



WAYS TO IMPROVE INVESTMENT ATTRACTION THROUGH THE DEVELOPMENT OF CORPORATE LENDING PRACTICES

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Abstract.In this article, the scientific views of local and foreign scientists on the development of lending practice to corporate clients by commercial banks, as well as the theoretical aspects of financial resources management, the necessity and specific aspects of management, and a number of other aspects were thoroughly studied and researched. According to the research materials and methods, the definitions and opinions given by a number of foreign and domestic economists-scientists on the topic were studied, and the author explained their meaning. Scientific conclusions and practical proposals have been developed on the basis of improving the practice of lending to corporate customers , increasing activity in all areas of the economy , ensuring economic growth , and achieving macroeconomic stability .The market of corporate loans is becoming more and more popular and is developing dynamically to meet the needs of the business sector. This article examines the current state and development prospects of the corporate credit market in Uzbekistan. The analysis is carried out taking into account the economic situation, the reforms implemented by the government, as well as the influence of international financial organizations.

Key words: Financial resource, asset, private capital, liability, deposit, capital, investment, attracted funds, regulatory capital, securities, composition of loans, loans to industries

1. Introduction

Bank loans are important and indispensable in today 's economytark is part of b i y. In a developed economy, a stable economy cannot be imagined without bank loans . Bank loans directly affect the development of the economy , and achieving a high level of economic development requires the establishment of an advanced credit system .

The change in the geopolitical situation in the world does not affect the economy of the countries. As a result, economic growth is slowing down in a number of former union countries. In order to prevent such a situation in our country, it is necessary to accelerate economic processes, introduce effective financing mechanisms for small and medium-sized businesses, and start mobilization processes of financial resources using the opportunities of the country's domestic financial market. At the same time, in the conditions of high inflation and devaluation, it is necessary to maintain the stability of the banking and financial system, which is the heart of the economy.

To achieve such results, it is first necessary to develop the main criteria of the financial market of corporate loans, which make up the main part of the assets of commercial banks of our republic.

In Uzbekistan, the demand for corporate loans is steadily growing due to the efforts of the government to create a favorable investment environment, introduce reforms and eliminate administrative barriers for business. Legislation and regulations aimed at regulating the activities of banks and other financial institutions are being created, and mechanisms for monitoring credit and their repayment are being improved. In particular, in the strategy of



reforming the banking system of the Republic of Uzbekistan for 2020-2025, the implementation of lending only on the basis of market conditions, improving the quality of credit portfolio management, and following the moderate growth of lending volumes are the priorities of the reform of the country's banking system. are listed as directions [1].

The above circumstances make it necessary to develop the market of corporate loans by analyzing the corporate loans allocated by commercial banks, studying the existing problems, and introducing innovative loan products by studying foreign experiences.

Admittedly , loans from commercial banks play an important role in ensuring the stable development of the country's economy . Because it is possible to achieve macro-economic stability by improving the practice of crediting , increasing business activity in all areas of the economy , ensuring economic growth .

In Uzbekistan, issues of improving the mechanism of lending to corporate clients by commercial banks are gaining particular importance. "...the reform of the banking and financial system of our republic made it possible to increase the role of the banking system in the development of the country's economy. At the same time, in order to further improve the quality of the provided banking services and establish full-fledged cooperative relations with business entities, the tasks of fundamentally improving the working methods of commercial banks and strengthening the views of the population and economic entities on the banking system as a reliable institutional partner remain urgent" [1]. The stable development of the activity of corporate clients, which is considered an active structural subject of the country's socio-economic development, is inextricably linked with the banking system, which requires bringing the innovative complex banking services provided by commercial banks to them, including innovative lending services, to new quality indicators.

appeared as a result of the stratification of society, in connection with the formation of the state . With the development of the state , resources have been created for commercial banks to develop their lending practice . But it should be emphasized that any kind of social relations originates and develops through the reciprocity of supply and demand.

the Republic of Uzbekistan No. PF -5992 " On the strategy of reforming the banking system of the Republic of Uzbekistan for the years 2020-2025 ", " creating equal competitive conditions in the financial market , lending only on the basis of market conditions" implementation, reducing the dependence of banks on state resources, modernizing the provision of banking services, creating an efficient infrastructure of banks and automating their activities, as well as increasing the efficiency of the banking system by gradually canceling functions that are not typical for the activities of banks "[2] tasks in our country it is noted that it is one of the issues that are gaining urgent importance.

