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CONTACTS

Phone: **+998 50 737 87 88**

Website: <https://ist-journal.uz>

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MECHANISMS FOR FORMING AND IMPLEMENTING INVESTMENT POLICY OF COMMERCIAL BANKS

Abduvaliyev Sanjar Abdurahmanovich

Independent Researcher

Tashkent International University

Email: s.abduvaliev@gmail.com

Abstract: This article provides a scientific and practical analysis of the mechanisms for the formation and implementation of investment policy of commercial banks. In particular, the role of banks' investment activities in the development of the economy, the principles of investment portfolio formation, strategic and tactical aspects of its management are highlighted. Also, the types of investment portfolios, their characteristics in terms of profitability and risk level, and factors affecting the effectiveness of investment policy are considered in detail. The article develops scientific conclusions and practical proposals aimed at increasing the investment activity of commercial banks, diversifying the investment portfolio, and effectively managing financial risks.

Key words: commercial banks, investment policy, investment portfolio, financial risks, diversification, liquidity, profitability, investment activity, securities, banking strategy.

Annotatsiya: Ushbu maqolada tijorat banklarining investitsiya siyosatini shakllantirish va amalga oshirish mexanizmlari ilmiy va amaliy jihatdan tahlil qilingan. Xususan, banklarning investitsiya faoliyatining iqtisodiyot rivojlanishidagi o'рни, investitsiya portfelini shakllantirish tamoyillari hamda uni boshqarishning strategik va taktik jihatlari yoritilgan. Shuningdek, investitsiya portfellari turlari, ularning daromadlilik va risk darajasi bo'yicha xususiyatlari, investitsiya siyosati samaradorligiga ta'sir etuvchi omillar batafsil ko'rib chiqilgan. Maqolada tijorat banklarining investitsiya faolligini oshirish, investitsiya portfelini diversifikatsiya qilish va moliyaviy risklarni samarali boshqarishga qaratilgan ilmiy xulosalar hamda amaliy takliflar ishlab chiqilgan.

Kalit so'zlar: tijorat banklari, investitsiya siyosati, investitsiya portfeli, moliyaviy risklar, diversifikatsiya, likvidlik, rentabellik, investitsiya faolligi, qimmatli qog'ozlar, bank strategiyasi.

Аннотация: В данной статье представлен научно-практический анализ механизмов формирования и реализации инвестиционной политики коммерческих банков. В частности, освещена роль инвестиционной деятельности банков в развитии экономики, принципы формирования инвестиционного портфеля, а также стратегические и тактические аспекты его управления. Кроме того, подробно рассмотрены виды инвестиционных портфелей, их характеристики с точки зрения доходности и уровня риска, а также факторы, влияющие на эффективность инвестиционной политики. В статье разработаны научные выводы и практические предложения, направленные на повышение инвестиционной активности коммерческих банков, диверсификацию инвестиционного портфеля и эффективное управление финансовыми рисками.

Ключевые слова: коммерческие банки, инвестиционная политика, инвестиционный портфель, финансовые риски, диверсификация, ликвидность, доходность, инвестиционная активность, ценные бумаги, банковская стратегия.

INTRODUCTION

Financial support for the real sector of the economy plays an important role in its sustainable development. The activities of commercial banks are of particular importance in positively addressing this issue. The effective organization of the investment policy of commercial banks plays an important role in the modernization of the economy and the sustainable development of the real sector.

It is known from world experience that the active participation of commercial banks in investment processes plays an important role in the modernization of the economy and the strengthening of the country's industrial potential. In a developed market economy, the redistribution of funds is carried out through financial intermediaries. As a result of the investment process, funds are directed to production sectors with the help of the financial sector, in which commercial banks play an important role.

In recent years, a number of measures have been implemented in our country during the consistent reform

of the financial sector, and as a result, the necessary legal conditions have been created for conducting advanced banking business and strengthening the competitive environment in this sector. Also, special attention is paid to ensuring the financial stability of the banking sector in Uzbekistan, modernizing banking services, increasing the role of commercial banks as financial intermediaries and the size of the banking services market, and mobilizing bank savings for investments. Important tasks such as “accelerating reforms in the banking system, increasing the size of the banking services market, and developing competition in the sector” have been set [1]. Ensuring the effective implementation of these tasks, first of all, is to improve investment policy and strategy, diversify the investment portfolio, expand “green” and sustainable investments, strengthen the expertise of investment projects, and effectively manage risks, as well as eliminate existing problems in the sector, taking into account the specifics of directing bank resources to projects with high profitability.

