



International Congress on Economics, Management and Business Studies

Hosted Online from New York, USA

Date: 23rd May , 2026

Website: <https://econferencia.com>

PROBLEMS OF FORMING LONG-TERM INVESTMENT RESOURCES IN COMMERCIAL BANKS

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Abstract

This scientific thesis examines the problems of forming long-term investment resources in commercial banks and the ways to solve them. Commercial banks play an important role in financing the real sector of the economy, supporting production enterprises, lending to infrastructure projects, and increasing investment activity. However, the insufficient formation of a long-term resource base in banks negatively affects the volume and maturity of investment loans. The thesis analyzes the concept of long-term investment resources, their sources of formation, existing problems, and issues of their effective management in commercial banks. It also provides recommendations on the development of long-term deposits, bank bonds, funds from international financial institutions, and the use of capital market instruments.

Keywords: Commercial banks, investment resources, long-term loans, deposits, bank bonds, capital market, liquidity, financial stability, investment activity, resource base.

In a market economy, commercial banks operate as important financial intermediaries. They attract temporarily free funds from individuals, enterprises, and other economic entities and transform them into credit and investment resources. In particular, the formation of long-term investment resources strengthens the role of banks in financing the real sector of the economy.



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Long-term investment resources are essential for financing industry, agriculture, transport, energy, construction, services, and innovative projects. Such projects usually require large amounts of capital and have a long payback period. Therefore, if commercial banks do not have sufficient long-term resources, their ability to provide investment loans becomes limited.

Today, one of the main problems in increasing the investment activity of commercial banks is the mismatch between the maturity of resources and the maturity of loans. Banks often operate mainly with short-term deposits and funds in current accounts. However, investment projects require funds for three, five, or more years. Issuing long-term loans using short-term resources increases liquidity risk.

The issue of forming long-term investment resources is also relevant for the banking system of Uzbekistan. The banking system reform strategy defines the organization of banks' activities based on market principles, reduction of dependence on state resources, strengthening financial stability, and increasing the share of private capital as important priorities [1]. This requires commercial banks to form an independent and stable resource base.

The purpose of this thesis is to analyze the problems of forming long-term investment resources in commercial banks and to develop scientific and practical recommendations for solving them.

Long-term investment resources in commercial banks refer to financial funds that can be used by banks for a long period and directed toward financing investment projects. These resources include long-term deposits, bank capital, bank bonds, credit lines from international financial institutions, funds allocated under government programs, and resources attracted from the capital market.

The main function of long-term investment resources is to expand the possibilities of long-term lending in the economy. Through such resources, commercial banks



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can finance the modernization of production, establishment of new enterprises, technological renewal, infrastructure projects, and projects aimed at increasing export potential. Therefore, a long-term resource base is an important factor for banks' investment activity and economic growth.

Long-term investment resources in commercial banks are formed through several sources. The first source is long-term deposits. Long-term deposits of individuals and enterprises are considered stable resources for banks. However, if the culture of long-term savings is not sufficiently developed among the population, banks remain dependent mainly on short-term deposits.

The second source is bank capital. Bank capital is the main source of long-term financial stability. It increases the ability of a bank to cover risks and expand investment operations. Banks with sufficient capital adequacy can more actively provide long-term loans.

The third source is bank bonds. Commercial banks can attract long-term funds from the capital market by issuing bonds. This method reduces banks' excessive dependence on deposits and diversifies their resource base. However, the insufficient development of the bond market limits the wide use of this source.

The fourth source is funds from international financial institutions. The World Bank, Asian Development Bank, European Bank for Reconstruction and Development, and other international organizations provide credit lines to commercial banks for financing small businesses, women's entrepreneurship, green energy, export, and innovative projects. Such funds are important as long-term and relatively affordable resources.

There are several problems in the formation of long-term investment resources in commercial banks. The first major problem is the short maturity of deposits. Individuals and enterprises often prefer to keep their money in short-term or



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demand deposits. This creates liquidity risks for banks when providing long-term loans.

The second problem is related to inflation expectations and interest rates. If individuals and businesses expect high inflation in the future, they are less interested in placing their funds in banks for a long period. As a result, banks have to offer higher interest rates to attract long-term resources. This, in turn, increases loan interest rates.

The third problem is the insufficient development of the capital market. In developed countries, commercial banks attract long-term resources by issuing bonds and other securities. In Uzbekistan, however, the securities market is still developing, and banks do not fully use this opportunity.

The fourth problem is the mismatch between the maturity of banks' assets and liabilities. If a bank provides long-term loans using short-term liabilities, a shortage of funds may arise when obligations become due. In international banking practice, liquidity risk management is one of the key conditions for bank stability [2].

The fifth problem is related to the financial literacy of the population and confidence in the banking system. If people do not fully understand the benefits of long-term deposits or do not have sufficient confidence in banks, they may avoid placing their funds for a long period. This limits the ability of banks to form a stable resource base.

The sixth problem is the high level of risk in long-term investment projects. Investment loans are usually large in amount and issued for a long period. If such projects do not generate income on time, the quality of bank assets may deteriorate. Therefore, banks sometimes prefer short-term and faster-turnover loans.



