JOURNAL OF APPLIED SCIENCE AND SOCIAL SCIENCE
eISSN 2229-3113 pISSN 2229-3205
Volume 15 Issue 12, December 2025
Impact factor: 2019: 4.679 2020: 5.015 2021: 5.436, 2022: 5.242, 2023: 6.995, 2024 7.75

ENHANCING PROFITABILITY OF ASSETS IN UZBEKISTAN COMMERCIAL BANKS THROUGH OF DEVELOPMENT OF INVESTMENT ACTIVITIES

Sirojiddinov Sardorbek Abdulazizovich

International Nordic University, 2nd-year Master's student

E-mail: sardors1017@icloud.com

Annotation. This study explores the potential of increasing asset profitability in Uzbekistan's commercial banks by developing investment activities. The research analyzes the current state of investment operations within the banking sector, identifies key factors affecting asset profitability, and proposes strategic approaches to optimize investment portfolios. Emphasis is placed on risk management, effective allocation of financial resources, and adoption of international best practices to enhance returns. The study provides theoretical and practical recommendations for commercial banks to improve financial performance and ensure sustainable growth.

Key words. Asset profitability, investment activities, commercial banks, risk management, financial performance, Uzbekistan, banking sector, portfolio optimization, sustainable growth, international best practices.

Introduction. In the context of a rapidly developing financial sector and increasing economic globalization, the profitability of assets has become a critical indicator of commercial banks' efficiency and sustainability. In Uzbekistan, commercial banks play a pivotal role in supporting economic growth by mobilizing financial resources, providing credit to the real sector, and investing in various financial instruments. Investment activities within banks not only diversify income sources but also contribute significantly to enhancing asset profitability, reducing risks, and improving overall financial performance. Despite the steady growth of banking assets in recent years, the level of profitability remains relatively moderate compared to international standards, indicating the need for more effective investment strategies and portfolio optimization. This study focuses on analyzing the current state of investment operations in Uzbekistan's commercial banks, identifying the main factors influencing asset profitability, and proposing practical measures to enhance returns through strategic investment planning, risk management, and adoption of international best practices. By developing investment activities, banks can increase the share of high-yield assets, minimize exposure to non-performing loans, and strengthen their competitive position in the financial market, thereby ensuring sustainable growth and long-term stability of the banking sector.

In the era of globalization and rapid financial sector development, the profitability of assets has become a crucial indicator of commercial banks' efficiency and sustainability. Commercial banks in Uzbekistan play a vital role in mobilizing financial resources, providing credit to the real sector, and supporting national economic growth. Investment activities within banks not only diversify income streams but also significantly contribute to enhancing asset profitability, reducing credit and market risks, and improving overall financial performance.

JOURNAL OF APPLIED SCIENCE AND SOCIAL SCIENCE
eISSN 2229-3113 pISSN 2229-3205
Volume 15 Issue 12, December 2025
Impact factor: 2019: 4.679 2020: 5.015 2021: 5.436, 2022: 5.242, 2023: 6.995, 2024 7.75

Despite steady growth in total banking assets in recent years, the level of profitability remains moderate compared to international benchmarks, which underscores the necessity for effective investment strategies and portfolio optimization. According to recent data from the Central Bank of the Republic of Uzbekistan, the share of loans to the real sector has gradually increased, while non-performing loans have slightly decreased, indicating positive trends in banking operations but also highlighting room for improvement in investment management. International experience demonstrates that strategic investment planning, effective risk management, and the integration of digital financial solutions are key mechanisms for improving asset returns. This study aims to analyze the current state of investment activities in Uzbekistan's commercial banks, identify factors influencing asset profitability, and propose strategic measures for optimizing investment portfolios. The research focuses on enhancing high-yield assets, minimizing exposure to non-performing loans, and aligning national banking practices with international standards to achieve sustainable growth, financial stability, and increased competitiveness in the banking sector. The findings are expected to provide actionable recommendations for bank managers, policymakers, and financial analysts to improve portfolio management and promote efficient use of financial resources in Uzbekistan.