REVIEW OF LITERATURE ON THE SUBJECT

Investment policy of commercial banks and investment portfolio formation are among the most widely studied topics. Various theoretical approaches and practical recommendations have been developed by domestic and foreign scientists within the framework of this topic. In particular, the portfolio theory developed by one of the foreign economists Harry Markowitz justifies the possibility of reducing risks and optimizing returns through investment diversification. In his opinion, it is important to take into account the correlation between assets when forming an investment portfolio [8].

Also, the CAPM (Capital Asset Pricing Model) model proposed by William Sharpe serves to determine the relationship between the expected return on investment assets and the level of risk. This model is widely used in the process of making investment decisions by banks [16].

The issues of banking activities and investment processes were also deeply analyzed in the works of Frederic Mishkin. His research widely covered the macroeconomic factors affecting financial markets, the stability of the banking system, and investment decisions [7].

Among the Russian economists, O.I. Lavrushin and G.S. In Panova's works, the issues of investment policy, asset portfolio management and risk assessment of commercial banks were studied theoretically and practically [10, 12]. They emphasize the need to maintain a balance between liquidity and profitability in the effective placement of bank assets.

This topic has also been studied in detail by domestic scientists. In particular, the works of Sh. Abdullaeva [2], A.U. Burkhanov, Kh. Khudoykulov [3] cover the development of investment activity in the banking system, the effective use of bank resources and diversification of the investment portfolio, investment activity, investment policy and environment, investment projects and their financing.

In modern research, the impact of digital technologies and fintech solutions on the formation of banks' investment policy is also being studied separately. This serves to increase the accuracy and speed of making investment decisions.

The literature analysis shows that the issues of investment policy and portfolio management of commercial banks are multifaceted, and in order to organize them effectively, it is important to use mechanisms that have been tested in practice, along with theoretical approaches.

RESEARCH METHODOLOGY

The study is based on secondary data obtained from reports of international financial institutions, central banks, and academic sources. The collected data are analyzed using comparative, dynamic, and ratio analysis methods. In addition, elements of econometric and qualitative analysis are applied to assess relationships between investment policy, risk factors, and banking performance, ensuring a comprehensive evaluation of investment efficiency.

ANALYSIS AND RESULTS

Investment operations of commercial banks are expressed as the activities of a credit institution as an institutional investor in the process of placing its own or attracted funds for a certain period of time in order to obtain income by purchasing financial assets. However, there is another economic aspect of the investment activities of commercial banks, which is associated with the performance of another role of banks, namely the function of financial intermediation. By performing this function, commercial banks contribute to satisfying the needs of economic entities for investments.

One of the important issues in the process of increasing the stability of the activities of commercial banks is the formation and implementation of an effective investment policy. In this process, the main goal of the investment policy is to develop and implement an investment portfolio management strategy, to ensure the

optimal ratio of direct and portfolio investments. This makes it possible to increase the efficiency of banking activities, increase the effectiveness of operations, and manage the level of risk and balance sheet liquidity.

The main element of the investment policy is the strategy and tactics of managing the bank's investment portfolio. Attention to these aspects, the development and effective implementation of strategic goals will serve to increase the efficiency of investment activities in the future. Banks carry out investment operations at the expense of their own funds, borrowed funds and attracted funds. Therefore, the allocation of funds to high-yield projects plays an important role in the rational use of available funds by the bank.

The main direction of investment operations carried out by most commercial banks is investment in securities. As investment consultants, banks also carry out the following types of activities:

- conducting technical and fundamental analysis of stock markets;
- entering the stock market, developing investment strategies and financing mechanisms through the stock markets;
- providing underwriting services (formation of the issue of securities, organization and monitoring of placement, ensuring the process of stock exchange listing);
- development of portfolio investment strategies, analysis of issuers' activities and assessment of the effectiveness of investment instruments;
- assessment of the effectiveness of the securities portfolio in terms of the degree of achievement of goals, risk and liquidity;
- preparation of processes for reorganization of companies and related securities transactions;
- organization of processes for concluding transactions on individual securities and their implementation, etc.

