

**PROSPECTS FOR IMPROVING THE ACTIVITIES OF COMMERCIAL BANKS IN THE SECURITIES MARKET IN THE DEVELOPMENT OF THE COUNTRY'S ECONOMY.**

<https://doi.org/10.5281/zenodo.11166009>

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**Annatosia.** *In this article analytical information about the activities of commercial banks in the securities market in the development of the country's economy, existing problems in the securities market and ways to solve them, as well as prospects for improvement.*

**Keywords:** *Capital, Commercial banks, Liquidity Management, Risk Management, Monetary Policy, Intermediation, Income, Market Development, Market Infrastructure, Low Liquidity, securities market.*

The transactions of commercial banks with securities play a crucial role in the development of a country's economy. Here's how:

**Capital Formation:** Commercial banks invest in securities such as government bonds, corporate bonds, and stocks. By purchasing these securities, banks provide funds to government entities and corporations, which can then use the capital for various purposes, including infrastructure development, expansion projects, and research and development. This capital formation contributes to economic growth by fueling investment and productivity.

**Liquidity Management:** Securities provide commercial banks with a liquid asset that can be readily sold or used as collateral to obtain funds in the money market or through repurchase agreements. Effective liquidity management allows banks to meet depositor withdrawals, lend to businesses and households, and maintain financial stability.

**Risk Management:** Commercial banks engage in portfolio diversification by holding a variety of securities with different risk profiles. This helps mitigate risk and ensures a more stable income stream for banks. Additionally, banks use derivatives and other financial instruments related to securities to hedge against interest rate risk, credit risk, and market volatility.

**Monetary Policy Transmission:** Central banks use open market operations, which involve buying and selling government securities, to implement monetary policy objectives such as controlling inflation, managing interest rates, and stabilizing the economy. Commercial banks' transactions with securities directly influence the effectiveness of

monetary policy transmission channels, affecting lending rates, money supply, and overall economic conditions.

**Intermediation Role:** Commercial banks act as intermediaries between investors and issuers of securities. They facilitate capital flows by connecting savers seeking investment opportunities with borrowers in need of funds. Through underwriting services, banks help corporations and governments raise capital by issuing new securities in primary markets, thereby fostering capital market development.

**Income Generation:** Transactions with securities generate income for commercial banks in the form of interest, dividends, and capital gains. This income contributes to banks' profitability and strengthens their financial position, enabling them to expand lending activities, invest in technology and infrastructure, and support economic development initiatives.

**Market Development:** Commercial banks' involvement in securities markets contributes to the development and efficiency of financial markets. By providing liquidity, market-making services, and price discovery mechanisms, banks enhance market liquidity and facilitate the efficient allocation of capital. This, in turn, attracts domestic and foreign investors, promotes financial innovation, and fosters a vibrant and resilient financial system.

In conclusion, transactions of commercial banks with securities play a multifaceted role in the development of a country's economy, encompassing capital formation, liquidity management, risk management, monetary policy transmission, intermediation, income generation, and market development. By actively participating in securities markets, commercial banks contribute to economic growth, financial stability, and overall prosperity.

The implementation of securities operations by commercial banks in Uzbekistan faces several challenges that impact their ability to contribute effectively to the development of the economy. Here are some existing problems:

**Lack of Market Infrastructure:** Uzbekistan's securities market infrastructure is still underdeveloped compared to more mature markets. The absence of robust trading platforms, clearing and settlement systems, and regulatory frameworks hinders the efficient trading and issuance of securities, limiting banks' participation in the market.

**Limited Variety of Securities:** The range of available securities in Uzbekistan is relatively narrow, with a dominance of government bonds and limited offerings of corporate bonds and equities. This lack of diversity constrains banks' investment options and portfolio management strategies, limiting their ability to optimize returns and manage risk effectively.

**Low Liquidity:** The securities market in Uzbekistan suffers from low liquidity, characterized by infrequent trading and large bid-ask spreads. Illiquidity reduces banks' ability to buy and sell securities at favorable prices, making it challenging to adjust their portfolios quickly and efficiently in response to market conditions.

