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MACROECONOMIC ASPECTS OF INVESTMENT ACTIVITY OF BANKS

Raising cash by issuing securities or placing securities in their primary market; of buyers and sellers of existing securities in the secondary market coordination.

In the economic literature of the Soviet era, the investment activity of banks was understood as the mobilization of long-term loan capital and offered to borrowers. The explanation in this form was determined by the existing characteristics of the organization of banking business, the specifics of the objects and subjects of investment, because long-term lending was the main form of investment activity of banks in the pre-reform period. In the narrow sense of the word, investment activity, which implies the activity of the securities market, could not exist for obvious reasons.

As we move to market relations, as the stock market is formed, the interpretation of bank investments as long-term investments in securities is also reflected in the economic literature of our country. Thus, VMU Soskin notes that the point of covering bank investments applies to securities older than 1 year.

Investments are understood both as directions of placement of commercial bank's reserves, and as operations on the term placement of funds for the purpose of obtaining income. In the first case, investments refer to the entire complex of active operations of a commercial bank, while in the second case, its term component is related.

Thus, the investment activity of banks has a dual nature. From the point of view of the economic subject (bank), the investment activity is aimed at increasing the bank's income. In the macroeconomic aspect, the effect of investment activity consists in achieving the growth of public capital.

In terms of economic development, the investment activity of banks includes not only investments at the bank level, but also investments that lead to income generation at the level of society as

a whole (in contrast to forms of investment activity related to the redistribution of public income by ensuring the increase of the income of a specific bank). Thus, from the point of view of macroeconomics, the criterion for attribution to investment activity is the productive direction of bank deposits.

Act as contributions to the creation and development of enterprises and organizations through participation in the capital expenditures of economic entities in the form of shares, shares, acquisition of other securities of enterprises placed on the primary market, investment lending, financing of investment projects (project financing). Both aspects of investment activity of commercial banks are closely related to each other. The basis of this interaction is the development of privatization facilities and the securities market, the tools of which directly or indirectly form the preconditions for the implementation of the investment process. In the microeconomic aspect, in the course of investment activity, commercial banks make investments in the authorized capital in the form of acquisition of shares, shares of privatized enterprises, other securities of enterprises placed on the primary market, and carry out founding activities. Thus, specifically, investment activity constitutes an important element of investment processes in the economy does.

At the same time, the advantage of speculative investments in the securities market is that credit forms for meeting investment demand in the real conditions of the national economy, which is characterized by instability and does not play a significant role in solving the problems of investment in the economy, have long maintained their priority. will keep.

Therefore, when studying the participation of banks in the investment process, it is necessary to take into account the dual nature of the investment activity of banks.

One of the factors that has an important influence on the activity of commercial banks, including their investment policy, is the issue of legal regulation. Studies show that the normative-legal framework has more superior effects in the banking sector than in other areas of the economy. From this point of view, there is a flexible reaction in the bank's activity to any changes in the system of legal regulation of banks' activities. That is why it is necessary to give ample space to scientific research, including marketing research, in the formation of the legal regulation system of banks, its improvement, and the preparation of new regulatory and legal acts is important.

The Central Bank (MB) acts as the main supervisory body in the legal regulation of the activities of commercial banks. In addition to the

laws adopted by the Milli Majlis, the MB defines instructions, standards, norms, rules, which are an integral part of the legal regulation of banking activities. The activity of the Central Bank in this direction is regulated by the Law "On the Central Bank" approved by the President of the Republic of Azerbaijan on December 10, 2004. Therefore, the aforementioned law can be considered as the basis of legal regulation of banking activity. In paragraph 8 of Article 5 of the Law, it is mentioned about MB: and regulates banking activities in accordance with the Law of the Republic of Azerbaijan "On Banks", this law and the normative acts adopted in accordance with them, and supervises banking activities in accordance with the law.

