



FOREIGN EXPERIENCE IN USING SYNDICATED LOANS IN FINANCING INVESTMENT PROJECTS

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Abstract. *This article examines the experience of developed countries in the use of syndicated loans to finance investment projects. Methods and techniques used in the analysis of syndicated lending in project financing are described. The existing advantages and benefits of syndicated lending are discussed in detail, and the indicators are analysed by region. The dynamics of changes in the performance of this type of loan by country is also studied. Scientific conclusions and practical recommendations are provided by analysing the foreign experience of syndicated loans as a form of syndicated financing.*

Keywords: *investment projects, syndicated lending, leading manager, credit*

INTRODUCTION

As one of the modern forms of financing, syndicated financing is widely used to finance the corporate sector. Companies need to raise capital for various business operations, such as mergers, acquisitions, and acquisitions. These types of projects typically require a large amount of capital, so a single lender's resources may not be able to finance these projects. In this case, syndicated financing practices are used by a group of credit institutions. These aspects increase the importance of syndicated financing practices in the international financial market today.

In syndicated financing, syndicated lending allows any lender to provide a large amount of credit along with prudent credit management. Potential risks are also diversified among lenders. This type of financing is suitable for financing large projects, as the responsibility of each lender is limited to the appropriate share of the loan interest. In this article, we analyse the role of syndicated credit in financing companies.



LITERATURE REVIEW

The practice of syndicated financing and syndicated lending is one of the most widely studied issues today. Various economists have focused on the specifics of syndicated financing and syndicated lending. In particular, syndicated loans are loans provided by a group of creditors who share the risks and rewards of each other [1].

According to Katerina Simons, syndicated loans are now becoming an increasingly important part of the financial sector. A syndicate is a group of banks that jointly lend to a single borrower. There are a number of factors that contribute to the distribution of large amounts of credit among multiple lenders, one of which is the need for banks to diversify their loan portfolios [2].

According to a group of scholars, the syndicated credit market is the best alternative to the bond market in terms of the amount and term of the funds provided [3]. In addition, the active development of syndicated lending can have a positive impact on the development of the real sector of the national economy [4].

Syndicated loans have a higher interest rate in investment banks than in commercial banks. Due to the fact that syndicated loans are issued to different organizations, given the competition and efficiency, it can be said that the difference in interest rates on loans between financial institutions is relatively small and may decrease over time [5].

Pengfei Wang focuses on narrowing the syndication gap between foreign and domestic companies as foreign and domestic companies gain more experience or have a higher reputation.

Uzbek economists have also conducted research on syndicated lending. In particular, according to J. Ataniyazov and E. Alimardonov, “International syndicated loans are loans provided by banks of different countries to one organization for the implementation of a major project. This form of international credit has a number of unique features:

- the merger of banks to provide such a loan is carried out by drawing up an agreement on the formation of a consortium or syndicate for a certain period of time;
- The goal is to attract international resources to provide large loans and the distribution of banking risks among a number of creditors, etc. [7].

“In a syndicated loan, two or more creditors combined provide a loan to one borrower. A group of lending banks combine their idle financial resources for the purpose of lending to a particular object or debtor. A small group of leading bank coordinators negotiates the terms of the loan agreement with the borrower on behalf of the entire syndicate, ensuring that the required amount is collected”[8].

“The practice of issuing syndicated loans in Uzbekistan is very low. Although a number of commercial banks currently offer syndicated loans, the number of customers using these loans is small. In this case, mainly large and medium-sized commercial banks offer these loans, while small banks do not participate in this market at all. However, for any commercial bank, syndicated credit allows finding new customers, reducing risk, diversifying the loan portfolio, long-term allocation of resources, and a stable income”[9].



In the study of the practice of syndicated lending as a form of syndicated financing, we can agree with the above scholars that today syndicated loans play an important role in the implementation of large projects and play an important role in the development of the country's economy.

RESEARCH METHODOLOGY

This in the article syndicated financing shape as international syndicated loans foreign experience in the study comparison, analysis, synthesis, deduction, scientific abstraction such as methods used.