2. Literature review

ways to improve the quality of the credit portfolio by regulating the credit issuance of commercial banks and promoting credit expansion . suggested ways to increase the level of monetization .

IYQulliev, based on the comparative analysis of theories related to credit evaluation, based on the features characteristic of the formation of credit evaluation of commercial banks, and also determined the tendencies characteristic of the formation of credit evaluation in commercial banks of our republic.



In his research, Sanuriddinov defined the ways of mobilizing the population's monetary income for lending. This scientist explained that attracting people's income to the bank and directing these funds to lending will lead to an increase in the profitability of both the population and business entities, as well as banks.

Bank corporate loans are financial instruments provided by commercial banks to enterprises and organizations to finance their corporate needs. This is a form of loan provided by banks with certain terms and conditions of payment .

D. Trifonov and SVKorshunova say that corporate lending is the most popular form of cooperation of many commercial banks with their clients, and it is the priority direction of resource allocation, development of the national economy, and support for local producers of goods and services. counts.

ABParshin and TPNosova corporate credit is a relationship in the economy associated with the movement of financial resources from banks to corporate clients. They also emphasize that the main purpose of corporate lending for borrowers provided by commercial organizations is to accelerate the sale of goods and make a profit.

In Figure 1, this description was formed based on the analysis of the descriptions proposed not only for Uzbekistan, but also by researchers of other foreign countries.

Prof. In JYISakov's scientific research, the percentage of the premium charged for leasing services provided by credit organizations to the service sector is taken into account in the price of the leased object and the interest income is distributed uniformly for the entire period of use, as well as the normative profit of the lessee from the share of the interest income of the banks from the leasing service. justified the expediency of reimbursement.

In this regard, foreign scientists Gordon J. Alexander, Chzis J. Barltop, William F. Shorpe and Russian scientists OI Lavrushin, GS Panova, NY Sokolinskaya, VM Usoskin, ZG Shirinskaya conducted a number of scientific works in this regard. In these studies, the specific characteristics of banks' activities in the conditions of market economy, problems existing in their activities, and their theoretical foundations are included.

European scientists did not deny the opinion of Russian scientists, taking into account the characteristics of the local economy in the study of problematic situations in loan payments put forward by Russian scientists. Sh. from local economists. Z. Abdullayeva, TS Malikov, SX Norqabilov, TM Karaliyev, ZA Kholkhmadov, MB Nurmurodov, AK Kadirov, NF Karimov and others researched credit risk, its prevention and effective management of problematic situations.

The researches of local scientists are mostly devoted to the fact that one or another type of banking activity is related to risk, and the factors influencing it. In them, the characteristics of bank risks different from general risks at the macro level, the occurrence of problem loans due to the lack of timely understanding of them, credit risks, methods of calculating bank risks in general, the analysis of the credit portfolio of commercial banks and its diversification, issues of ensuring bank security while reducing risks not fully included.

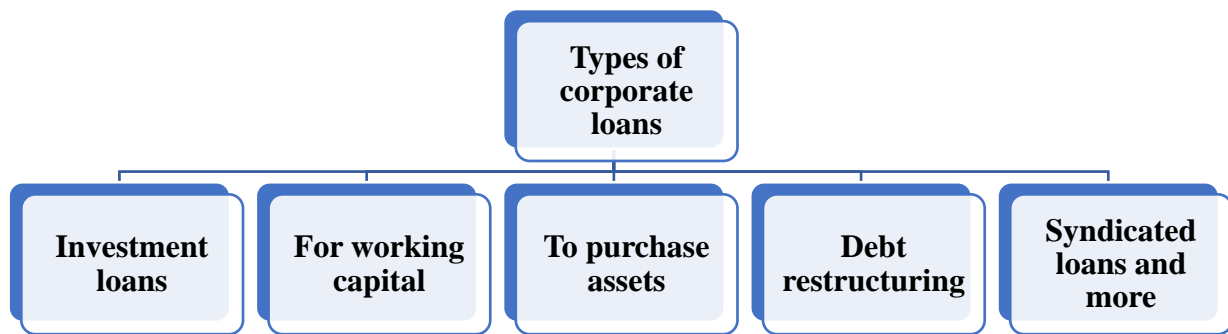


Figure 1. Types of corporate loans¹

Below is an analysis of the advantages and disadvantages of corporate loans.

