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IMPROVING THE MECHANISMS OF COMMERCIAL BANKS' PARTICIPATION IN THE NATIONAL SECURITIES MARKET

Nasriddinova Sabina Akmaljon qizi

Graduate student of the Banking and Finance Academy of the

Republic of Uzbekistan

nasriddinovasabina8833@gmail.com

Abstract: This article examines the mechanisms for improving the participation of commercial banks in the national securities market, with a focus on Uzbekistan's recent capital market and banking sector developments. The study analyzes the role of banks as issuers, investors and professional intermediaries, evaluates the latest available statistics on the banking system, the Toshkent Republican Stock Exchange and the Central Securities Depository, and proposes practical measures for strengthening bank activity in securities operations. The article argues that commercial banks can become key institutional drivers of market liquidity, transparency and long-term investment if their securities portfolios, underwriting services, digital brokerage channels and risk-management systems are improved.

Keywords: commercial banks, securities market, capital market, investment activity, bank securities, underwriting, brokerage, Uzbekistan, financial intermediation.

Аннотация. В данной статье рассматриваются механизмы повышения участия коммерческих банков на национальном рынке ценных бумаг с акцентом на современные тенденции развития рынка капитала и банковского сектора Узбекистана. В исследовании анализируется роль банков как эмитентов, инвесторов и профессиональных посредников, оцениваются последние доступные статистические данные по банковской системе, Республиканской фондовой бирже «Тошкент» и Центральному депозитарию ценных бумаг, а также предлагаются практические меры по усилению активности банков в операциях с ценными бумагами. В статье обосновывается, что коммерческие банки могут стать ключевыми институциональными драйверами ликвидности рынка, прозрачности и долгосрочных инвестиций при условии совершенствования их портфелей ценных бумаг, услуг андеррайтинга, цифровых брокерских каналов и систем управления рисками.

Ключевые слова: коммерческие банки, рынок ценных бумаг, рынок капитала, инвестиционная деятельность, банковские ценные бумаги, андеррайтинг, брокерская деятельность, Узбекистан, финансовое посредничество.

Introduction

Commercial banks occupy a special place in the financial system because they accumulate savings, transform them into investments and provide payment, credit and investment services. In the modern economy, the traditional role of banks is expanding beyond deposit and loan operations. Banks increasingly act as issuers of securities, institutional investors, underwriters, dealers, brokers, custodians and advisers for corporate clients. Therefore, the development of the national securities market is closely linked with the activity of commercial banks.

In Uzbekistan, capital market reforms have become more important due to the need to attract long-term resources, reduce excessive dependence on bank lending and diversify

corporate financing sources. The securities market is expected to support privatization, corporate governance, investment inflows and the modernization of enterprises. However, the market still requires deeper liquidity, a wider range of instruments, stronger institutional investors and more active professional intermediaries. Commercial banks can help solve these problems if their participation mechanisms are properly improved.

The relevance of this topic is also confirmed by the latest banking-sector data. According to the Central Bank of Uzbekistan, total banking system assets increased by 18 percent in 2024 and reached UZS 769.3 trillion as of 1 January 2025; during the same period, investments and purchased securities in total assets increased from 5.0 percent to 7.7 percent. This shows that securities are becoming a more visible component of bank asset management and liquidity policy.

The purpose of this article is to identify the main directions for improving commercial banks' participation in the national securities market. The object of the research is the activity of commercial banks in the securities market. The subject of the research is the organizational, financial, regulatory and technological mechanisms that determine the efficiency of bank participation in securities operations.

Literature review

Theoretical and empirical studies describe three main functions of commercial banks in the securities market: issuer, investor and professional participant. Mamatov (2021) emphasizes that investment transactions with securities have economic significance for commercial banks because they support resource mobilization and the development of financial markets. Nurmukhamedov and Davlatov (2020) analyze commercial bank operations in Uzbekistan's securities market and identify the need to increase their role in exchange activity and investment operations.

International literature also confirms that banks can improve capital market access when they combine active-passive banking operations with customer-oriented investment products. Ramazanov (2022) argues that commercial banks can increase access to stock market instruments by offering products that match the interests of retail investors and issuers seeking investment resources. Ruda (2019) notes that banks in the stock market act as issuers, investors and professional participants, and securities operations can diversify bank assets and expand sources of income.

Recent studies pay attention to portfolio management, liquidity and profitability. Agblobi, Kuhorfah and Asamoah (2020) found that investments in government securities and subsidiaries can positively affect bank profitability when risks are managed properly. Yermekova and Saparkul (2025), using Kazakhstan's banking experience, show that securities portfolios may be used both as a source of profitability and as a liquidity-management instrument, especially in an environment of changing interest rates.

Studies on Uzbekistan's securities market emphasize that the main problems are low liquidity, limited market capitalization, insufficient investor protection, underdeveloped infrastructure and the lack of diversified institutional investors. Ataniyazov and Sayfullokhon (2022) recommend attracting domestic and foreign investors, increasing transparency and improving the legal and tax framework. These findings are directly relevant for commercial banks because banks can contribute to market liquidity, investor education and the introduction of new financial instruments.