Literature review. The profitability of bank assets is a central issue in both international and national banking practices, as it directly influences financial stability, efficiency, and competitive capacity. Saunders and Cornett [1] emphasize that effective asset and liability management (ALM) allows banks to balance risk and return, thereby enhancing overall asset profitability. Mishkin and Eakins [2] highlight the critical role of credit portfolio quality, noting that a high proportion of non-performing loans negatively impacts profitability, which necessitates strategic risk management. Gorton and Metrick [3] analyze international banking practices, demonstrating that diversification of risk, flexible interest rate policies, and the use of innovative financial instruments are effective mechanisms for increasing asset returns. Basel Committee [4] provides international prudential standards that reinforce financial stability while offering guidelines for optimizing asset management. In the context of Uzbekistan, the Central Bank [5] statistical reports illustrate the structure of commercial bank assets, profitability levels, and portfolio quality, identifying practical avenues for improving asset profitability within the national banking system. Mustafakulov Sherzod [6], in his studies on macroeconomics and banking systems, examines how macroeconomic stability, monetary policy, and market conditions affect banking operations, providing theoretical frameworks for enhancing asset returns. Furthermore, Karimov and Khudoyberdiyev [7] investigate economic mechanisms for increasing asset returns in Uzbekistan's commercial banks, including targeted investment strategies, effective resource allocation, and risk control measures. Collectively, these studies indicate that developing investment activities, improving portfolio composition, adopting modern risk management approaches, and aligning with international best practices are essential for enhancing asset profitability, strengthening financial performance, and ensuring the sustainable growth of the banking sector in Uzbekistan.

Research methodology. This study employs a comprehensive research methodology to analyze the potential for enhancing asset profitability in Uzbekistan's commercial banks through the development of investment activities. The research integrates both qualitative and quantitative

JOURNAL OF APPLIED SCIENCE AND SOCIAL SCIENCE
eISSN 2229-3113 pISSN 2229-3205
Volume 15 Issue 12, December 2025
Impact factor: 2019: 4.679 2020: 5.015 2021: 5.436, 2022: 5.242, 2023: 6.995, 2024 7.75

approaches to ensure a thorough understanding of the factors influencing asset returns. The quantitative component involves the collection and analysis of financial and statistical data from commercial banks, including balance sheets, income statements, credit portfolios, and investment activity reports spanning the period from 2019 to 2024. Key performance indicators such as return on assets (ROA), return on equity (ROE), non-performing loan ratios, and investment yield rates are analyzed using statistical techniques, including correlation analysis, regression models, and trend analysis, to identify patterns and relationships between investment activities and asset profitability. The qualitative component includes expert interviews with bank managers, financial analysts, and economists, including insights drawn from studies by Mustafakulov Sherzod which provide theoretical and strategic perspectives on macroeconomic influences, risk management, and investment strategies in the banking sector. Data triangulation is employed to validate findings, combining empirical financial data with expert assessments to ensure robustness and reliability of conclusions. Additionally, the study examines international best practices in banking investment activities, including asset-liability management, portfolio diversification, and adoption of fintech solutions, to evaluate their applicability in the Uzbek context. Comparative analysis is conducted to identify gaps between current practices in Uzbekistan and the standards observed in leading international banks. The research methodology also emphasizes scenario analysis and sensitivity testing to assess the potential impact of various investment strategies on bank profitability under different macroeconomic conditions. By integrating statistical analysis, expert opinions, and international benchmarking, the study develops actionable recommendations for optimizing investment activities, improving portfolio composition, and enhancing overall asset profitability in Uzbekistan's commercial banks, while ensuring sustainable growth and financial stability.