The provisions on the aforementioned normative acts of the Ministry of Finance are reflected in Article 8 of the law. It is noted here that: "The Ministry of Finance independently adopts binding normative acts for all banks, non-bank credit organizations, as well as other legal entities on the issues assigned to its powers by law. These acts are registered with the state in accordance with the law".

In accordance with the requirements of this law, the participation limit of foreign capital in the country's banking system, the norms of economic regulation for credit organizations are determined by the Board of Directors of the Central Bank. In addition, in accordance with the provisions of the law, the MB determines the following for commercial banks:

- in accordance with the Civil Code, the rules for non-cash settlements and money transfers through credit organizations in the country and conditions;
- types of bank accounts, their opening, maintenance and closing in accordance with normative legal acts rules;
- and conducting settlements between credit organizations and etc.

Article 48 of the Law "On the Central Bank" is specifically devoted to the issues of regulation and control of banking activities of the Central Bank, and the following powers of the Central Bank to regulate the activities of credit institutions are reflected in this article:

- adoption of regulatory acts on banking activity making;
- determination of the procedure for calculation and formation of a special reserve fund created by banks, local branches of foreign banks and non-bank credit organizations for compensation of probable losses on loans and other assets;
- Mandatory instructions to credit institutions to assess the financial condition of credit institutions based on reports and inspections

and make appropriate corrections in financial statements based on this giving;

- determining corporate governance standards in banks and local branches of foreign banks and monitoring its implementation make;
- carrying out inspections in credit organizations, as well as their subsidiary companies, in the cases and in the manner determined by law;
- in order to prevent monopolistic activities in the market of banking services, the issue before the competent state body removal;
- application of impact (corrective) measures and sanctions against credit institutions and their administrators in the cases and in the manner determined by legislation making;
- the results of control measures carried out in accordance with the law to participate as an observer in the meetings of the management bodies of credit institutions, to conduct consultations with the administrators of credit institutions;
- in the cases provided by law, within the framework of measures for the financial recovery of banks, determine the special conditions for the fulfillment of their credit obligations to the Central Bank make;
- applying to the court to appoint a temporary administrator to banks and local branches of foreign banks in the cases provided for by law, to apply a moratorium on the bank's obligations if necessary make;
- legal measures against banks whose licenses have been revoked and local branches of foreign banks to see;
- temporary restriction of individual operations carried out by credit organizations in accordance with the legislation, including the lower and upper limits of interest rates for their operations identification;
- exercise of other powers provided by law and etc.

Taking into account the development processes in the banking sector, the increase in confidence in commercial banks, ensuring stability in their activities and a number of other factors, the above-mentioned regulatory activity of the Ministry of Finance can be highly appreciated. In the mentioned direction, the normative acts of the Ministry of Justice, arising from modern requirements, have an exceptional role was.

The legal basis of the process of regulation of banking activity is based on the Law of the Republic of Azerbaijan "On Banks" approved on January 16, 2004. Additions and changes were made to this document on March 4, 2005 and March 6, 2007. The law establishes the principles, rules and norms of the organization, internal management, regulation and liquidation of banks in order to adapt the legal framework of the country's banking system to international standards, increase the role of banking services in the economy, strengthen the protection of bank deposits and

creditors, and ensure the stable and safe operation of the banking system as a whole. determines.

Article 2.3 of the law describes the legal basis of banks as follows: the activity of credit institutions is the Constitution of the Republic of Azerbaijan, the Law "On Banks", the Civil Code, the Law "On the National Bank", the relevant normative acts of the Ministry of Finance, other laws of the Republic of Azerbaijan it is regulated by normative-legal acts, as well as international agreements to which AR is a party.