In modern banking practice, the investment portfolio of a commercial bank is a set of securities belonging to a credit institution and considered as a single management object. Since securities have different investment parameters, it is possible to form investment portfolios with different levels of risk and profitability on their basis.

The process of forming an investment portfolio can be represented as in the figure below (Figure 1).

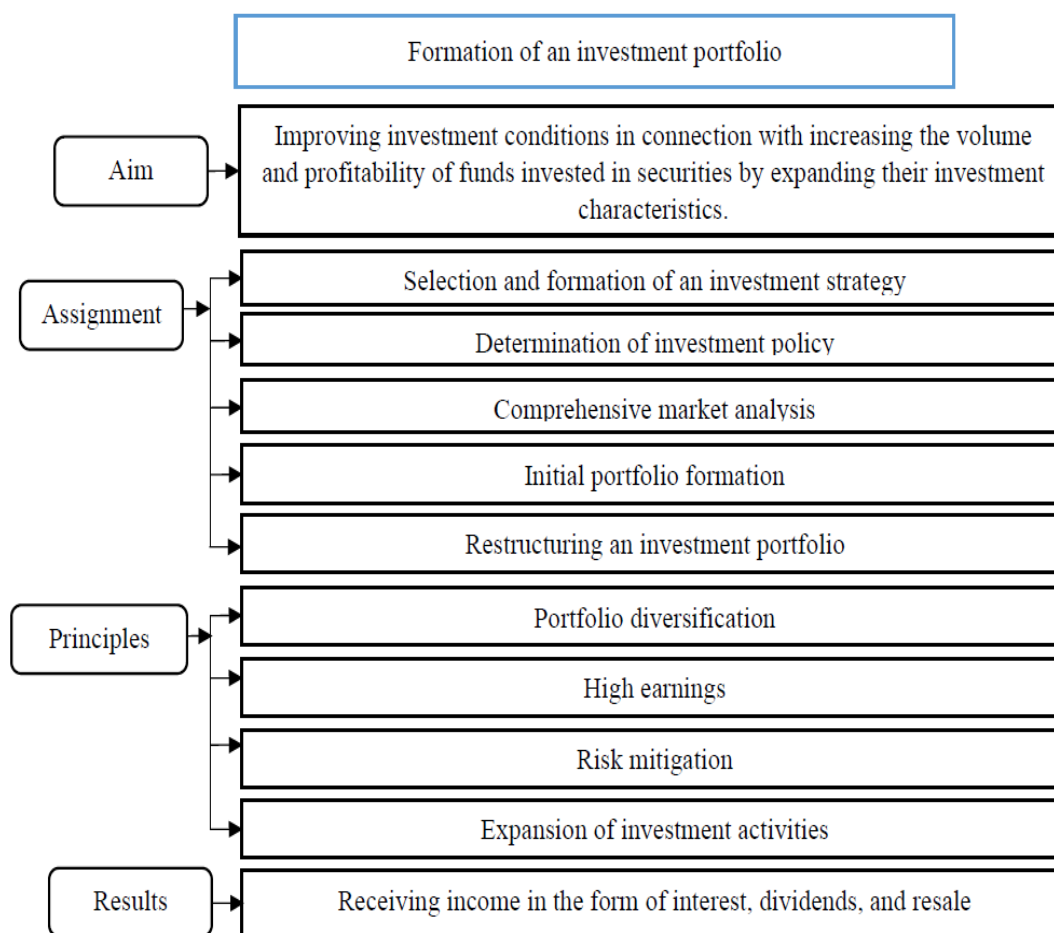


Figure 1. Important aspects of forming the investment portfolio of commercial banks

The bank's investment portfolio is the sum of funds invested by a commercial bank in securities issued by other legal entities, which is an important component of the bank's investment activities.

The bank's investment portfolio is divided into the following three types depending on the sources of income:

1. Growth portfolio - an investment portfolio of securities formed from shares of companies in various sectors of the economy, the market value of which tends to grow. The main goal of this type of portfolio is to increase the value of capital and receive income in the form of dividends.

Growth portfolios, in turn, are divided into the following types according to the growth rate:

Aggressive growth portfolio - the main goal is to ensure maximum capital growth through the purchase of shares;

Conservative growth portfolio - the growth rate of the market value of the shares in it is characterized by a relatively low, but stable.