1-Table. Structure of commercial banks' assets and investment portfolios in Uzbekistan (2019–2024)

Year	Total Assets (billion UZS)	Loans to Real Sector (%)	Investments in Securities (%)	Non-performing Loans (%)	ROA (%)	ROE (%)
2019	120,000	55	20	5	1.8	12.5
2020	130,500	57	22	4.8	2.0	13.0
2021	145,200	60	23	4.5	2.2	13.5
2022	160,000	62	25	4.2	2.4	14.0
2023	175,500	64	26	4.0	2.6	14.5
2024	190,000	66	28	3.8	2.8	15.0

The analysis of 1-Table illustrates the structure and dynamics of commercial banks'

JOURNAL OF APPLIED SCIENCE AND SOCIAL SCIENCE
eISSN 2229-3113 pISSN 2229-3205
Volume 15 Issue 12, December 2025
Impact factor: 2019: 4.679 2020: 5.015 2021: 5.436, 2022: 5.242, 2023: 6.995, 2024 7.75

assets and investment portfolios in Uzbekistan over the period 2019–2024. The data indicate a steady increase in total assets from 120,000 billion UZS in 2019 to 190,000 billion UZS in 2024, reflecting the growth of the banking sector and expanded financial intermediation in the economy. The share of loans to the real sector gradually rises from 55% to 66%, demonstrating a progressive focus on financing productive economic activities. Investment in securities also shows a positive trend, increasing from 20% to 28%, which highlights the growing role of investment activities in diversifying banks' income sources. At the same time, the proportion of non-performing loans decreases from 5% to 3.8%, indicating improvements in credit risk management. Correspondingly, key profitability indicators such as return on assets (ROA) and return on equity (ROE) exhibit a rising trend, suggesting that the expansion and strategic management of assets and investments positively affect overall financial performance.

2-Table. Effect of investment activities on asset profitability in Uzbekistan's commercial banks

Bank	Total Investment (billion UZS)	Investment Yield (%)	ROA (%)	ROE (%)	Non-performing Loans (%)
Bank A	10,500	6.5	2.5	14.0	3.5
Bank B	8,200	5.8	2.1	13.0	4.0
Bank C	12,000	7.2	2.8	15.0	3.2
Bank D	9,500	6.0	2.3	13.5	3.8
Bank E	11,000	6.8	2.6	14.2	3.4

2-Table provides a comparative view of individual banks' investment activities and their impact on asset profitability. The data show that banks with higher investment volumes and better investment yields, such as Bank C with a total investment of 12,000 billion UZS and a yield of 7.2%, achieve superior ROA (2.8%) and ROE (15.0%) compared to banks with lower investment engagement. Additionally, a lower ratio of non-performing loans in these banks indicates effective risk management and optimal allocation of resources within the investment portfolio. The table confirms that investment activities are directly linked to enhanced asset returns, reduced credit risk, and improved financial stability. Overall, both tables collectively demonstrate that strategic development of investment activities and proper portfolio management are essential tools for increasing asset profitability, strengthening banks' operational efficiency, and promoting sustainable growth in Uzbekistan's commercial banking sector.

JOURNAL OF APPLIED SCIENCE AND SOCIAL SCIENCE
eISSN 2229-3113 pISSN 2229-3205
Volume 15 Issue 12, December 2025
Impact factor: 2019: 4.679 2020: 5.015 2021: 5.436, 2022: 5.242, 2023: 6.995, 2024 7.75

Research discussion. The findings of this study indicate that developing investment activities in Uzbekistan's commercial banks has significant potential to enhance asset profitability and overall financial performance. Quantitative analysis of bank financial statements reveals that banks with a higher proportion of strategically managed investment portfolios achieve better returns on assets (ROA) and return on equity (ROE), while banks with limited investment diversification or a high share of non-performing loans exhibit lower profitability levels. Correlation and regression analyses confirm a positive relationship between active investment management and asset returns, emphasizing the importance of portfolio optimization, risk assessment, and careful allocation of financial resources. Expert interviews and qualitative assessments, drawing on insights from Mustafakulov Sherzod, highlight that macroeconomic stability, effective monetary policy, and robust risk management frameworks are critical for the successful implementation of investment strategies, particularly in a transitional banking environment such as Uzbekistan's.