ANALYSIS AND RESULTS

Syndicated loans occur when a project requires a large amount of money or when the project needs specialized lenders with experience in a particular asset class. Credit syndication allows lenders to reduce risk and participate in projects that require more capital than they can afford. Interest rates on this type of loan can be set on a variety of criteria, including fixed or variable interest rates based on LIBOR.

There are several advantages to syndicated loans (Figure 1). These are:

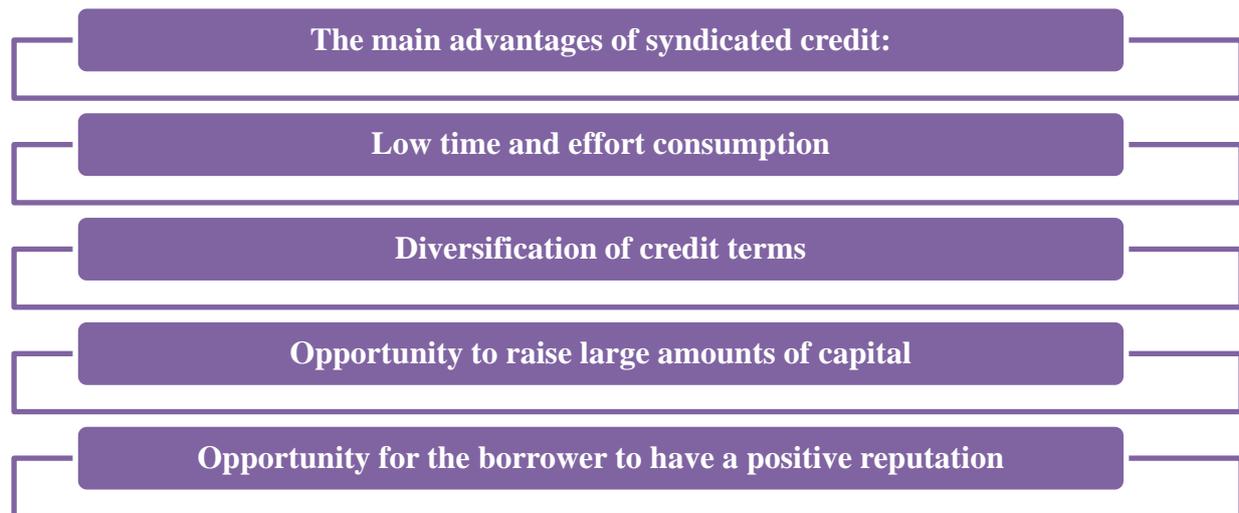


Figure 1. Syndicated of credit basic advantages [10]

1. Low time and effort consumption.

The borrower is not required to meet with all creditors in the syndicate to negotiate loan terms. Instead, the borrower will only need to meet with the bank designated as the lead manager to negotiate and agree on the terms of the loan. Key tasks such as creating a syndicate, engaging other lenders, and negotiating loan terms with them are determined by the lead manager to determine how much each lender will contribute.

2. Diversification of credit terms.

Because syndicated loans are provided by multiple lenders, syndicated loans can be made into different types of loans and securities. Different types of loans offer different interest rates, such as fixed or variable interest rates, which are more flexible for the



borrower. Borrowing in different currencies can also reduce risks arising from external factors such as inflation and government policy.

3. Opportunity to raise large amounts of capital.

Syndicated loans allow borrowers to finance projects that require large sums of money. A large corporation or government can borrow heavily to finance large equipment leases, telecommunications, petrochemicals, mining, energy, and transportation. One lender cannot finance such projects, so attracting multiple lenders makes it easier to implement such projects.

4. Opportunity for the borrower to have a positive reputation.

The presence of several lenders to finance a borrower's project strengthens the borrower's reputation in the market. Borrowers who repay their syndicated loans on time have a positive reputation among lenders, making it easier to raise capital from financial institutions in the future.

