# EFFECTIVE USE OF THE BANKING SYSTEM IN THE USE OF INVESTMENT RESOURCES

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***Abstract.*** *The effective utilization of investment resources is one of the key prerequisites for sustainable economic growth and structural transformation of national economies. In modern financial systems, the banking sector plays a fundamental role in mobilizing financial resources and directing them toward productive investment activities. The purpose of this study is to analyze the role of the banking system in ensuring the efficient use of investment resources and to identify the main mechanisms through which banks contribute to investment financing and economic development. The research examines theoretical and empirical perspectives on financial intermediation, focusing on the capacity of banks to accumulate savings, allocate capital efficiently, and support investment projects across different sectors of the economy. Particular attention is given to the mechanisms of deposit mobilization, credit financing, project financing, and risk management within the banking system. The study also analyzes the dynamics of bank lending and interest rates in Uzbekistan during 2025 in order to evaluate the affordability of financial resources for investment activities. The results of the analysis show that the banking system plays a crucial role in transforming savings into productive investments and supporting the development of the real sector of the economy. However, relatively high interest rates on bank loans in national currency remain a limiting factor for investment activity. At the same time, foreign currency loans offer lower interest rates but create additional exchange rate risks. The study concludes that improving banking sector efficiency, strengthening financial intermediation mechanisms, and optimizing credit policies are essential for increasing the effectiveness of investment resource utilization and ensuring sustainable economic development.*

***Keywords:*** *Banking system, investment resources, financial intermediation, investment financing, bank credit, economic development, capital allocation, financial stability.*

## 1. Introduction

In the modern global economy, the effective mobilization and allocation of investment resources have become one of the key factors determining sustainable economic growth and development. Investment plays a crucial role in expanding production capacity, introducing innovative technologies, creating new jobs, and improving the overall competitiveness of national economies. In this context, the banking system acts as one of the most important financial intermediaries responsible for accumulating financial resources and channeling them into productive investment activities. Therefore, the effective use of the banking system in the utilization of investment resources has become a significant topic in both economic theory and practice.

The banking system performs a vital function in transforming savings into investments. Through various financial instruments and mechanisms, banks collect temporarily free funds from individuals, businesses, and institutions and redirect them to sectors that require financial resources

for development and expansion. This intermediation function enables the efficient allocation of capital across different sectors of the economy and contributes to balanced economic development. Without a well-developed and efficiently functioning banking system, the process of mobilizing investment resources would be fragmented and inefficient, limiting economic growth potential.

In recent decades, globalization, financial liberalization, and technological advancement have significantly transformed the structure and functioning of banking systems around the world. Modern banking institutions are no longer limited to traditional lending activities; they now provide a wide range of financial services such as investment financing, project financing, risk management, and financial advisory services. These functions enhance the capacity of banks to support investment activities and contribute to the development of various sectors of the economy.

The effectiveness of the banking system in utilizing investment resources depends on several factors, including financial stability, regulatory frameworks, institutional capacity, risk management practices, and the availability of modern financial instruments. A stable and efficient banking system ensures that investment resources are allocated to productive sectors, thereby increasing economic efficiency and fostering sustainable development. Conversely, weaknesses in the banking sector may lead to inefficient allocation of resources, increased financial risks, and slower economic growth.

Another important aspect of the banking system's role in investment resource utilization is its ability to reduce information asymmetry between investors and borrowers. Banks possess specialized knowledge, financial expertise, and risk assessment capabilities that enable them to evaluate investment projects more effectively than individual investors. By performing credit analysis, monitoring borrowers, and managing financial risks, banks help ensure that investment funds are directed toward viable and productive projects. This function enhances the overall efficiency of investment processes and contributes to financial market stability.

In many developing and transition economies, including those undergoing structural economic reforms, the banking sector plays an even more critical role in supporting investment activities. Due to the relatively underdeveloped capital markets in such economies, banks often serve as the primary source of financing for businesses and investment projects. Consequently, the effectiveness of the banking system directly influences the availability of financial resources for economic development and modernization.