Table 1 lists the advantages and disadvantages of corporate loans, according to which, low interest rate, long-term financing, flexible payment terms, additional services, the advantages of corporate loans and the difficulty of obtaining them, the presence of conditions and restrictions, dependence on the bank, and the risk of failure and high costs are cited as its disadvantages.

In particular, collateral conditions for corporate loans are considered a "painful" condition for both banks and borrowers.

N.Garvin, D.Hughes, J.Pedro stated that "it is difficult to accurately calculate the impact of collateral on credit, because retail credit markets are illiquid, which is correlated with other characteristics of borrowers may own collateral".

According to D. Abdikarimova, in order to prevent problems related to the repayment of loans in the credit markets of developed countries, a collateral management mechanism was developed... prevents, but also helps to develop assessment activities in our country.

Table 1

Analysis of advantages and disadvantages of ²corporate loans

Advantages	Disadvantages
1. Low interest rate: Bank loans usually have lower interest rates than other types of loans such as investor loans or bond loans.	1. Difficulty in obtaining: banks must fully analyze the borrower's creditworthiness, which may take time and require many formalities.
2. Long-term financing: banks provide the opportunity to obtain long-term financing for a period of several years to several decades.	2. Conditions and restrictions: Banks may impose various requirements and restrictions on the borrower, such as requiring collateral, guarantees or restrictions on the use of credit funds.
3. Flexible repayment terms: Bank loans usually offer various repayment options such as fixed repayment schedule or flexible schedule keeping in mind the changes in the financial condition of the borrower.	3. Bank Dependence: Taking a loan from a bank makes the company dependent on the bank, especially if the company is highly
4. Additional services: Banks can offer	

¹Compiled by the author.

²Compiled by the author.



Advantages	Disadvantages
additional services such as advisory services, liquidity management, foreign exchange, etc., which help the company manage its finances effectively.	dependent on credit for its operations. 4. Risk of failure: If the company does not fulfill the terms of the loan agreement, it may face fines or sanctions from the bank. 5. High costs: Bank loans may incur high costs in the form of fees, interest rates and other charges, which may result in additional costs for the company.

In general, the development of the corporate credit market is of great importance for all countries, because the creation of a favorable investment environment and the availability of financing for enterprises are important factors for the country's economic growth and sustainable development. Actively developing the market of corporate loans, attracting new investments and contributing to the diversification of the economy ultimately serves the acceleration of economic growth.

3. Analysis and discussion of results .

One of the main principles of the activity of commercial banks is to work within the framework of real available resources. This means that commercial banks must ensure not only the adequacy of their resources and loan deposits, but also their liquidity. If the bank's short-term attraction of resources gives long-term loans, then the bank's liquidity is at risk. The presence of a large number of high-risk loans in the composition of bank assets requires the bank to increase the weight of its funds. The principle of working within the framework of real attracted resources leads to the growth of bank interest in attracted deposits, the development of pure competition for free credit resources at the state level. Economic independence implies independent management of the bank's own funds and borrowed funds, free choice of customers and depositors, independent ownership of the remaining income after paying taxes.