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The process of forming long-term investment resources can be shown in the following figure.

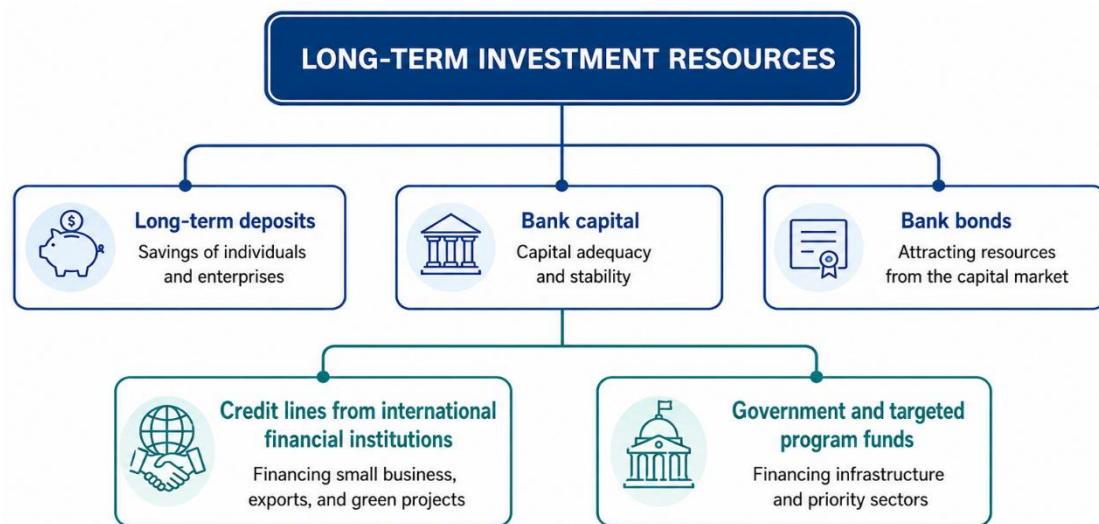


Figure 1. Sources of Formation of Long-Term Investment Resources in Commercial Banks¹

The figure shows that long-term investment resources of commercial banks should not be formed only through deposits. They should be formed by combining various financial sources. Diversification of resource sources increases the financial stability of banks and expands their opportunities for investment lending.

The financial strategy of banks is also important in forming long-term investment resources. Each commercial bank should develop its long-term financing policy based on its resource base, customer structure, loan portfolio, and risk level. This

¹ Source: Developed by the author based on research findings.



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policy should clearly define deposit policy, interest rate policy, bond issuance plans, and cooperation with international financial institutions.

Commercial banks should also offer convenient and reliable deposit products to attract long-term savings from the population. For example, deposits with gradually increasing interest rates, savings deposits for children's education, pension-related savings products, and inflation-protected deposits can help expand long-term resources.

The development of bank bonds is another important direction. Commercial banks may issue ordinary and subordinated bonds to attract long-term funds from investors. For this purpose, it is necessary to increase transparency in the securities market, protect investor rights, and develop credit ratings of banks.

Cooperation with international financial institutions also plays an important role in forming long-term resources. Credit lines provided by such institutions are often targeted, long-term, and relatively favorable. Commercial banks can use these funds to finance small businesses, exports, green economy projects, energy efficiency, and innovation.

For the effective formation of long-term investment resources, banks should have a strong risk management system. Banks must constantly analyze the gap between the maturity of assets and liabilities, conduct liquidity stress tests, and assess risks related to investment loans. Financial stability analyses also show the importance of liquidity and solvency issues in the banking system [3].

Digital banking services can also play an important role in attracting long-term resources. Mobile applications and online platforms make it easier to open deposits, manage term deposits, offer individual proposals to customers, and promote savings products. Digital services increase trust and convenience between banks and customers.



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The formation of long-term investment resources in commercial banks is important for the investment development of the economy, financing the real sector, and ensuring the stable operation of banks. Banks with sufficient long-term resources can finance major investment projects, modernize production, and support entrepreneurship.

The analysis shows that the main problems in forming long-term investment resources include the short maturity of deposits, inflation expectations, insufficient development of the capital market, mismatch between assets and liabilities, low financial literacy of the population, and the high risk of investment projects.

To solve these problems, the following recommendations can be proposed.

First, commercial banks should develop attractive long-term deposit products. Reliable and profitable deposit products for individuals and enterprises can expand the long-term resource base of banks.

Second, the bank bond market should be developed. By issuing bonds, commercial banks can attract long-term funds from the capital market and reduce dependence on short-term deposits.

Third, cooperation with international financial institutions should be expanded. Such resources are long-term and relatively affordable, and they can support investment lending.

Fourth, asset and liability management should be improved. Banks should regularly assess liquidity risks and avoid excessive long-term lending based on short-term resources.

Fifth, the financial literacy of the population should be increased. Explaining the benefits of long-term deposits and investment products can help banks attract more stable resources.



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In general, the formation of long-term investment resources in commercial banks strengthens the stability of the banking system, expands investment lending, and supports the development of the real sector of the economy. Therefore, diversification of long-term resources, development of the capital market, and improvement of banks' financial management systems remain important tasks.

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