The average growth portfolio is a form that combines the investment parameters of aggressive and conservative growth portfolios.

2. Income portfolio - an investment portfolio of securities aimed at generating a high level of income, that is, dividends and interest payments. This type of portfolio includes securities with a relatively stable market value, but with a high dividend yield. The main goal of this portfolio is to generate sufficient income at a minimum risk level suitable for a conservative investor.

This portfolio is divided into the following types:

Regular income portfolio - formed mainly from reliable and highly liquid securities, providing an average level of income and having minimal risk;

Income securities portfolio - a portfolio consisting of high-yielding, but moderately risky securities.

3. Growth and income portfolio - formed by the bank in order to reduce the risks of possible losses in the stock market. This portfolio serves to eliminate the risks associated with a decrease in the market value of securities or low dividend and interest payments.

In practice, such a portfolio is formed in the following forms:

A dual-purpose portfolio - consists mainly of such stock market instruments that provide high income along with capital growth;

A balanced portfolio - is an investment portfolio that includes securities with a rapidly growing market value and high income.

The process of managing an investment portfolio consisting of securities is carried out within the framework of the asset and liability management system of commercial banks, and its main goal is to generate stable income.

In this process, the investment portfolio performs the following three interrelated functions:

Ensuring the growth of the portfolio value. This function is carried out due to the current income received from the securities in the portfolio and the increase in their market value. Also, speculative operations related to high-risk stock market instruments can be a source of current income.

Formation of a liquidity reserve. A large part of the bank's resources are short-term deposits and demand deposits. They can be withdrawn by customers at any time. Therefore, commercial banks have the opportunity to effectively manage liquidity by directing a certain part of their funds to highly liquid financial instruments. For this, government bonds and securities of reliable issuers are mainly used, since they can be quickly sold or used as collateral.

Ensuring the bank's participation in the authorized capital of other companies. Banks have the right to participate in management by purchasing share packages in companies of interest to them. This participation allows the bank to reduce credit risks and expand mutual shareholder relations. Also, the bank strengthens its position in the market and limits the level of risk by controlling the shares of financial structures under its control.

Credit institutions have the right to independently determine the procedure for forming each type of investment portfolio, the characteristics and procedure for forming which are specified in the accounting policy documents. If the purpose of purchasing securities changes, they are removed from one investment portfolio and transferred to another [11].

The selection and management of financial instruments included in the bank's investment portfolio is usually carried out in accordance with the investment policy strategy. The analytical departments of the bank also actively participate in this process - they analyze the market situation, make forecasts for key macroeconomic indicators, set investment limits for types of assets, and participate in planning and managing the structure of the bank's assets and liabilities.

The bank's management is responsible for making strategic decisions on investment activities and controlling the mechanism of investment activities. Within the framework of this authority, limits on investments in securities market instruments are also determined. In this process, an annual financial plan is developed and

approved, which reflects the forecast indicators of the expected amount of income from investment activities for the next reporting year. Also, investment activity areas are improved by the departments responsible for managing assets and liabilities by setting specific investment limits, determining their maturity, risk level, profitability and other parameters.

Investment portfolio management is carried out at two levels: strategic and operational. At the strategic level, the main investment areas, risk limits, portfolio structure and types of instruments, expected level of return and investment periods are determined based on macroeconomic forecasts and expert assessments [6]. At the operational level, current portfolio management is carried out depending on the established limits and market conditions.

In accordance with the legal norms regulating the activities of the banking sector, each credit institution determines its own investment strategy and type of policy, on the basis of which internal documents regulating investment activities in the stock market are developed. Thus, the dual nature of the investment activities of banks can be distinguished: from the point of view of an economic entity - a bank, it is aimed at increasing income, while from a macroeconomic point of view, the effectiveness of investment activities is manifested in ensuring the growth of public capital.

The participation of banks in the economic activities of enterprises occurs for various reasons:

- establishing financial control over investments;
- diversifying risks and increasing bank profits;
- expanding the areas of operation and the types of services provided to clients in order to increase the financial stability of the bank in various markets;
- expanding the customer and resource base by creating a branch network;
- increasing the volume of cash flows directed to the bank through branches;
- providing suggestions and recommendations for the development of promising projects in the activities of enterprises, etc.