Main analytical part

The participation of commercial banks in the national securities market can be analyzed through four directions. First, banks may participate as issuers by placing shares, corporate bonds, deposit certificates or other securities to strengthen their capital and resource base. Second, banks may act as investors by purchasing government securities, corporate bonds and other liquid instruments. Third, banks may provide professional services such as brokerage, dealer operations, underwriting, investment consulting and portfolio management. Fourth, banks may support market infrastructure through custodial services, digital channels and settlement systems.

In Uzbekistan, the banking system remains the dominant part of the financial sector. The Central Bank's 2024 Annual Report states that regulatory capital rose by 18 percent to UZS 124.8 trillion and the capital adequacy ratio stood at 17.4 percent as of 1 January 2025, which is above the minimum requirement. High capital adequacy and sufficient liquidity create a basis for banks to expand investment and intermediary operations in securities, provided that risk limits and prudential requirements are strictly observed.

At the same time, capital market activity has increased significantly. According to a 2024 market overview, the Toshkent Republican Stock Exchange recorded 446,967 transactions totaling UZS 19.6 trillion, which was a seven-fold increase compared with 2023. The banking sector accounted for 32.2 percent of the trading volume, while metallurgy accounted for 62.4 percent. This figure indicates that banks are already important participants in exchange activity, but their potential role is broader than current trading activity.

The Central Securities Depository also reported important structural data for the market. As of 1 October 2024, stocks issued by 680 joint-stock companies and safekept by the depository totaled 23,117.53 billion pieces with aggregate par value of UZS 205,822.36 billion. The number of corporate bonds safekept by the depository and issued by 39 issuers totaled 1.26 million pieces with aggregate par value of UZS 1,405.7 billion. These indicators show that the legal and infrastructure base for securities circulation exists, but the corporate bond segment is still relatively small compared with the scale of the banking system.

Another important indicator is investor coverage. The Central Securities Depository reported 821,169 registered depositors as of 1 October 2024, including 757,965 individuals and 63,204 legal entities. This means that the investor base is expanding, but the share of active retail investors and long-term institutional investors still needs to increase. Commercial banks, with their broad branch networks and mobile banking platforms, can become a bridge between households and the securities market.

The main problem is that many commercial banks still prioritize traditional lending over securities-market operations. Lending will remain the core function of banks, but overconcentration in loan portfolios increases credit risk and limits the development of capital market instruments. The Central Bank reported that in 2024 the share of net loan investments in total assets decreased from 70.2 percent to 66.9 percent, while securities and investment assets increased. This trend should be used to strengthen diversified, transparent and market-based investment activity.

Improving the mechanisms of bank participation requires a balanced approach. On the one hand, banks should be encouraged to develop securities portfolios, underwriting services and investment products. On the other hand, excessive speculative activity must be limited because it may create market, liquidity and reputational risks. Therefore, internal risk management, capital requirements, disclosure standards and customer protection rules must develop together with new securities operations.

Table 1.

Recent indicators relevant to commercial banks and the national securities market of Uzbekistan

Indicator	**Latest Value**	**Significance for Bank Participation**
Banking system assets	UZS 769.3 trillion (01.01.2025)	Strong financial base for investment and intermediary activities
Share of securities in bank assets	Increased from 5.0% to 7.7% (2024)	Growing importance of securities in asset portfolios
Toshkent Stock Exchange turnover	UZS 19.6 trillion (2024)	Expanding market liquidity and trading activity
Banks' share in exchange trading	32.2% (2024)	Banks are major participants in the securities market
Stocks held by Central Securities Depository	680 JSCs; UZS 205.8 trillion	Large base for trading and custody services
Corporate bonds held by Central Securities Depository	39 issuers; UZS 1.4 trillion	Potential for expanding underwriting and investment operations
Registered investors	Over 821 thousand	Significant potential client base for bank investment services

Source: *Compiled by the author based on data from the Central Bank of Uzbekistan (2024 Annual Report), the Toshkent Republican Stock Exchange, and the Central Securities Depository.*

The data presented in Table 1 indicate that Uzbekistan possesses a steadily expanding institutional and financial base for the development of the national securities market. The significant size of banking system assets compared with the relatively small corporate bond segment suggests that commercial banks have substantial potential to enhance their participation in capital-market activities. The increasing share of securities in bank assets and the growing turnover of the Toshkent Stock Exchange demonstrate rising interest in investment instruments and market-based financing.

The statistics also show that banks already occupy an important position in exchange trading activity. However, their role can be further strengthened through the development of underwriting services, investment products, digital brokerage platforms, and effective risk-management systems. In addition, the large number of registered investors and the extensive securities infrastructure managed by the Central Securities Depository create favorable conditions for expanding bank participation in securities operations and supporting long-term capital-market growth.

