measures

remain the main criteria for making the most important decisions. decisions in favor of Uzbekistan by foreign investors.

From all of the above, we can conclude that the banking sector of the Uzbek economy has not yet reached a situation where we can say that banks have actively started to engage in the investment process. We believe that the change in investment activity in the banking sector is largely due to the solution of many other macroeconomic problems facing the Uzbek economy.

Conclusions and suggestions. Based on the analysis of the problems of banking investment activity, we propose a set of measures to solve them:

1. In Uzbekistan's economy, in our opinion, the problems of increasing investment activity in the banking sector are largely closely related to the need for further economic reforms. This concerns not only the improvement of the regulatory framework, which is necessary to attract foreign investment, but also the problems associated with the further development of market infrastructure, which should be aimed at expanding the scope of banks' activities, primarily its investment activity.

2. To increase the level of functioning and expand the competencies of the banking sector, it is necessary to introduce a permanent procedure for training leading specialists involved in the analysis of commercial banks' investment investments, and it is necessary to use the foreign experience of international banks, in particular those that cooperate with leading banks in Uzbekistan.

3. Create the necessary conditions for establishing cooperation between higher-level banks, within which consortia and pools would be created on the basis of mutual trust and investment lending for large projects would be carried out through them. At the same time, it is necessary to conduct a thorough analysis of the effectiveness of investing in small and micro-projects, and carry out investment lending for such projects.

4. Use an economic mechanism that allows you to find such favorable conditions for attracting investment (in the field of paying taxes, creating federal investment programs), using the functional load on the banking sector.

In our opinion, the problems of increasing investment activity in the banking sector of Uzbekistan should and can be solved only if they are comprehensively addressed, and the basis should be real competition among commercial banks in the investment sector. This process can and should be intensified, as today all the necessary conditions are being created in the republic to increase the activity of investors, as well as the bank's investment attractiveness.

These proposals, in our opinion, can increase the investment activity of commercial banks, as well as improve the competitiveness of banks, their liquidity, and financial stability.

List of used literature

1. Levine R. Finance and Growth: Theory and Evidence // Handbook of Economic Growth. - Amsterdam: Elsevier, 2005. - P. 865–934.
2. Allen F., Gale D. Understanding Financial Crises. - Oxford: Oxford University Press, 2007. - 424 p.
3. Жарковская Е. П. Банковское дело: учебник. - М.: КНОРУС, 2020. - 752 с.
4. Насырова А. П. Банковские операции и кредитование. - Т.: Иктисодиёт, 2021. - 388 с.
5. Канатбаев С., Каримова А. ФАКТОРЫ, ПРЕПЯТСТВУЮЩИЕ РОСТУ ИНВЕСТИЦИОННОЙ АКТИВНОСТИ БАНКОВ УЗБЕКИСТАНА // Multidisciplinary Journal of Science and Technology. – 2025. – Т. 5. – №. 4. – С. 647-650.
6. Sh M. O., Karimova A. M. Factors Influencing The Process of Lending to Small and Medium-Sized Enterprises in The Tourism Sector // Central Asian Journal of Innovations on Tourism Management and Finance. – 2026. – Т. 7. – №. 2. – С. 200-204.

7. Маруфов З. А., Убайдуллаев Б. С. РАЗВИТИЕ ИНВЕСТИЦИОННОЙ ДЕЯТЕЛЬНОСТИ ПРЕДПРИНИМАТЕЛЬСТВА В РЕСПУБЛИКЕ УЗБЕКИСТАН // Экономика и социум. 2022. №5-2 (92). URL: <https://cyberleninka.ru/article/n/razvitie-investitsionnoy-deyatelnosti-predprinimatelstva-v-respublike-uzbekistan> (дата обращения: 18.04.2026).
8. Каримова А. М., Нуриддинова У. СУЩНОСТЬ ИНВЕСТИЦИЙ И ПУТИ ПРИВЛЕЧЕНИЯ ИНОСТРАННЫХ ИНВЕСТИЦИЙ В УЗБЕКИСТАНЕ // JMVM. 2023. №4. URL: <https://cyberleninka.ru/article/n/suschnost-investitsiy-i-puti-privlecheniya-inostrannyh-investitsiy-v-uzbekistane> (дата обращения: 18.04.2026).
9. Рузметов Ю. Б., Убайдуллаев Б. С., Каримова А. М. Инвестиционная привлекательность предприятия, а также факторы, влияющие на его развитие в экономике Узбекистана. – 2023.
10. Каримова А. М. и др. Инвестиционная привлекательность предприятия и факторы, влияющие на её развитие в Узбекистане //Central Asian Journal of Innovations on Tourism Management and Finance. – 2023. – Т. 4. – №. 9. – С. 111-116.
11. Абдувохидова Н. Г., Каримова А. М. АСПЕКТЫ ЭКОНОМИЧЕСКОЙ БЕЗОПАСНОСТИ БАНКОВ, А ТАКЖЕ ФУНКЦИИ ГОСУДАРСТВА И РЕГУЛЯТОРНЫХ ОРГАНОВ //PEDAGOGICAL SCIENCES AND TEACHING METHODS. – 2026. – Т. 5. – №. 54. – С. 15-21.
12. Strategy for reforming the banking system of the Republic of Uzbekistan for 2020-2025.- www.uza.uz
13. https://revolution.allbest.ru/economy/00948922_1.html
14. <https://cbu.uz/ru/statistics/financing/71295/>