PRIORITY DIRECTIONS FOR EXPANDING COMMERCIAL BANKS' PARTICIPATION IN THE CORPORATE SECURITIES MARKET

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Abstract

The thesis systematized directions for expanding commercial banks' participation in the corporate securities market. The study employed analysis, synthesis, classification, comparison, and logical generalization. Bank activities were assessed across issuance, investment, and intermediation. The results substantiated the development of bank bonds and equities, expanded investment services, digitalization, secondary market liquidity, and information transparency. These directions were shown to diversify bank funding sources, broaden the investor base, and channel long-term financial resources into the real sector.

Keywords: commercial banks, corporate securities, capital market, bank bonds, investment activity, financial intermediation, digitalization.

Annotatsiya

Tezisda tijorat banklarining korporativ qimmatli qog'ozlar bozoridagi ishtirokini kengaytirishning ustuvor yo'nalishlari tizimlashtirildi. Tadqiqotda tahlil va sintez, funksional tasniflash, qiyoslash hamda mantiqiy umumlashtirish usullaridan foydalanildi. Banklarning faoliyati emitentlik, investitsiya va moliyaviy vositachilik yo'nalishlari bo'yicha baholandi. Natijada bank obligatsiyalari va aksiyalarini rivojlantirish, investitsiya xizmatlarini kengaytirish, raqamlashtirish, ikkilamchi bozor likvidligi hamda axborot shaffofligini kuchaytirish zarurligi asoslandi. Belgilangan yo'nalishlar moliyalashtirish manbalarini diversifikatsiyalash va real sektorga uzoq muddatli resurslarni samarali ravishda yo'naltirishga xizmat qilgani ko'rsatildi.

Kalit so'zlar: tijorat banklari, korporativ qimmatli qog'ozlar, kapital bozori, bank obligatsiyalari, investitsiya faoliyati, moliyaviy vositachilik, raqamlashtirish.

Аннотация

В тезисе были систематизированы приоритетные направления расширения участия коммерческих банков на рынке корпоративных ценных бумаг. В исследовании применялись анализ и синтез, функциональная классификация, сравнение и логическое обобщение. Деятельность банков оценивалась по направлениям эмиссии, инвестирования и финансового посредничества. В результате была обоснована необходимость развития банковских облигаций и акций, расширения инвестиционных услуг, цифровизации, повышения ликвидности вторичного рынка и информационной прозрачности. Было показано, что предложенные направления способствовали диверсификации источников финансирования и привлечению долгосрочных ресурсов в реальный сектор экономики.

Ключевые слова: коммерческие банки, корпоративные ценные бумаги, рынок капитала, банковские облигации, инвестиционная деятельность, финансовое посредничество, цифровизация.

INTRODUCTION

The development of capital markets is a precondition for the efficient allocation of financial resources and for the financing of long-term investment. Comparative research on financial system architecture has established that bank-based and market-based structures are not ranked hierarchically: what determines the contribution of a financial system to growth is the overall level of financial development and the quality of the legal environment rather than the dominance of one segment over the other [1]. Panel evidence across countries and industries has confirmed the same conclusion, showing that banks and securities markets each provide services that the other does not fully replicate, and that economies benefit from the simultaneous development of both [2].

Commercial banks occupy a distinctive position in this configuration. They operate not only as intermediaries channelling credit resources into the economy, but also as issuers, investors and professional participants in the corporate securities market. The simultaneous presence of a bank in these several capacities links the two segments of the financial system and creates the institutional basis for their joint development.

In Uzbekistan the expansion of this linkage has been supported by a consistent policy framework. The measures adopted for the further development of the capital market defined the growth of the corporate bond segment, the improvement of market infrastructure and the encouragement of public offerings by companies with a state share as coordinated priorities [3]. The purpose of the present thesis is to identify and systematise the priority directions for expanding commercial banks' participation in the corporate securities market and to describe the mechanism through which such participation is transmitted to the financing of the real sector.