Article 32 of the Law "On Banks" defines the types of activities of banks in the Republic of Azerbaijan. According to this article, banks can engage in the following types of activities:

- giving loans;
- mortgage lending;
- factoring, forfeiting, leasing services and other types of lending with or without the right of recourse to hold;
- natural and legal persons, including correspondent accounts of banks, and settlements conduct;
- transfer of cash, securities and payment funds services;
- means of payment, including credit and debit cards, traveler's checks and bank drafts release;
- financial instruments (including checks, bills of exchange, debt obligations and certificates of deposit), foreign currency, precious metals and gems, currency and interest instruments, shares and other securities, as well as forward contracts, swaps buying and selling of contracts, futures, options and other derivatives relating to currencies, stocks, bonds, precious metals or interest rates; and sale;
- attracting precious metals to the deposit and placement;
- providing guarantees for the performance of obligations, including guarantees and letters of credit for own account or for the account of customers opening;
- professional in the securities market action;
- financial advisor, financial agent or consultant services;
- to loans and credit ability checking about information giving and services;
- documents and valuables, including cash (in special rooms or safe boxes save);
- collection and sending of valuables, including banknotes and coins.

Article 33 of the law prohibits banks from engaging in wholesale and retail trade, manufacturing, transportation, agriculture, mining,

construction, and insurance activities. Banks can only participate in insurance organizations as partners, associates, shareholders.

However, there is also an article in the law that, with the permission of the Ministry of Finance and only during the period specified in the permission, in order to meet the requirements for the obligation, banks can carry out the above-mentioned types of activities or participate as partners, shareholders, associates in legal entities that carry out those types of activities they can.

Researches show that, based on the requirements of Article 33 of this law, the vast majority of commercial banks have created insurance companies in which they are shareholders, partners, or their subsidiaries, and these companies have already taken a perfect position in the market. Statistics show that insurance companies have been working profitably in recent years. As a result, the investments made by commercial banks in this direction bring income. In general, becoming a shareholder in insurance companies can be considered as one of the important directions of the investment policy of commercial banks.

Also provides for state support at the necessary moments to ensure the financial health of banks and the stability of their activities. In this regard, Article 57.1 of the law states that due to having a significant weight in bank assets, providing services to a large number of savings accounts, and having a significant share in interbank settlements, disruption of financial stability will lead to a systemic crisis in interbank payments, massive loss of depositors' funds and serious in trusting the banking system financial recovery measures can be implemented by attracting state funds for a bank that has lost its solvency or is in danger of losing it, which may cause a danger.

In accordance with the requirements of the law, the financial rehabilitation of banks is carried out by the Ministry of Finance. He determines the amount of state funds necessary for the financial recovery of the bank in agreement with the relevant executive power body implementing the budget policy in the country.

The country's economy is undergoing a rapid development process, which in turn causes both qualitative and quantitative changes in various sectors of the national economy. Modern economic processes are also reflected in the banking sector. On the other hand, the development of the financial market and the further strengthening of the interrelationship between the national economy and the financial market require a more serious approach to banking activity and banks. So, currently, banks have a leading role in ensuring financial stability in the financial market. From this point of view, there is a need to adapt the

Law "On Banks" to modern requirements and direct it to the stable development of banking and payment systems within modern economic conditions. Changes to the law in different years were also born out of this necessity. Also, this law is aimed at protecting the interests of entrepreneurs engaged in banking activities is important.

As is known, commercial banks also carry out currency operations. Therefore, the Law of the Republic of Azerbaijan "On Currency Regulation" can be attributed to the legal framework we are talking about. This law, adopted on October 21, 1994, defines the principles of currency transactions in the Republic of Azerbaijan, the powers and functions of currency regulation and currency control bodies, the rights and duties of legal and natural persons in the field of owning, using and disposing of currency assets, determined the responsibility for the violation of currency legislation does.

Currency operations involving banks include the following:

- of property rights and other rights to currency assets, including the use of foreign currency as a means of payment and payment documents in foreign currency making;
- bringing and sending currency assets to the Republic of Azerbaijan, as well as withdrawing them from the Republic and sending;
- international money transfers holding.