Furthermore, the development of innovative financial instruments and digital banking technologies has significantly improved the efficiency of the banking sector in mobilizing and allocating investment resources. Digital platforms, fintech solutions, and modern financial technologies enable banks to expand their services, improve access to financial resources, and enhance the transparency and speed of financial transactions. As a result, the banking system becomes more capable of supporting investment processes and promoting economic growth.

The role of the banking system in investment resource utilization is also closely related to the implementation of national economic policies. Governments often rely on the banking sector to support strategic investment priorities, finance infrastructure projects, and stimulate entrepreneurship and small business development. Through credit policies, interest rate mechanisms, and financial incentives, banks contribute to the realization of national economic development strategies.

In addition, effective banking systems contribute to the diversification of investment sources by attracting both domestic and foreign investment. By ensuring financial stability, strengthening

regulatory mechanisms, and improving corporate governance practices, the banking sector can increase investor confidence and facilitate the inflow of capital into the economy. This process is particularly important for countries seeking to integrate into the global financial system and expand their investment potential.

Despite the significant progress achieved in the development of banking systems worldwide, several challenges remain in ensuring the effective use of investment resources. Therefore, the purpose of this study is to examine the role of the banking system in the effective use of investment resources and to analyze the key mechanisms through which banks contribute to investment financing and economic growth.

**2. Literature review**

The role of the banking system in mobilizing and efficiently allocating investment resources has been widely studied in economic literature. Researchers emphasize that banks function as financial intermediaries that connect savers with investors, facilitate capital formation, and support sustainable economic growth. Theoretical and empirical studies highlight various mechanisms through which banking systems influence investment processes, including credit provision, liquidity creation, risk management, and financial intermediation.

One of the earliest theoretical foundations for understanding the role of finance and banking in economic development was provided by Joseph Schumpeter [1], who argued that financial institutions play a key role in facilitating technological innovation and economic progress by financing productive investments. According to this view, well-developed financial systems enable entrepreneurs to implement innovative projects and stimulate long-term economic growth.

A significant contribution to the empirical analysis of finance and growth was made by R. King and R. Levine [2], who demonstrated that financial development, including banking sector expansion, strongly predicts future economic growth. Their research shows that banking systems stimulate capital accumulation and productivity growth by efficiently allocating financial resources to productive investments.

Ross Levine [3] further expanded this perspective by identifying the key functions of financial systems, including mobilizing savings, allocating capital, monitoring investments, and managing risks. His work emphasizes that efficient banking systems reduce information asymmetry and transaction costs, which ultimately increases investment efficiency and economic development.

Research conducted by Thorsten Beck, Mathijs Van Dijk, Robin Döttling, and Thomas Lambert [4] examines the relationship between banking liquidity creation and investment activity across countries. Their findings suggest that banks contribute to economic growth by creating liquidity and allocating capital to sectors where it can generate the highest productivity and investment returns.

Seyed Farid Mousavi and Arezu Gazari Neyshabouri [5] highlight that banks play a critical role in financing business enterprises, particularly small and medium-sized enterprises (SMEs). Their research shows that bank lending accelerates production cycles, promotes innovation, and contributes to employment generation by providing long-term financing to private sector businesses.

According to Manish Singh Baghel, banks play a fundamental role in economic development by collecting savings from individuals and transforming them into investment capital. His research emphasizes that the banking sector supports both domestic investment and international trade by providing credit and facilitating financial transactions [6].

The sectoral analysis conducted by Jesús Antonio Gil-Jardón, Paolo Morganti, and Connie Atristain-Suárez [7] examines the impact of commercial and development bank credit on economic growth indicators such as exports, GDP, and foreign direct investment. Their findings indicate that development banks play a complementary role by financing large-scale and socially beneficial investment projects that may be too risky for commercial banks.

Shamsul Alam, Chowdhury, and Razak [8] conducted a bibliometric analysis of banking performance research and concluded that banking efficiency and productivity significantly influence economic growth. Their findings emphasize that banks mobilize financial resources by collecting deposits and providing loans to investors, thereby stimulating investment and economic expansion.

The study by Haibo Wang, Lutfu Sua, and Burak Dolar [9] examines the relationship between financial openness and banking sector performance. Their results show that international financial integration increases banks' ability to expand credit portfolios and finance investment activities, particularly in developing economies.