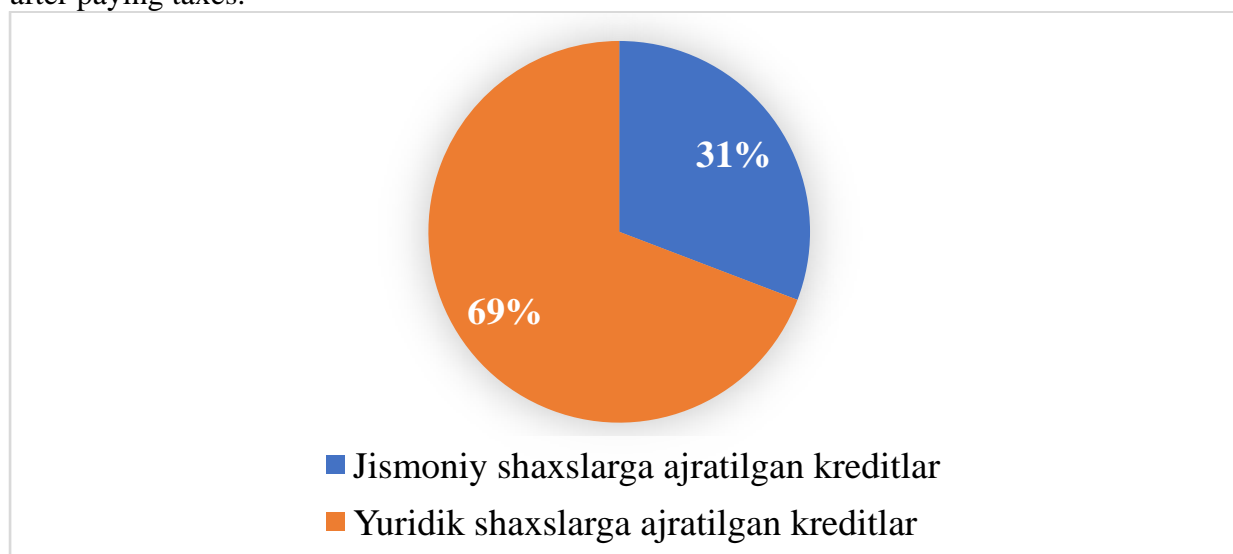


Figure 2. Separate indicators of the activity of commercial banks grouped by the amount of loans³

According to the analysis of the separate indicators of the activity of commercial banks grouped by the amount of loans, it can be seen that the main part of the loans allocated by commercial banks in Uzbekistan is allocated to legal entities.

It is necessary for the bank to decide what loans, how much, in what form, to whom and under what conditions. There are such types of business that the bank may find difficult to lend . Therefore, it should never be assumed that every activity is associated with risk. The bank's lending policy requires the prevention of dangerous situations that may arise in its activity, for this purpose, the ratio between deposits and loans, between the bank's liabilities and its capital, and other indicators must be within the norm. A reasonable credit policy increases the quality of loans. Therefore, the main purpose of lending should include such elements as the management process, the adequacy of funds, the classification of risks by quality level, the balance of the loan portfolio, and the separation of components of obligations.