The need to intensify the participation of banks in investment processes is determined by the effective development of the economy and the banking system in their interdependence. In general, the main direction of banks' participation in investment processes includes the allocation of bank funds for investment purposes, the issuance of investment loans, equity participation and investment in securities [4]. The general policy of developing banking activities, which is considered a priority in developing strategic goals of investment activities, serves as a prerequisite for the formation of investment policy. Investment policy, representing an important structural element of general economic policy, is manifested as a factor ensuring the effective development of the group's activities.

The main goal of the investment activities of banks is expressed as an increase in the rate of profit from this activity at the likely level of riskiness of investment investments. Therefore, it is advisable for commercial banks to constantly implement measures aimed at effectively conducting investment policy and improving it. In this regard, it is necessary to pay special attention to the implementation of measures aimed at improving the effectiveness of the developed investment policy, assessing its future results and constantly monitoring its current state.

The implementation of investment policy by banks plays an important role in achieving the following:

- ensuring the stability of bank resources;
- expanding the resource base;
- implementing investment projects with a high level of profitability;
- diversifying investments in order to reduce the overall risk level in banking activities and increase financial stability;
- maintaining liquidity;
- reducing the share of unprofitable assets;
- increasing the range of clients, increasing the influence on the activities of enterprises through the acquisition of securities in the organization and development of enterprises, participation in their authorized capital and participation in investment projects.

An important aspect of the formation and implementation of the investment policy of banks is the classification of investments within the economic sectors and the implementation of effective investment activities. As is known, the participation of commercial banks in the financial and economic activities of enterprises occurs under certain conditions. These include:

- development of investment projects and establishment of financial control over the movement of investment resources;
- effective management of financial risks with a high probability of occurrence and maximizing the bank's profit through risk diversification;
- implementation of active measures aimed at expanding the scope of activities, as well as further

increasing the range of services provided in order to increase the financial stability of the bank;

- implementation of activities aimed at expanding the client and resource base;
- search for additional sources of income and increase the volume of cash flows directed to the bank;
- active participation in the implementation of promising investment projects at industrial enterprises.

The need to activate investment processes in the national economy and expand the participation of commercial banks in it is determined by increasing the role of the banking system in ensuring economic stability. The participation of banks in increasing investment potential includes such areas as directing bank funds for investment purposes, granting investment loans, participating in equity and carrying out operations with securities. The investment activity of commercial banks is further developed through their active cooperation with industrial enterprises. Because this activity increases the investment activity of commercial banks based on the development and implementation of promising investment projects, organizing operations with securities, and directing financial resources to high-yielding sectors.

One of the main issues in increasing the efficiency of investment activities of commercial banks is the careful development of their investment policy. The main issues in this process include the formation of investment policy target areas of investment activity, forecasting future activity results and choosing effective methods to achieve them to the maximum. Also, in this process, it is important to implement measures aimed at effectively organizing and managing investment activity, expanding and increasing the volume of sources of investment funds, ensuring their growth in profitability in a changing market environment.

The main issue in the implementation of an investment strategy by commercial banks is the development of long-term goals of investment activity and effective ways to achieve them. Therefore, the initial stage of the investment activity management process is the formation of an investment strategy by banks [9].

The formation of investment tactics plays an important role in the implementation of the directions set out in the investment strategy, and the tasks set are implemented in the activity within the framework of tactics. Also, in this process, the composition and volume of investment investments are determined and a system of measures for their implementation is developed.

Determining the main directions of investment activity of banks is directly related to determining the effective directions of development of investment activity, taking into account the level of profitability, liquidity and risk. Taking into account the impact of market fluctuations and other factors on the activities of commercial banks, adapting the main directions established in the investment policy and its strategy to the existing conditions will in itself complicate the process of effective implementation of investment policy. Therefore, the formation of investment policy of banks is carried out with certain difficulties even in conditions of stable economic development.

The main goal of investment activity of commercial banks is to attract additional investment resources and maximize the efficiency of this activity in the event of their probable risk. Therefore, it is advisable for commercial banks to constantly implement measures aimed at effectively conducting investment policy and fulfilling the tasks set in it [15]. It is necessary to pay special attention to activating measures aimed at increasing the efficiency of the investment policy developed for the development of this bank, based on the analysis of its investment policy directions and the assessment and monitoring of its financial results, as well as ensuring and controlling the effective circulation of financial resources (Figure 2).