LITERATURE REVIEW

The theory of financial intermediation explains the existence of banks through the delegated monitoring function: depositors delegate to the bank the costly task of monitoring borrowers, and diversification within the bank's loan portfolio makes this delegation credible [4]. Later contributions broadened the explanation, arguing that intermediation is better understood through risk management and participation costs than through informational asymmetry alone, which accounts for the continued relevance of banks in economies with well-developed securities markets [5].

Research on financial system architecture examined the division of financing between banks and markets and showed that the two segments serve borrowers with different informational characteristics, so that the composition of the corporate sector influences the equilibrium structure of the system [6]. Subsequent theoretical work replaced the competitive framing with a co-evolutionary one, demonstrating that banks and markets compete, complement each other and evolve together: improvements in bank screening support securitisation, wider investor participation develops the market, and a developed market in turn lowers the cost at which banks raise equity capital [7]. This proposition provides the direct theoretical basis for treating the expansion of bank participation in the securities market as a complementary rather than a substitutive process.

The corporate finance literature supplies the issuer-side rationale. The financing hierarchy derived from asymmetric information explains the sequence in which internal funds, debt and equity are used and clarifies the conditions under which bond issuance becomes the preferred instrument for raising medium- and long-term resources [8]. Portfolio theory provides the investor-side rationale: the variance of a portfolio depends on the covariance structure of its components, so that adding securities whose returns are imperfectly correlated with lending income reduces the volatility of the bank's aggregate result [9].

METHODOLOGY

The study is theoretical and analytical in design. Methods of analysis and synthesis, functional classification, comparison and logical generalisation were applied. The activities of commercial banks in the corporate securities market were classified by function into three groups - issuance, investment and intermediation - and each group was assessed in terms of its effect on the funding structure and income sources of the bank. The regulatory framework of Uzbekistan and open publications on the national capital market were used as the institutional reference base. No estimated or simulated figures were introduced into the analysis.

ANALYSIS AND RESULTS

Under the traditional banking model, financial resources are mobilised mainly through deposits and transformed into loans. As the capital market develops, this mechanism is extended: banks raise resources through shares, bonds and other market instruments, and the two channels operate in parallel. The comparison of the two channels is presented in Figure 1.

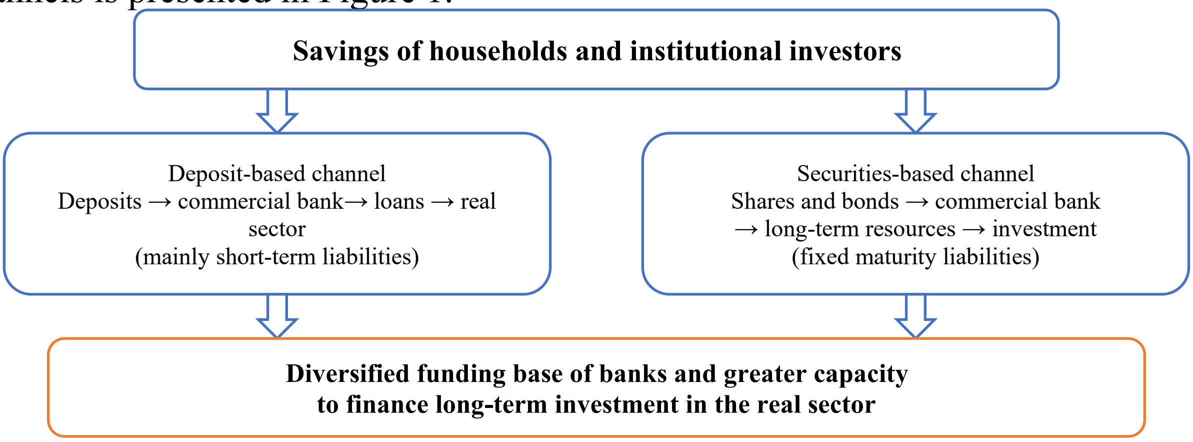

Figure 1. Deposit-based and securities-based funding channels of commercial banks[1]

[1] Source: developed by the author on the basis of [6] and [7].