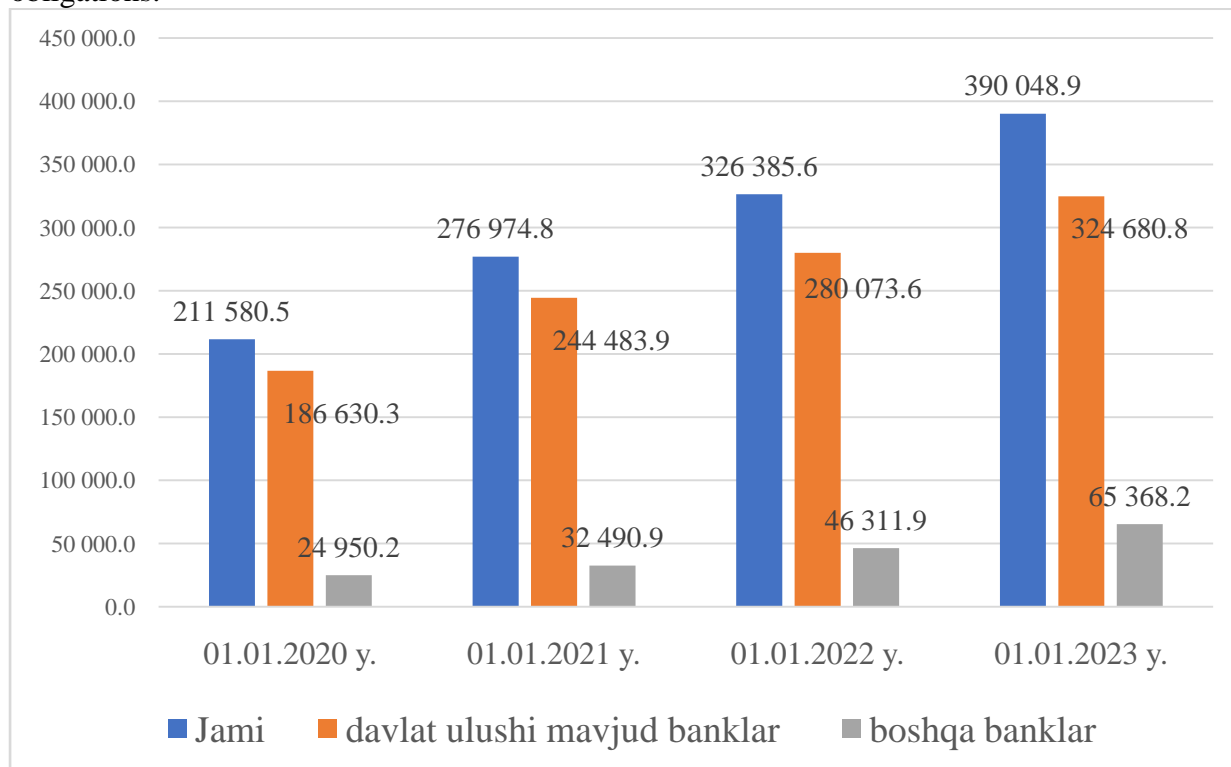


Figure 3. Separate indicators of the activity of commercial banks grouped by the amount of loans⁴

Analyzing the individual indicators of the activity of commercial banks grouped by the amount of loans, the volume of credit investments of commercial banks in our country is

³<http://cbu.uz//> - prepared by the author based on the information from the official website of the Central Bank of the Republic of Uzbekistan.

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increasing year by year, while the volume of credit investments allocated by private commercial banks has a higher growth rate compared to commercial banks with a state share.

The lending process involves various risk factors , and creditworthiness includes timely repayment of the loan. Therefore, when granting a loan, the bank considers it necessary to study creditworthiness, that is, to assess the borrower's financial situation and his ability to repay the loan in full on time. The purpose of the creditworthiness analysis is to determine the ability of the borrower to repay the obligation in time and in full. Therefore, the level of risk that the bank is ready to take depends on the size of the loan it provides and the extent to which the terms of the loan are fulfilled.