Another important contribution is provided by Danyil Vrotslavskyy and Yaroslav Dropa [10], who emphasize that the banking system plays a central role in redistributing financial resources within the economy. By attracting deposits and providing loans to enterprises and individuals, banks ensure the continuous financing of investment activities and support economic development.

Research conducted by Uzbek economist Bakhadir Mamatov [11] examines the role of commercial banks in supporting the development of the real sector of the economy. His findings show that commercial banks contribute to the modernization of industries by providing credit resources for investment projects and supporting innovation activities.

Bobir Sultonmurodov [12] studied the role of bank financing in investment project implementation. According to his research, cooperation between commercial banks and international financial institutions significantly increases the availability of investment resources for large-scale infrastructure and industrial projects.

Uzbek economist Janabay Isakov [13] emphasizes the growing importance of commercial banks in capital market development and investment financing. His research highlights that modern banks are not only credit providers but also active participants in financial markets through investment banking and securities operations.

**3. Research methodology**

The research methodology of this study is based on a combination of theoretical and empirical approaches aimed at analyzing the role of the banking system in the effective use of investment resources. The study relies on general scientific and economic research methods, including comparative analysis, statistical analysis, logical analysis, and system approach.

First, the theoretical foundations of the relationship between the banking system and investment resource utilization were examined through a comprehensive review of international and national academic literature. This allowed the identification of key concepts related to financial intermediation, capital allocation, and investment financing within modern banking systems.

Second, statistical analysis methods were used to examine the dynamics of banking sector indicators, particularly interest rates on loans and deposits in the Republic of Uzbekistan during 2025. Official statistical data and financial indicators were analyzed to evaluate the accessibility of investment resources and the cost of capital for businesses and investors.

In addition, a comparative analysis was conducted to examine the differences between interest rates on loans in national and foreign currencies. This approach allowed for a deeper

understanding of the financial conditions influencing investment decisions and the efficiency of banking mechanisms in supporting investment activities.

The system approach was applied to analyze the interaction between different elements of the banking system, including deposit mobilization, credit allocation, and risk management mechanisms. Conceptual modeling was also used to illustrate the process through which financial resources are transformed into investments within the banking system.

**4. Analysis and results**

The effective utilization of investment resources through the banking system is one of the key factors that determine sustainable economic development. In modern financial systems, banks serve as intermediaries between savers and investors by mobilizing financial resources and allocating them to productive sectors of the economy. Through various financial instruments such as credit financing, investment loans, project financing, and financial advisory services, the banking system contributes significantly to the efficient use of investment resources.

In this study, the relationship between the banking system and the effective use of investment resources is analyzed from both conceptual and empirical perspectives. Particular attention is given to the mechanisms through which banks mobilize financial resources and channel them into investment activities. Furthermore, the role of the banking system in supporting business development, improving capital allocation, and ensuring financial stability is examined.

**Table 1**

**Key Banking Mechanisms Supporting the Effective Use of Investment Resources**[1]

| Banking Mechanism | Financial Instruments | Role in Investment Resource Utilization | Expected Outcome |
|---|---|---|---|
| Deposit Mobilization | Savings accounts, time deposits | Accumulation of financial resources | Increased investment capital |
| Credit Financing | Business loans, investment loans | Financing business and investment projects | Expansion of production capacity |
| Project Financing | Long-term investment credits | Support for infrastructure and industrial projects | Economic growth |
| Risk Management | Credit risk assessment, guarantees | Reduction of investment risks | Financial stability |
| Financial Intermediation | Capital allocation and monitoring | Efficient distribution of financial resources | Higher investment efficiency |

Table 1 illustrates the key mechanisms through which the banking system supports the effective use of investment resources. Deposit mobilization represents the first stage of the investment process, as banks collect savings from households and businesses. These accumulated funds are then allocated through credit financing to enterprises and investors who require capital for business expansion and development.

[1] Author's development

Project financing mechanisms allow banks to support large-scale investment initiatives such as infrastructure development, industrial modernization, and technological innovation. At the same time, risk management practices implemented by banks ensure that investment funds are allocated to viable and productive projects. As a result, the banking system contributes to increasing investment efficiency and strengthening financial stability.

