



THE DEVELOPMENT TREND OF FINANCING INVESTMENT PROJECTS

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Abstract: The article examines the essence of investment projects, their role in the development of the country's economy, the trend in the development of investment lending and project financing, the role of international financial institutions and foreign banks in financing investment projects, risk assessment in financing investment projects. Also, the reform of the banking system as a factor influencing the development of financing investment projects.

Keywords: trend, investment projects, attracted resources, reform, international financial institutions, foreign banks, banking product, customer orientation.

INTRODUCTION

Financing investment projects are the basis for the development of the country's economy, including financial institutions and industry in particular. Any investment is associated with the need to find and attract financial resources, since companies' own funds, as a rule, are insufficient. Thus, many large industrial companies resort to credit services from banks. Banks, as a rule, provide their credit services on the basis of attracted resources. The effectiveness of the investment project being implemented directly depends on the price and duration of the funds raised, as well as the correct organization of financing. At the same time, an analysis of the current situation in the banking sector shows the presence of a number of systemic problems that impede the development of the banking sector in accordance with economic transformations and the needs of society, such as a high share of state presence in the banking sector, insufficient quality of management and risk management in banks with state participation, low level of financial intermediation in the economy¹.

As is known, proper organization of financing of investment projects helps to increase the bank's loan portfolio and improve its quality. Over the past ten years, various factors have influenced the financing of investment projects. Basically, investment projects pursuing specific development goals for a particular sector of the economy are implemented in accordance with government development programs. Organizing competent financing of investment projects is one of the complex tasks of a bank's investment activities. When investing in various types of large-scale projects, this problem acquires the status of one of the main and, often, irremovable ones. It follows from this that the relevance and need for its detailed study in the construction and implementation of an investment organization system is indisputable.

¹Decree of the President of the Republic of Uzbekistan, dated May 12, 2020. No. UP-5992 "On the strategy for reforming the banking system of the Republic of Uzbekistan"



Today, banks must adapt to increased competition from other financial institutions as well as changes in the regulatory environment, and in some cases these changes lead to significant financial instability. In many developed countries, banks are moving to a new level of development, which in turn makes it possible to reconsider the methodology for financing investment projects, which will contribute to the development of financing.

LITERATURE REVIEW

The quality of the loan portfolio depends on maintaining a moderate increase in the volume of financing of investment projects. Financing investment projects involves a systematic approach, including the main forms of financing, criteria and indicators for assessing the effectiveness of investment projects, assessing the investment attractiveness of the investment object, identifying factors influencing investments, and forming priority areas of investment (Natocheeva 2013).

It is known that there are some difficulties in using bank loans as a source of investment financing, caused by a high degree of uncertainty in the results of the implementation of investment projects, which leads to an increase in interest rates and an increase in the cost of the source of funds. In this regard, bank lending often acts as an additional source to existing financial resources. Thus, it should be noted that the analysis of sources of financing for an investment project can significantly affect its cost, feasibility and efficiency, therefore one should take a balanced approach to assessing various mechanisms for financing investment activities (Chebotareva 2018).

As we remember, the bulk of banking assets are loans, so the lending function plays a critical role in the risk management of any bank. The goal of lending is simple: create value for the bank. The first danger that awaits the organization issuing the loan is the likelihood of the borrower not repaying the loan on time and, as a result, the destruction of value. Prudent and prudent management of credit risk is a way to create value in the lending function (Joseph Sinkey Jr. 2021).

RESEARCH METHODOLOGY

Logical-structural analysis of theoretical and empirical data presented in the public domain was used as a research method. Also, analysis and synthesis allow, on the one hand, to highlight individual areas of development of investment project financing, and, on the other hand, factors influencing the improvement of financing methodology. As a result of the study, the special importance and role of financing investment projects in the bank's activities was revealed.

ANALYSIS AND RESULTS

Today, the development of financing of investment projects as one of the tools for the development of the banking system is an important component of the bank's profit and profitability indicators. The results of the study must be linked to the reform of the banking system of the Republic of Uzbekistan. In the course of consistent reform of the financial sector, a number of measures were implemented, as a result of which the necessary legal

conditions were created for conducting a progressive banking business and strengthening the competitive environment in the sector ².