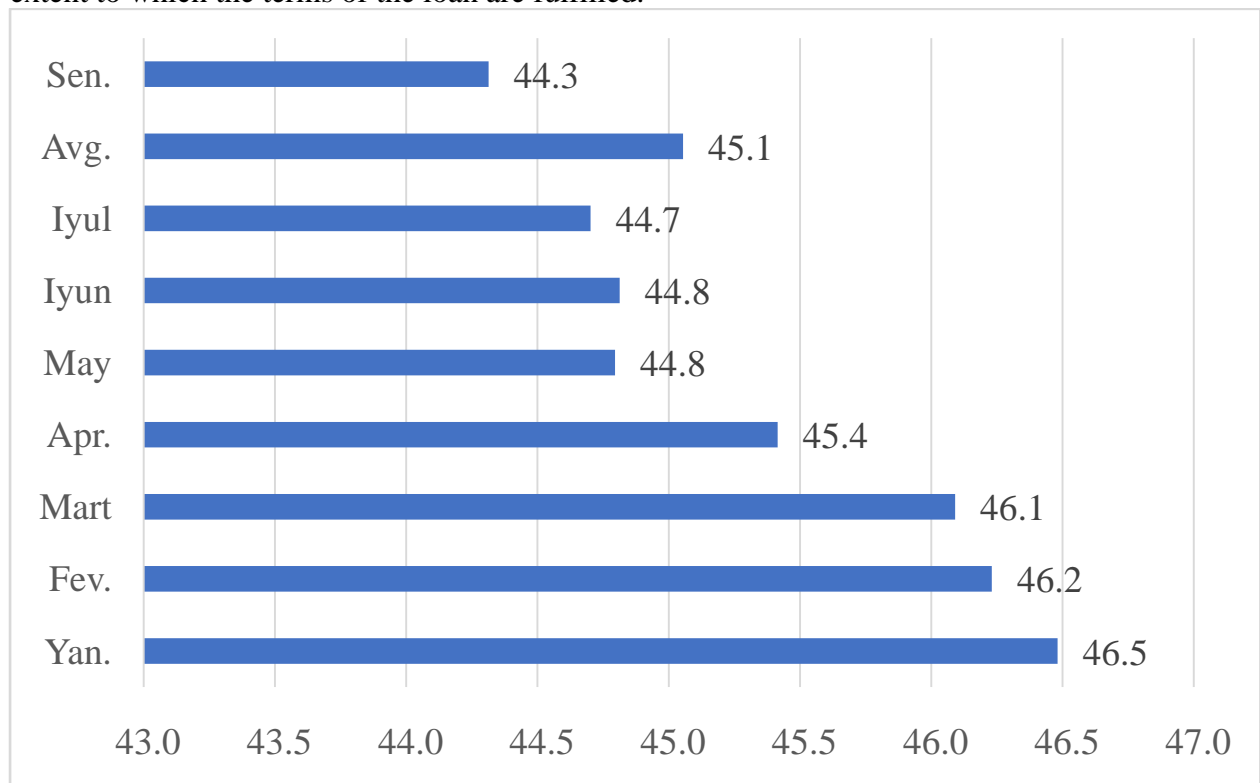


Figure 4. The ratio of foreign currency loans allocated in 2023 to total loans, in percentage terms⁵

As an important aspect when analyzing the loan deposits allocated in Uzbekistan in terms of currencies, the high volume of loans allocated in foreign currencies can reduce the level of ability to repay the loan of large debtors whose economy operates in the local market, and who do not have sales revenues in foreign currency. risk of timely and full refund.

One of the main trends in the development of the corporate credit market in Uzbekistan is the increase in financing opportunities for enterprises in various sectors of the economy. Banks are actively developing and offering new loan products, taking into account the features and characteristics of various industries. This allows businesses of all creditworthiness and sizes to get the support they need to grow.

⁵<http://cbu.uz//> - prepared by the author based on information from the official website of the Central Bank of the Republic of Uzbekistan

But in the conditions of high devaluation and inflation, and in the conditions of high volatility of these indicators, it is necessary to manage the risks related to the quality of bank loans and profitability.