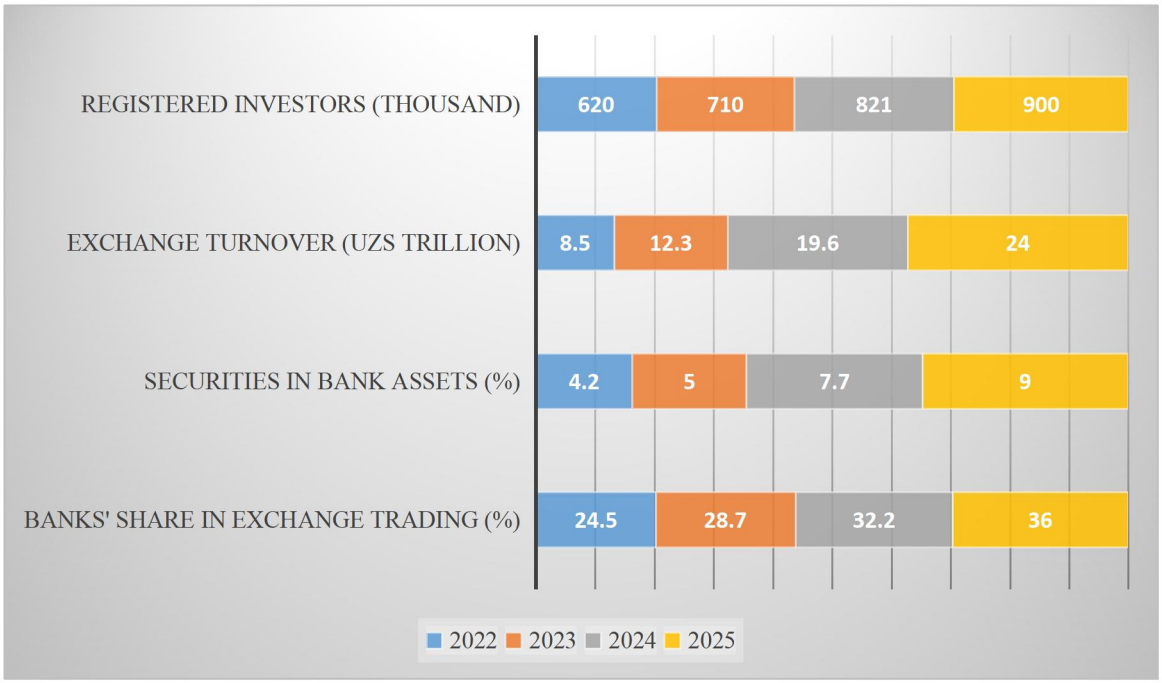


Figure 1. Key Indicators of Commercial Banks' Participation in the Securities Market of Uzbekistan (2022–2025)

Source: *Compiled by the author based on data from the Central Bank of the Republic of Uzbekistan (Annual Report, 2024), the Toshkent Republican Stock Exchange, the Central Securities Depository, and analytical estimates for 2025.*

The data presented in Figure 1 demonstrate a positive trend in the participation of commercial banks in Uzbekistan's securities market. The share of securities in bank assets increased steadily, indicating growing interest in investment instruments. At the same time, the volume of stock exchange transactions and the share of banks in exchange trading expanded significantly, reflecting higher market activity and liquidity. The continuous growth in the number of registered investors also suggests increasing public participation in capital-market operations. These trends confirm that commercial banks are becoming increasingly important participants in the national securities market and have substantial potential to support its further development through investment, underwriting, brokerage, and market-making activities.

Proposals and recommendations

Based on the analysis, the following measures are proposed. First, commercial banks should adopt special strategies for securities-market activity that define portfolio structure, client services, risk appetite and expected fee income. Second, banks should expand underwriting and advisory services for corporate bond and equity issues, especially for financially stable enterprises and privatization-related issuers.

Third, banks should develop digital investment platforms that connect bank accounts, brokerage services and depository services. Fourth, the professional training of bank employees in securities analysis, portfolio management, compliance and investor protection should be strengthened. Fifth, regulators should improve disclosure requirements, market conduct rules and protection mechanisms for retail investors.

Sixth, commercial banks should diversify securities portfolios by maturity, issuer and instrument type. Seventh, cooperation between banks, the Toshkent Republican Stock Exchange, the Central Securities Depository and the Central Bank should be expanded to improve settlement, custody and market data systems. Eighth, the role of credit ratings and independent audits should be strengthened to increase confidence in corporate securities.

Conclusion

Commercial banks can become one of the main institutional drivers of Uzbekistan's national securities market. Their participation is important not only as investors, but also as issuers, underwriters, brokers, custodians and financial advisers. Recent statistics show that the country's banking system has a large financial base, while the securities market is growing but still needs deeper liquidity, more instruments and stronger institutional participation.

The key mechanisms for improvement include the development of underwriting services, diversification of bank securities portfolios, digitalization of investment services, stronger risk management, increased investor protection and closer cooperation with market infrastructure institutions. If these measures are implemented consistently, commercial banks will support the formation of a more liquid, transparent and attractive national securities market

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