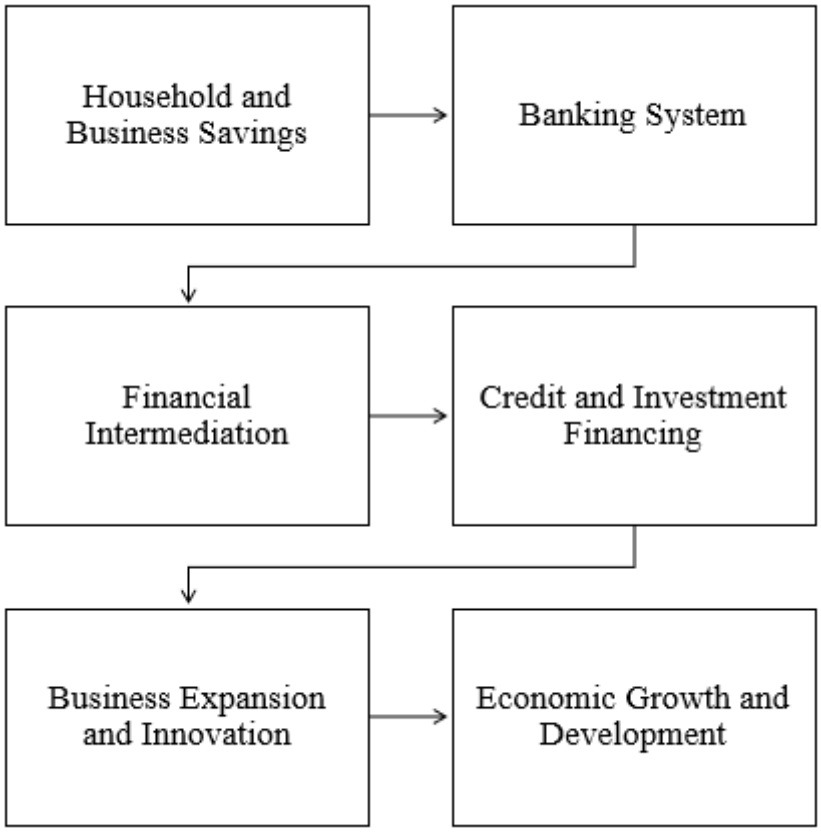



**Figure 1. Banking System's Role in Investment Resource Allocation[2]**

Figure 1 presents a conceptual model demonstrating the role of the banking system in the investment process. The model begins with the accumulation of savings from households and businesses. These savings are deposited into banks, where they are transformed into investment resources through financial intermediation.

Banks then allocate these resources in the form of loans, investment financing, and credit facilities to firms and entrepreneurs. As a result, businesses are able to expand production, introduce innovations, and improve productivity. This process ultimately contributes to economic growth and sustainable development.

The model highlights the central role of banks in connecting financial resource holders with investors and ensuring the efficient circulation of capital within the economy.

The efficiency of utilizing investment resources through the banking system is primarily determined by the cost of capital, namely interest rates on loans. The dynamics of interest rates

[2] Author's development

within the banking system of Uzbekistan throughout 2025 demonstrate the affordability of investment resources for the real sector of the economy.

**Table 2**

**Dynamics of weighted average interest rates on bank loans and deposits in the Republic of Uzbekistan in 2025 (annual basis, %)[3]**