The second channel reduces the dependence of banks on deposit funding, diversifies the maturity structure of liabilities and expands the capacity to finance long-term investment projects. Its practical significance follows from the maturity profile of the two sources: deposits are predominantly short-term and subject to withdrawal, whereas bonds carry a fixed maturity that can be matched to the duration of investment assets.

The activities of commercial banks in the corporate securities market fall into three functional areas. The first is the role of the bank as an issuer. Share issuance increases equity capital, while bond issuance attracts medium- and long-term debt financing, and bank bonds serve as an effective instrument for diversifying the funding structure [8]. The second is investment activity. Subject to prudential requirements and risk management procedures, banks invest in corporate bonds and other securities and generate investment income alongside income from lending; the portfolio is managed by balancing profitability, risk and liquidity [9]. The third is financial intermediation. By providing services related to securities issuance, bond placement and investment advisory, banks facilitate corporate clients' access to the capital market and strengthen the link between issuers and investors [5].

The priority directions derived from this classification are systematised in Table 1.

Table 1

Priority directions for expanding commercial banks' participation in the corporate securities market[1]

Priority direction	Implementation mechanism	Expected outcome
Development of bank bonds	Issuance of medium- and long-term bonds	Diversification of the funding base
Development of the equity segment	Use of IPO and SPO mechanisms	Expansion of bank capital and of the investor base
Investment activity	Diversification of securities portfolios	Expansion of income sources
Financial intermediation	Issuance support and investment advisory services	Increase in the number of corporate issuers
Digitalisation	Integration of banking and investment services	Greater participation of retail investors
Market liquidity	Development of secondary trading and market-making	Higher turnover of securities
Information transparency	Enhanced financial and non-financial disclosure	Stronger investor confidence

The institutional environment determines how fully these directions are realised. The priorities that support them include the strengthening of secondary market liquidity, the improvement of issuer disclosure, the protection of investor rights, the promotion of financial literacy and the further development of market infrastructure [3]. The integration of digital banking services with capital market infrastructure

[1] Source: compiled by the author.

represents a direction of particular practical value, since the extensive customer bases and digital platforms of commercial banks provide households with direct access to investment instruments and create additional channels for transforming savings into market investments.

The national market offers a favourable setting for this process. The draft law on the capital market prepared in 2026 established the legal basis for covered bonds, derivative instruments, securitised bonds, sukuk, sustainability bonds, subordinated bonds and bonds denominated in foreign currency, and the volume of investment attracted through the stock market was projected to rise from 10 trillion soum in 2026 to 20 trillion soum by 2030. Capital market operations have also expanded internationally: more than 16 billion US dollars of bonds were placed on international markets, corporate eurobonds denominated in the national currency entered circulation, and 30 per cent of the shares of the National Investment Fund, holding the assets of thirteen strategic enterprises, were offered on the Tashkent and London stock exchanges. Each of these developments widens the range of instruments available to commercial banks in their capacity as issuers, investors and intermediaries.

The comprehensive implementation of the identified directions strengthens the relationship between commercial banks and capital markets. Banks and markets are therefore treated not as competing sources of corporate financing but as complementary components of an integrated financial system whose segments develop together [7].

CONCLUSION AND SUGGESTIONS

Expanding commercial banks' participation in the corporate securities market strengthens the integration between the banking system and capital markets. The transformation of banks from traditional credit institutions into multifunctional financial institutions acting simultaneously as issuers, investors and intermediaries constitutes the core of this process.

The development of bank bond and equity instruments, the expansion of investment services, the integration of digital banking and market infrastructure, the improvement of secondary market liquidity and the strengthening of information transparency were identified as the key directions for the coming period. Their implementation diversifies the funding sources of banks, increases the investment attractiveness of the corporate securities market, broadens the investor base and creates additional opportunities for channelling long-term resources into the real sector of the economy.

The development of commercial banks' activities in the corporate securities market is accordingly regarded as an integral component of the transition from a predominantly bank-based financing model towards a diversified and integrated financial ecosystem. Further research may quantify the relationship between the share of securities in bank liabilities and the maturity structure of bank lending to the real sector.

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