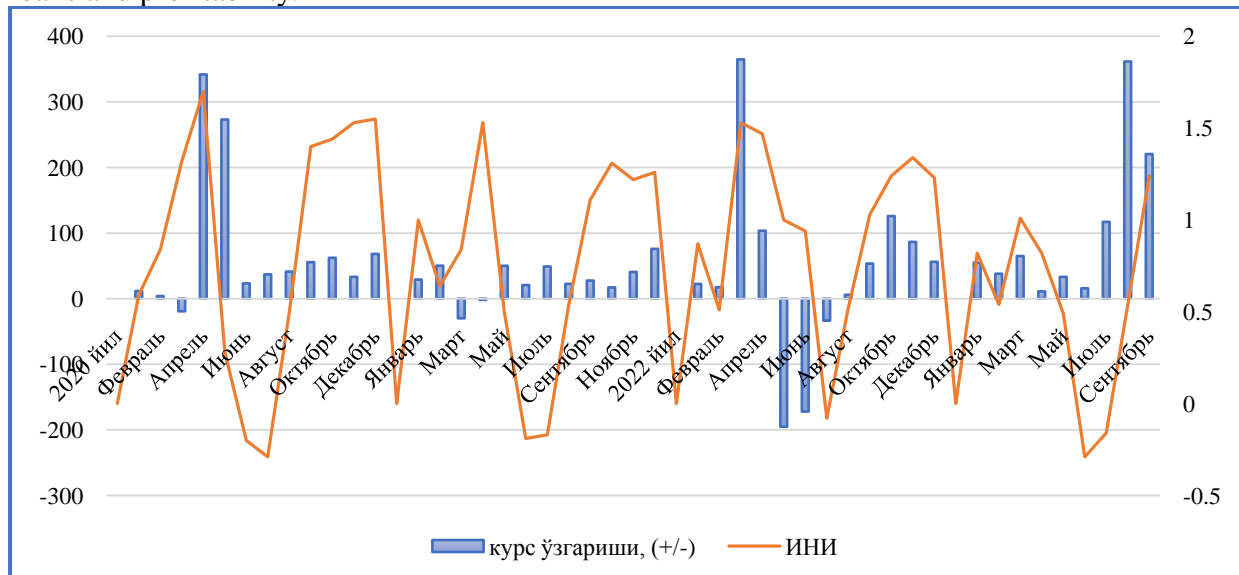


Figure 5. Analysis of the growth of the US dollar against the som and the dynamics of the INI (consumer price index) in 2020-2023 [7]

Figure 2 shows the dynamics of the exchange rate of the US dollar against the som and the dynamics of the INI indicators for almost the past 4 years. In 6 months, the exchange rate fell, and in the rest of the period, we can see that this exchange rate only increased. The INI indicator was less than 0 for only 7 months during the past period, and this indicator corresponds only to June and July, that is, it has a seasonal character.

**Table 2
Structural analysis of assets and loans of commercial banks as of 01.10.2023
(billion soums) [7]**

Indicator name	amount	share of total assets, in percent	share in loan portfolio
Assets	615 801.8	100	
Credits, from that	451 610.3	73,34	100
Loans to individuals	139 125.7	22.59	30,81
Loans allocated to legal entities	312 484.6	50.74	69.19
Short term loans	55 315.3	8.98	12.25
Long- term loans	396 295.0	64.35	87.75
Loans in national currency	247 594.2	40,21	54.82
Foreign currency loans	204 016.1	33,13	45.18

According to the data presented in Table 2, as of 01.10.2023, more than 73 percent of the assets of commercial banks are loans. Almost 70 percent of these loans are corporate loans. Also, almost 55 percent of the total loan portfolio is made up of national and more than 45 percent of loans in foreign currency. Due to high inflation and devaluation, their level of risk remains high.

Also, in order to reduce the credit risk, it is necessary to diversify in terms of its types and given sectors.

Table 3

Information on the balance of loans allocated to legal entities in 2022-2023 by types of loans (billion soums) [7]

Indicator name	01.12.2022	share, in %	01.12.2023	share, in %	Change, (in percent)
Credit balance allocated to legal entities	284 380	100	318 784	100	12%
Loans allocated to legal entities that are not credit organizations	267 413	94 , 0	304 866	95 , 6	14%
Leasing and factoring	1 675	0 , 6	1997	0 , 6	19%
Interbank loans	1 155	0 , 4	1 143	0 , 4	-1%
Microcredits	9 463	3 , 3	5 288	1 , 7	-44%
Syndicated loans	4 673	1 , 6	5 490	1 , 7	17%

Based on the data of Table 3, it can be seen that the main part of loans is allocated to the real sector. As of 01.12.2022, their share was 99.4 percent, and as of 01.12.2023, this indicator has increased by 14 percent and is 95.6 percent. Also, during the past 1 year, the balance of leasing and factoring and syndicated loans increased by 19 and 17 percent, respectively. This means that the level of diversification by types of loans is very low.