| Indicators | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Interest rates on bank loans in national currency** | **23,1** | **23,1** | **23,0** | **22,6** | **22,8** | **23,0** | **22,9** | **23,4** | **23,1** | **23,1** | **22,7** | **22,7** |
| - Loans up to 1 year | 22,6 | 23,2 | 23,4 | 23,1 | 21,9 | 22,3 | 22,9 | 22,8 | 22,8 | 22,9 | 22,9 | 22,9 |
| - Loans over 1 year | 23,3 | 23,0 | 22,9 | 22,5 | 23,1 | 23,2 | 22,9 | 23,5 | 23,3 | 23,2 | 22,6 | 22,6 |
| **Interest rates on bank loans in foreign currency** | **10,2** | **10,4** | **10,2** | **9,9** | **9,9** | **9,9** | **9,9** | **10,5** | **10,1** | **10,4** | **10,1** | **10,0** |
| - Loans up to 1 year | 10,5 | 10,5 | 10,6 | 9,4 | 9,4 | 9,7 | 8,7 | 10,1 | 9,6 | 9,8 | 10,2 | 10,2 |
| - Loans over 1 year | 9,8 | 10,4 | 9,8 | 10,3 | 10,3 | 10,0 | 10,7 | 10,7 | 10,3 | 10,8 | 10,0 | 10,0 |
| **Rates on deposits and loans in national currency** | | | | | | | | | | | | |
| - Term deposits of individuals | 22,1 | 22,1 | 22,1 | 21,6 | 21,5 | 21,4 | 21,4 | 21,4 | 21,3 | 20,9 | 21,0 | 20,6 |
| - Term deposits of legal entities | 16,8 | 16,9 | 16,4 | 17,5 | 17,9 | 17,9 | 16,9 | 17,7 | 17,1 | 17,1 | 16,4 | 16,4 |
| - Loans to individuals | 24,4 | 24,1 | 23,6 | 22,6 | 23,1 | 23,7 | 23,8 | 24,1 | 24,1 | 23,5 | 22,9 | 23,4 |
| - Loans to legal entities | 22,4 | 22,5 | 22,7 | 22,9 | 22,6 | 22,8 | 22,7 | 23,2 | 22,9 | 23,2 | 23,2 | 23,0 |

Based on the data presented in the table, it is evident that weighted average rates for bank loans in national currency remained relatively high and stable throughout 2025, fluctuating within the range of 22.6% to 23.4%. This indicates that the cost of investment resources in the national

[3] Data from the Central Bank of the Republic of Uzbekistan, https://cbu.uz/uz/statistics/rates/

currency remains high, necessitating a rate of return on investment projects that exceeds these interest levels. Specifically, the rates for loans to legal entities concluded the year at 23.0% in December, highlighting a significant financial burden on enterprises utilizing these resources.

In contrast, interest rates for bank loans in foreign currency appeared far more attractive, stabilizing between 9.9% and 10.5%. This price gap explains the preference of entrepreneurs for foreign currency-denominated resources when financing large-scale investment projects. However, this trend also underscores the necessity of managing exchange rate risks as a critical aspect of effective banking system utilization.

Furthermore, the "spread" between deposit and loan rates remains notable. For instance, while term deposits for legal entities stood at 16.4% in December, loan rates for the same category were 23.0%. Reducing the cost of funds attracted through the banking system and optimizing lending conditions remain urgent tasks for enhancing the overall efficiency of investment resource utilization.

**5. Conclusion**

The conducted research confirms that the banking system plays a crucial role in ensuring the effective mobilization and utilization of investment resources within the economy. As a key financial intermediary, the banking sector facilitates the transformation of savings into productive investments, supports the development of business activities, and contributes to sustainable economic growth.

The analysis demonstrates that banks perform several essential functions in the investment process, including deposit mobilization, credit financing, project financing, and financial risk management. Through these mechanisms, banks ensure the efficient distribution of financial resources among economic sectors and support the implementation of investment projects in industry, infrastructure, and entrepreneurship.

The empirical analysis of interest rate dynamics in Uzbekistan in 2025 shows that the cost of borrowing in national currency remains relatively high, which may limit the investment capacity of enterprises. At the same time, loans in foreign currency appear more affordable due to lower interest rates; however, they are associated with additional exchange rate risks. Therefore, balancing interest rate policies and improving access to affordable financial resources remain important tasks for enhancing the effectiveness of investment financing.

Furthermore, the study highlights that strengthening financial stability, improving banking regulations, expanding digital financial services, and increasing the efficiency of financial intermediation are key factors in optimizing the role of the banking system in investment resource utilization.

Overall, improving the effectiveness of the banking system will contribute to increasing investment activity, enhancing the competitiveness of the national economy, and ensuring long-term economic development. Future research may focus on the impact of digital banking technologies, financial innovation, and capital market development on the efficiency of investment resource allocation.

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