Despite favorable forecasts from external sources regarding the rate of economic growth in Uzbekistan, high interest rates, rising inflation and exchange rate volatility may be significant risk factors for the banking industry.

High interest rates for commercial lending (22.2% in December 2022, in the Republic of Kazakhstan for legal entities 12%, for individuals 17.7%). Enterprises in Uzbekistan are facing increasing financial difficulties and difficulty accessing new financing due to high interest rates and a lack of collateral.

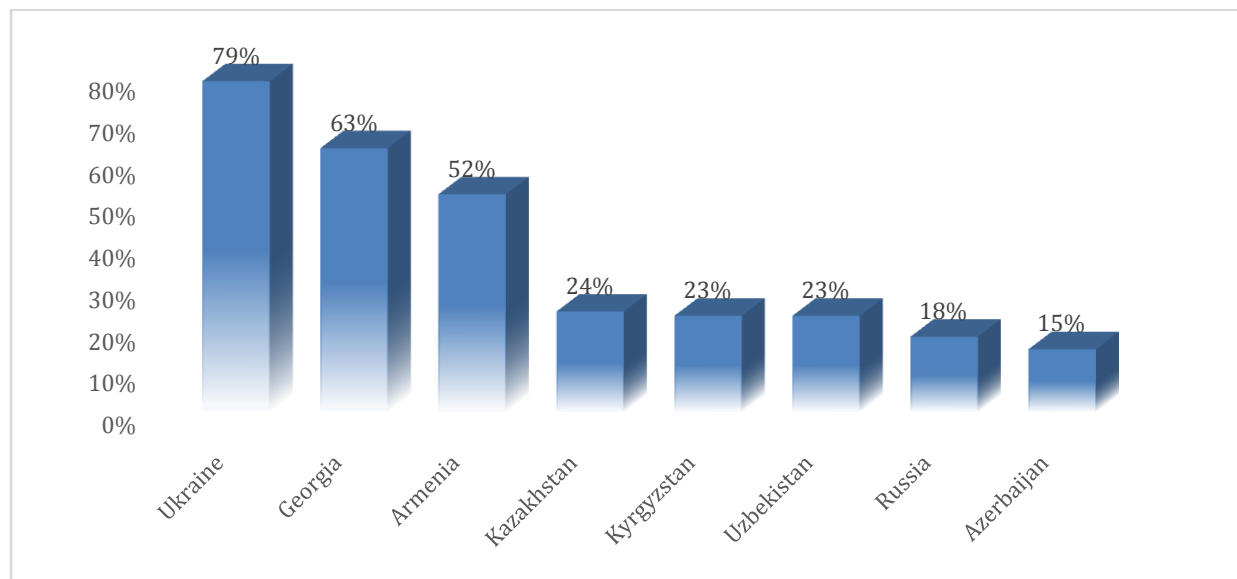


Figure 1. The balance of the loan portfolio by type of lending to legal entities in the Republic of Uzbekistan. and loan-to-GDP ratio, %, 2022.³

The volume of loans allocated at the end of 2022 amounted to approximately 23% of GDP, which is below the average for the Caucasus countries (33%) and close to the level of the CIS countries (24%).

The Republic of Uzbekistan has a lower loan-to-GDP ratio compared to Ukraine, Armenia and Georgia, which indicates growth potential in the country's lending sector. The average number of loan agreements per borrower exceeded 1.2. An increase in the number of borrowers means a relatively faster increase in the debt burden in the future. A ratio above 1 indicates that the debt burden of individual borrowers could be high and create systemic vulnerabilities in the event of a sharp economic deterioration.

²Decree of the President of the Republic of Uzbekistan, dated May 12, 2020. No. UP-5992 “On the strategy for reforming the banking system of the Republic of Uzbekistan

³KPMG report “Diagnostics of the internal and external environment”, 2023

The balance of the loan portfolio of legal entities in 2022 amounted to 256.2 trillion soums, and in 2023 292.4 trillion. soums, which increased by 36.3 trillion. sum The portfolio of syndicated loans increased by 525.0 billion soums. The increase in the share of syndicated lending indicates the development of financing of investment projects.