Table 4 _

Distribution of commercial bank loans by sectors (billion soums) [7]

Indicator name	01.12.2022		01.12.2023		Change, in percent
	billion soums	share, in percent	billion soums	share, in percent	
Total credits	382 078	100%	465 493	100%	22%
Industry	126 472	33.1%	137 150	29.5%	8%
Agriculture	40 372	10.6%	47 291	10.2%	17%
Construction industry	10 101	2.6%	12,530	2.7%	24%
Sales and general service	29 122	7.6%	31 590	6.8%	8%
Transport and communication	28 450	7.4%	33 819	7.3%	19%
Development of material and technical support	3 810	1.0%	3 740	0.8%	-2%
Housing and communal service	1 835	0.5%	1 788	0.4%	-3%



Indicator name	01.12.2022		01.12.2023		Change, in percent
	billion soum	share, in percent	billion soum	share, in percent	
Individuals	97 698	25.6%	146 709	31.5%	50%
Other areas	44 218	11.6%	50,878	10.9%	15%

Table 4, as of 01.12.2023, the share of loans allocated to legal entities decreased from 74 percent to almost 69 percent compared to the previous year. Industry has the largest share by sector, and as of 01.12.2023, it makes up almost 30% of the total loan portfolio of commercial banks. Compared to last year, this indicator increased by 8% in terms of amount, but the share of the loan portfolio decreased by almost 4%. This is happening due to the increase in retail loans. Also, in the total loan portfolio, loans allocated to agriculture, transport and communication, trade and general services make up 6.8-10.2 percent share. At the same time, the largest growth compared to the previous year is in construction (24 percent), transport and communication (19 percent), and agriculture (17 percent). Although diversification is better in the sector, credit concentration remains high.

38.8 trillion by Uzbek commercial banks this year. Soums were allocated 2.4 times more investment loans than last year 25, investment loans made up 23.1% of total loans 26 this year. This is 1.8 times more than the corresponding period of the previous year. However, it should be noted that the same indicators were 32.5% in the USA and 41.5% in Germany. It can be observed from these indicators that the weight of investment loans in our country needs to be increased by at least two or three times today.

There are the following problems related to the improvement of the mechanism of lending to business entities by the commercial banks of the Republic:

- the lack of full use of modern lending services in the mechanism of commercial banks;

- non-effective use of credit line funds allocated to small business entities by commercial banks;

- that the expenses related to formalization were not taken into account when determining the amount of credit allocated by commercial banks;

- that the client's activity was not taken into account when drawing up the loan repayment schedule;

- setting a credit limit for branches of commercial banks by the main bank;

- differences in issuing loans in national and foreign currency by commercial banks;

- Terms of loans provided by commercial banks and problems of clearance of supplies.

4. Conclusions and suggestions

Today, the state of production, the state of the main means of enterprises of the national economy and the level of technical equipment, the possibility of structural change of the economy and the solution of social and environmental problems depend on the effectiveness of the investment policy. Investments are the basis for the development of enterprises, individual sectors and the economy as a whole, because at present the technical and technological level of the national economy is low, the structure of production and industry is uncertain, and the main means and production capacity are outdated. provides



In conclusion, it can be noted that it is necessary to reduce the weight of banks with a state share in the loan deposits allocated by commercial banks. For this purpose, we offer the following experiences of the lending mechanism of the Japanese state: firstly, the establishment of a special state commercial bank for the implementation of state programs; secondly, it is necessary to drastically reduce and completely sell the state's share in commercial banks in which the state has a stake.

The following conclusions were formed within the framework of the conducted research:

Corporate loans are one of the effective banking products of commercial banks, and their use has its own advantages and disadvantages;

Corporate loans make up the main part of the total loan portfolios of commercial banks in Uzbekistan.

The level of diversification in their provision is very low, the level of concentration in certain types of loans and certain areas is high;

Despite the fact that the main part of attracted deposits is short-term, the main part of loans is made up of long-term loans.

When banks attract long-term resource bases to deposit accounts, customers are not motivated by high interest rates. At the same time, long-term loans are provided at reduced interest rates despite high inflation.

Based on the above conclusions, the following recommendations are offered:

In the conditions of high devaluation, reducing the share of foreign currency loans in the credit portfolio of tidorat banks, in particular, increasing the offer of foreign currency loans to customers who earn income mainly in foreign currency;

Optimizing risk by diversifying the loan portfolio through the allocation of loans to various sectors of the economy;

Developing attractive interest offers on long-term deposits and offering real value of long-term loans;

Broad introduction of financial technologies in order to improve the quality of credit services and assets.

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