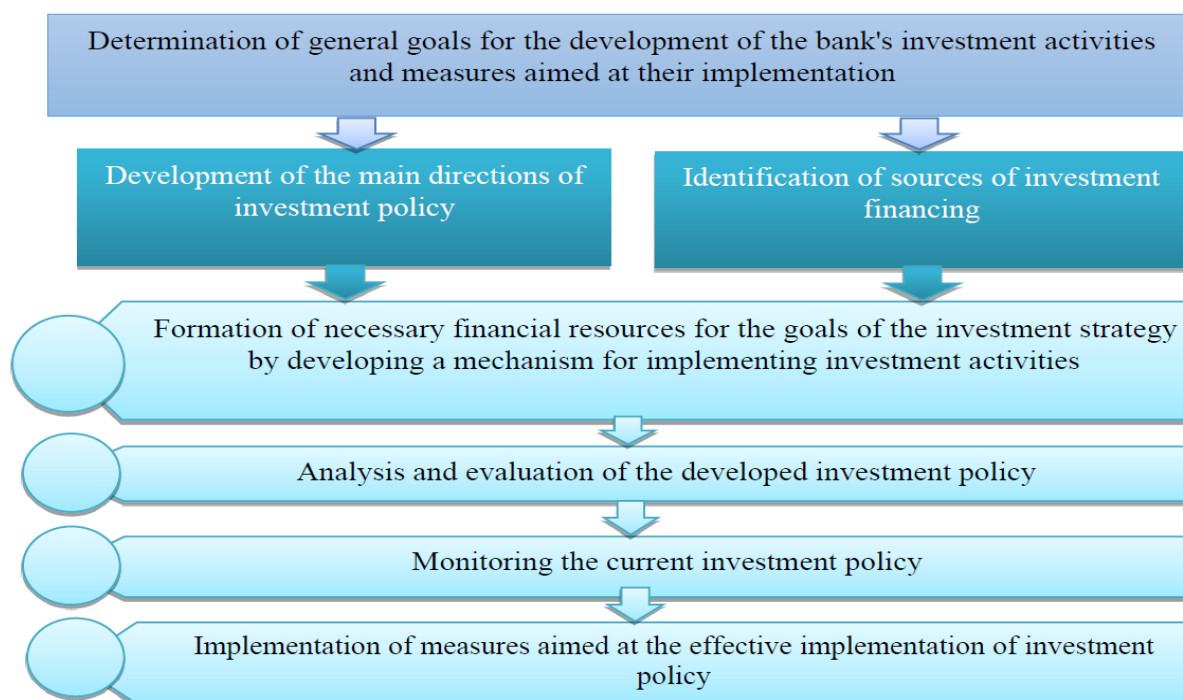


Figure 2. Main aspects and stages of forming the investment policy of commercial banks¹

Through the successful implementation of investment policy by banks, the following opportunities are achieved: ensuring the stability of bank resources and further expanding their resource base; implementing investment projects with a high level of profitability; reducing the level of financial risks and diversifying capital investments; increasing the level of liquidity; developing joint-stock relations and strengthening influence on their activities through the organization of enterprises, participation in the authorized capital.

In order to achieve high efficiency, the process of forming the investment policy of banks is carried out in certain stages. In this process, the development of the main directions of the investment policy, identifying sources of financing, and analyzing and evaluating the developed investment policy are the most important tasks [14].

In the implementation of the investment activities of commercial banks, the high volume of financial resources formed by them plays an important role. In this process, the strategy of forming investment resources is directed to the implementation of the tasks set within the framework of investment activities.

Certain factors affect the effective implementation of the investment policy of banks, under the negative influence of which the probability of achieving the expected results from the implementation of the investment policy changes. Such factors include:

- the state of the investment environment created in the country;
- the volatility of the market situation;
- the level of development of the financial and investment market;
- the stability of financial institutions;
- measures aimed at the development of corporate structures;
- the level of integration of the country into world markets.