In the first nine months of 2020, global syndicated lending totally \$ 2.5 trillion, a 25 percent drop in total revenue over the first nine months of 2019. In terms of the number of transactions, in the first nine months of 2020, 5,786 syndicated loans were issued. This represents a 24% decrease compared to 2019 and is the lowest number of transactions since 2010. [11]

Table 1

**Regions section syndicated loans
volume (billion US dollars) [11]**

No	Region	1.01.2019	1.01.2020	Change
1.	The world on	3376.4	2532.2	-25%
2.	America	2075.3	1387.8	-33%
3.	Africa, Middle East, Central Asia	65.7	66.9	2%
4.	Europe	664.5	565.6	-15%
5.	Asia-Peace ocean	386.7	314	-19%

An analysis of the volume of international syndicated loans shows that as of January 1, 2020, the volume of syndicated loans in the world decreased significantly from January 1, 2019, and this is reflected in the regions (Table 1). In particular, the largest declines occurred in the Americas (-33%), while Africa, the Middle East and Central Asia (2%) were the only regions where growth was observed.



Table 2

Countries section syndicated loans volume (billion US dollars)dollars) [11]

No	Countries	1.01.2019	1.01.202 0	Change
1.	Brazil	13.8	3.1	-78%
2.	United States	1842.9	1280.1	-31%
3.	Canada	173.9	95.9	-45%
4.	UAE	23.4	20.9	-10%
5.	Poland	8.7	5.1	-41%
6.	France	113	94.4	-16%
7.	Germany	102.5	103.6	1%
8.	Spain	54.6	40.1	-27%
9.	Great Britain	129.9	101.9	-22%
10.	Australia	58.9	56.8	-3%
11.	China	79.2	66.8	-16%
12.	Hong Kong	101.9	69.9	-31%
13.	India	33.9	28.2	-17%
14.	Singapore	39.4	26	-34%
15.	Japan	184.2	197.6	7%

It is also important to analyse the volume of international syndicated loans at the national level (Table 2). An analysis of international statistics shows that today not only the developed countries of the world, but also developing countries are actively involved in syndicated lending. In particular, as of January 1, 2020, the highest figures were in the developed countries of the world - the United States (1280.1 billion US dollars), Canada (95.9 billion US dollars), France (94.4 billion US dollars). While Germany (\$ 103.6 billion), the United Kingdom (\$ 101.9 billion), and Japan (\$ 197.6 billion), China (\$ 66.8 billion), It should also be noted that rapidly developing countries such as Australia (\$ 56.8 billion). We can also say that the most negative change among the given countries compared to January 1, 2019 was in Brazil (-78%). In addition, only Germany (1%) and Japan (7%) reported positive changes in the volume of syndicated loans.

Table 3

Leader manager as international companies international syndicated in loans share size (as of 1.04.2021) [12]

No	Leadingon Management	Size (billion USD)	Number of allocated loans	Share in total syndicated loans
1.	JP Morgan	172.97	569	9.44%
2.	Bank of America Securities	166.72	627	9.10%
3.	Citi	112.80	335	6.15%
4.	Mizuho	101.44	418	5.53%
5.	BNP Paribas	89.03	230	4.86%



In syndicated lending, special attention should be paid to credit institutions, which play a leading role in the group of lending institutions (Table 3). Today, companies such as JP Morgan, Bank of America Securities, and Citi are involved as leading executives in syndicated lending operations. Global Capital said the largest shares belonged to JP Morgan (9.44%) and Bank of America Securities (9.10%).

CONCLUSION

Based on the study of syndicated lending as a form of syndicated financing, the following conclusions and recommendations can be made:

1. The most common form of syndicated financing is syndicated lending. The advantage of syndicated loans for lenders is that they provide opportunities to finance large projects and diversify potential risks. It should be noted that the advantage for the borrower in attracting large amounts of capital is that it takes less time and less effort to negotiate with the lead manager, rather than with all lenders.

2. The active development of syndicated lending can have a positive impact on the development of the real sector of the national economy. This is reflected in the financing of large production projects.

3. The main advantages of syndicated loans are low time and effort, diversification of credit conditions, the ability to attract large amounts of capital, the ability to enhance the reputation of the borrower.

4. The analysis shows that the volume of syndicated lending around the world has decreased significantly in recent years. There are several reasons for this. In particular, the use of other forms of financing by companies in developed countries, the widespread use of international economic sanctions, and adverse political conditions have had a negative impact on syndicated lending.

5. Transactions on syndicated loans in Uzbekistan are very rare. However, due to the above-mentioned advantages of syndicated loans, it is possible to use syndicated loans in Uzbekistan and achieve effective results.

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