In addition, the law also uses the concept of "currency transactions related to the movement of capital", which includes the following:

- direct investments, i.e. investment in the authorized capital of the enterprise with the purpose of obtaining income and having the right to participate in the management of the enterprise;
- acquisition of securities;
- transfers for payment of ownership rights over buildings, facilities, including land and subsoil, as well as other property related to immovable property under the legislation of the country where it is located, as well as other rights over immovable property;
- attracting foreign currency funds to deposit for more than 180 (one hundred and eighty) days by authorized banks, etc. ⁵

Article 3.2 of the law states that the purchase and sale of foreign currency in the Republic of Azerbaijan is carried out through authorized banks in the manner determined by the Ministry of Finance. It is not allowed to buy and sell foreign currency without the participation of authorized banks.

With this law, the rules of foreign exchange transactions of residents who are legal entities and natural persons in the Republic of Azerbaijan were determined, which created fertile legal grounds for

foreign currency transactions of banks. In this regard, the 8th, 9th, 10th and 11th articles of the law attract special attention.

Bank deposits are important as a source of income in the formation of investment activity of commercial banks. However, since the well-known banking crisis of the early 90s, the sharp decline in confidence in banks as a result of the activity of financial pyramids has created a fundamental problem for directing deposits to commercial banks until almost a few years ago. It's only in the last few years a turnaround is being observed in the field. In this area, the creation of the Deposit Insurance Fund, the adoption of the Law of the AR "On Deposit Insurance" had an exceptional role and stimulated the growth of deposits of commercial banks.

The Law of the Republic of Azerbaijan "On Insurance of Deposits", approved by the President of the Republic of Azerbaijan on December 29, 2006, establishes the rules for the establishment and operation of the system of collective compulsory insurance of deposits of individuals in banks operating in the country, as well as the rules for payment of compensation for deposits.

The creation of a deposit insurance system in Azerbaijan has been a topic of discussion for a long time. In a number of CIS countries, this system was formed earlier and in recent years it has practically produced its positive results. The adoption of the mentioned law can be considered as the foundation of this system in our country.

The purpose of creating the system mentioned in the law is to prevent the risk of loss of money deposited from individuals when local branches of national banks and foreign banks lose their ability to pay, and to ensure the stability and development of the financial and banking system.

In the report of the Ministry of Finance, it is noted that the recommendations on the creation of an effective deposit insurance system by the forum for the financial stability of the G7 countries created in 1999 and the "On deposit guarantee schemes" of the European Union dated May 30, 1994 the basic principles provided for the efficient operation of the deposit insurance system in the directive are reflected in the aforementioned law. With this law, a legal basis has been formed for the protection of funds entrusted to banks by depositors, as well as for the continuation of the activities of banks under conditions of healthy competition.

As it can be seen, commercial banks are the main participants in the formation of the insurance system and the formation of the income of the Deposit Insurance Fund. Experience has shown that the adoption

of this law and the implementation of the measures provided for in it, the joint activity of commercial banks in this direction has led to positive results. Most importantly, this increased citizens' confidence in the banking system, which in turn was reflected in the rapid growth of bank deposits.

In our opinion, in the future, it would be necessary to create a perfect banking code by summarizing the provisions of laws or individual laws directly related to banking activity. Because the strategic importance of banking activity in the national economy is increasing day by day, and modern types of banking activity are emerging. From this point of view, it is important and necessary to constantly improve the banking legislation, to conduct in-depth scientific research during the preparation of laws related to this field.

The laws we mentioned above are specific laws of this field, directly related to banking activity. However, it should be noted that the regulation of banking activity is not limited to these laws. Because banking is also a type of entrepreneurial activity and the laws regulating entrepreneurial activity are directly related to it. Therefore, the provisions of such normative legal documents and their improvement are of special importance for the development of the banking sector. In this regard, it would be appropriate to look at the basics of those laws.

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