**Regulatory Constraints:** Regulatory constraints and bureaucratic procedures may impede banks' participation in securities operations. Complex regulatory requirements, compliance burdens, and uncertainty about regulatory changes create barriers to entry and inhibit banks from engaging more actively in securities trading and investment activities.

**Risk Perception:** Banks may perceive securities operations as riskier compared to traditional lending activities, particularly in an environment with limited market transparency and volatility. Concerns about credit risk, market risk, and legal risk may discourage banks from expanding their involvement in securities markets, preferring instead to focus on more familiar and less volatile activities.

**Limited Investor Base:** The investor base in Uzbekistan's securities market is relatively small and dominated by institutional investors, with limited participation from retail investors. The lack of a broad and diversified investor base constrains market depth and liquidity, reducing banks' incentives to engage in securities operations due to limited demand for traded securities.

**Information Asymmetry:** Information asymmetry between market participants, including banks, issuers, and investors, poses challenges to efficient price discovery and market transparency. Limited access to timely and accurate information about issuers, securities, and market trends may hinder banks' ability to assess investment opportunities and make informed decisions.

Addressing these problems requires concerted efforts from regulatory authorities, market participants, and policymakers to enhance market infrastructure, improve regulatory frameworks, increase market transparency, and promote investor confidence. By overcoming these challenges, commercial banks can play a more significant role in developing Uzbekistan's securities market and supporting the economy's growth and stability.

Improving the activities of commercial banks in the securities market holds significant prospects for fostering the development of Uzbekistan's economy. Here are some key avenues for enhancement:

**Regulatory Reforms:** Implementing regulatory reforms aimed at enhancing market infrastructure, streamlining procedures, and strengthening investor protection can create a more conducive environment for commercial banks' participation in the securities market. Clear and consistent regulations, along with effective oversight mechanisms, can boost investor confidence and facilitate market growth.

**Market Development Initiatives:** Introducing initiatives to develop the securities market infrastructure, such as establishing electronic trading platforms, enhancing clearing and settlement systems, and introducing new financial products, can improve market liquidity, efficiency, and accessibility. Encouraging the listing of more diverse securities, including corporate bonds and equities, can broaden investment opportunities for commercial banks and stimulate market activity.

**Capacity Building:** Investing in human capital development and technical expertise within commercial banks can enhance their capabilities in securities operations, including risk management, portfolio analysis, and compliance with regulatory requirements. Providing training programs, workshops, and seminars on securities market practices and trends can empower bank staff to make informed investment decisions and navigate complex market dynamics effectively.

**Promotion of Market Awareness:** Increasing awareness and understanding of the securities market among commercial banks, investors, and the general public through educational campaigns, outreach programs, and informational resources can promote greater participation and confidence in the market. Enhancing financial literacy and promoting best practices in investment management can empower banks to leverage the opportunities offered by the securities market for economic development.

**Encouragement of Innovation:** Encouraging innovation and technological advancement in securities market operations can enhance efficiency, transparency, and accessibility. Embracing fintech solutions, such as digital trading platforms, mobile applications, and blockchain technology, can streamline processes, reduce costs, and expand market reach, making it easier for commercial banks to engage in securities transactions and serve a broader client base.

**Strengthening Risk Management Practices:** Enhancing risk management frameworks within commercial banks to effectively identify, assess, and mitigate risks associated with securities operations is essential for ensuring financial stability and resilience. Implementing robust risk management policies, stress testing methodologies, and internal controls can safeguard banks' assets and protect against potential losses stemming from market volatility and adverse events.

**Collaboration and Partnerships:** Facilitating collaboration and partnerships between commercial banks, regulatory authorities, market intermediaries, and other stakeholders can foster synergies and collective efforts to develop the securities market ecosystem. Collaborative initiatives, such as joint research projects, knowledge-sharing forums, and industry associations, can promote innovation, knowledge exchange, and market integration, ultimately contributing to the sustainable growth of Uzbekistan's economy.

By pursuing these prospects for improvement, commercial banks can play a more proactive and influential role in the development of Uzbekistan's securities market, thereby contributing to economic growth, financial stability, and prosperity.

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