Furthermore, the study identifies that the adoption of international best practices, including asset-liability management, portfolio diversification, and the integration of fintech solutions, can significantly improve banks' operational efficiency and profitability. The research demonstrates that investment activities not only diversify income streams but also reduce exposure to credit risk by reallocating resources toward high-yield assets and minimizing low-performing or non-performing asset categories. Comparative analysis with leading international banks reveals that Uzbek banks have room for improvement in terms of investment portfolio management, digitalization of investment processes, and compliance with international prudential standards, which, if addressed, could enhance their competitive positioning and long-term sustainability. Scenario analysis further suggests that under different macroeconomic conditions, proactive investment strategies—such as targeting high-return sectors, optimizing asset composition, and employing risk-adjusted performance metrics—can substantially improve financial outcomes and strengthen the resilience of the banking sector. Overall, the discussion confirms that a comprehensive approach combining quantitative financial management, qualitative strategic planning, expert insights, and alignment with global banking practices is essential for increasing asset profitability, achieving sustainable growth, and ensuring the stability of Uzbekistan's commercial banking sector.

Conclusion. The study demonstrates that enhancing asset profitability in Uzbekistan's commercial banks through the development of investment activities is a strategic necessity for improving financial performance and ensuring long-term stability. Empirical findings indicate that banks with well-diversified investment portfolios, effective risk management frameworks, and targeted allocation of financial resources achieve higher returns on assets and equity, while minimizing exposure to non-performing loans and low-yield assets. Integrating international best practices, such as asset-liability management, portfolio optimization, and digital financial solutions, provides a pathway for Uzbek banks to align with global standards and increase operational efficiency. Insights from Mustafakulov Sherzod reinforce the importance of macroeconomic stability, monetary policy, and strategic financial planning as foundational elements for successful investment management. Furthermore, scenario analysis and sensitivity testing confirm that proactive investment strategies under varying economic conditions can

JOURNAL OF APPLIED SCIENCE AND SOCIAL SCIENCE
eISSN 2229-3113 pISSN 2229-3205
Volume 15 Issue 12, December 2025
Impact factor: 2019: 4.679 2020: 5.015 2021: 5.436, 2022: 5.242, 2023: 6.995, 2024 7.75

substantially improve profitability and strengthen resilience in the banking sector. Overall, the study highlights that a comprehensive approach—combining quantitative financial analysis, qualitative strategic planning, expert input, and international benchmarking—is essential for optimizing investment activities, increasing asset profitability, and promoting sustainable growth within Uzbekistan's commercial banks. The findings provide actionable recommendations for policymakers, bank managers, and financial analysts to enhance portfolio management practices, expand high-yield investment opportunities, and ultimately contribute to the development of a robust and competitive banking sector in Uzbekistan.

References

1. Saunders, A., & Cornett, M. Financial Institutions Management: A Risk Management Approach. New York: McGraw-Hill Education, 2021.
2. Mishkin, F. S., & Eakins, S. G. Financial Markets and Institutions. Boston: Pearson Education, 2020.
3. Gorton, G., & Metrick, A. Regulating the Shadow Banking System. Brookings Papers on Economic Activity, 2019.
4. Basel Committee on Banking Supervision. Basel III: Finalising Post-Crisis Reforms. Bank for International Settlements, 2018.
5. Central Bank of the Republic of Uzbekistan. Annual Reports on Commercial Banks' Activities. Tashkent, 2019–2024.
6. Mustafakulov, Sherzod. Macroeconomics and Banking Systems. Tashkent: Nordic University Publishing, 2022.
7. Karimov, A., & Khudoyberdiyev, D. Economic Mechanisms for Increasing Asset Profitability in Commercial Banks. Tashkent: Iqtisodiyot, 2020.