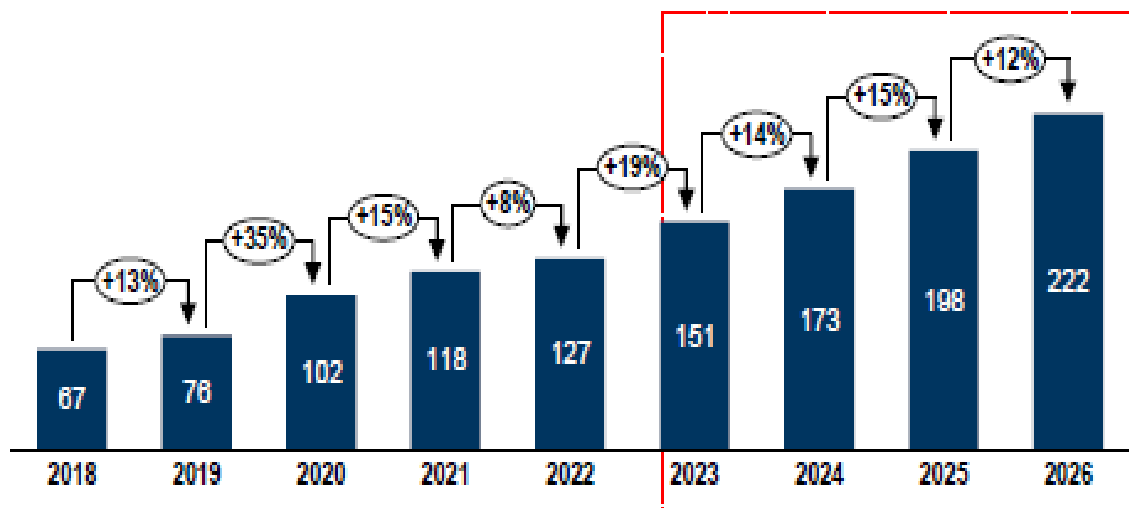


Figure 2. Forecast of growth of the industrial loan portfolio (trillion soums) ⁴.

According to a forecast analysis of materials, over the past six years, the growth of the industry loan portfolio has increased from 67.0 trillion. soums up to 151.0 trillion. soums, the increase amounted to 84.0 trillion. soum or 125% compared to 2018.

The economic growth rate of Uzbekistan in 2022 was at the level of 5.7% y/y(7.4% YoY in 2021). Against the backdrop of such growth rates, banking sector assets increased by a quarter and amounted to 557 trillion soums . The reduction in the share of assets of state-owned banks continued. Assets banking sector in 2022 increased by 25.1% y/y and amounted to 557 trillion sum Assets of banks with state participation increased by 20.1% YoY to 435 trillion soums, and the share decreased from 81% to 78.2% . Asset growth will slow down due to expected moderate growth rates lending _ Bank loans will continue to constitute the bulk of assets in range 70%.

The research method is a comparative analysis of statistical data. Comparative analysis of the obtained data is one of the most popular and fundamental methods of analysis, which involves identifying certain characteristics of the object of study and comparing it according to these parameters with other objects or with itself, but, for example, in different periods of time ⁵.

⁴KPMG report “Diagnostics of the internal and external environment”, 2023

⁵V. Ismagilov, “How to organize access to statistics for employees - in the context of business growth” // Academy of Analytics - 2022



CONCLUSION

To effectively organize the financing process and solve a number of characteristic problems, it is necessary to build and implement an organizational investment system. It is also necessary to ensure positive margins, and banks will be required to reconsider their interest rates.

In order to further develop the financing of investment projects necessary:

- develop interior capital market to gain access to long-term financing ;
- reduce the level of dollarization, which is a risk factor in the event of significant fluctuations in the exchange rate;
- analysis of a feasibility study (TES) before the opening of project financing;
- analysis of the sales market according to the business plan or feasibility study;
- technical assessment of purchased equipment using loan funds;
- systematize marketing market research to identify possible risks for projects;
- conducting an assessment of environmental and social risks before the implementation of investment projects, and if high risks are identified, the development of corrective measures;
- development of innovative banking products and services for project initiators;
- speed up the banking process of considering an investment project.

In conclusion , it should be noted that the development of financing of investment projects is an important factor and foundation for the sustainable development of the bank.

List of used literature

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