The main task of banks in implementing the investment policy should be to take into account these factors and analyze the level of their impact. In this process, it is advisable that analytical data for assessing investment opportunities include:

- indicators of the state of the investment environment;
- indicators characterizing the development of the investment market;
- indicators of the investment attractiveness and activity of enterprises;
- data on investment market profitability;
- indicators of banks' investment activities and the taxation status of banks.

The results of the assessment of these indicators play an important role in making decisions within the framework of investment activities. The completeness of the composition of analytical data determines the

¹ Developed by the author

accuracy of the results of investment analysis and the effectiveness of investment activities.

Through the effective organization of investment activities, financial institutions and industrial enterprises gain certain opportunities. In particular, it can be noted that for commercial banks, it is possible to constantly monitor the movement of financial resources and the financial condition, to form a bank's credit and investment portfolio through financial risk management, to increase the level of participation in investment projects, to strengthen its financial base by expanding its customer base. Also, according to foreign experience, the operation of commercial banks in integrated structures creates favorable conditions for expanding the scope of their activities, establishing stable relations with industrial enterprises, jointly developing and implementing highly effective investment projects, as well as conducting investment policy. By conducting an investment policy within these structures, banks gain access to a circle of reliable clients, the opportunity to constantly analyze their financial situation, establish systematic control over investment projects, increase the bank's competitiveness by improving the forecasting of investment processes, deepen specialization taking into account the promising areas of scientific and production activities of clients, and implement investment projects aimed at organizing the production of products with high scientific capacity. In particular, this experience can be clearly seen in the activities of Japanese financial and industrial groups. According to it, Japanese banks are not limited to lending, but also carry out activities such as financing financial and industrial groups and joint development of investment projects. The bank also helps its clients find partners for mutual cooperation and provide business services. In conditions where the activities of the companies included in the group are stable, the head bank does not interfere in its activities. If the financial condition of the company deteriorates, the parent bank reduces risky operations and helps to manage this situation [13].

The parent bank is a strategic investor for the keyresu group. Banks act as both a creditor and a shareholder at the same time and participate in the capital of the enterprise according to a certain share [5]. The combination of the functions of a creditor and a shareholder helps to establish long-term stable cooperation with the enterprise. The parent bank provides all banking services to the group's enterprises, including financing, deposits, currency transactions, payments, issuance of securities, etc. The parent bank also constantly monitors the financial condition of the enterprise on behalf of other creditors.

CONCLUSIONS AND SUGGESTIONS

One of the main issues in increasing the investment activity of commercial banks and effectively conducting investment policy is the development of the practice of assessing financial risks arising in the process of implementing investment projects and developing necessary measures to manage them. Because, as a result of the influence of various factors in the process of implementing an investment project, financial risks may arise to a certain extent and affect the effectiveness of the project. Therefore, in order to assess financial risks and implement measures aimed at preventing their negative impact, commercial banks should activate the monitoring system and the process of analyzing current investment projects within the framework of investment policy.

Another important issue in increasing the investment activity of commercial banks is the diversification of their investment portfolio. In a changing market environment, ensuring high diversification of the investment portfolio of banks, along with reducing the level of risk, has a positive effect on increasing the income of banks. In this process, it is advisable to focus on financing investment projects in various sectors of the economy by commercial banks and implement systematic measures in this regard. In this process, it is necessary to further expand the investment activities of banks based on the experience of Japan and use a system of initial (ex ante), intermediate (interim) and final (ex post) stages of monitoring investment activities by banks.

In our opinion, in order to effectively organize the investment policy of banks and increase their investment activity, it is advisable to take into account the following:

- improving the quality of the investment portfolio and risk management practices, ensuring the financial stability of the banking system by implementing technological solutions for assessing financial risks;
- in the implementation of investment policy, it is necessary to assess the factors affecting it and deeply analyze the level of their influence;
- implementing effective measures aimed at developing financial relations between commercial banks and industrial enterprises, in particular, it is necessary to strengthen the participation of banks in the development and implementation of investment projects at enterprises.

In conclusion, we can say that by increasing the investment activity of banks, effective and sustainable development of industrial sectors, diversification of export composition, and most importantly, modernization of existing production will be achieved. This, in turn, will create conditions for the development of new high-tech productions aimed at domestic and foreign markets, increasing the competitiveness of national enterprises in world markets and their financial stability.

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