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BANK FINANCING OF INVESTMENT PROJECTS



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Abstract. This article describes practical and theoretical information about the programs of bank financing of investment projects, their peculiarities in the conditions of our country.

Keywords: investment financing, financing mechanisms, industry and manufacturing, energy and infrastructure, small and medium enterprises (SMEs), green financing, venture capital and private equity

Introduction.

The Uzbekistan-2030 Strategy outlines a comprehensive framework for the economic and social development of the country, with a significant emphasis on the financial sector, particularly the role of commercial banks. The strategy aims to modernize the banking sector, enhance financial inclusion, and support sustainable economic growth. Below are the key aspects of commercial banks' activities within the context of the Uzbekistan-2030 Strategy. Modernization and digitalization of banking services. Digital transformation. Online Banking. Expanding online and mobile banking services to provide convenient and accessible financial services to all segments of the population. Fintech integration. Collaborating with fintech companies to introduce innovative financial products and services, such as digital wallets, mobile payments, and blockchain technologies. Automation and efficiency. Process automation. Implementing automated systems for customer service, credit scoring, and transaction processing to improve efficiency and reduce operational costs. Cybersecurity. Strengthening cybersecurity measures to protect customers' data and ensure the security of online transactions. [1]

Enhancing financial inclusion. Access to banking services. Branch expansion. Increasing the number of bank branches and ATMs in rural and underserved areas to ensure widespread access to banking services. Microfinance and SME support. Providing tailored financial products and services to support microfinance institutions, small and medium-sized enterprises (SMEs), and startups. Financial literacy programs. Public awareness campaigns. Conducting financial literacy programs and awareness campaigns to educate the population about the benefits of banking services and responsible financial management. Educational initiatives. Partnering with educational institutions to integrate

financial literacy into the curriculum and promote understanding of banking services among students.

Sustainable and inclusive economic growth. Green financing. Sustainable investments. Promoting and financing green projects and sustainable investments, such as renewable energy, energy efficiency, and environmentally friendly technologies. ESG criteria. Integrating environmental, social, and governance (ESG) criteria into lending and investment decisions to support sustainable development goals. Support for key sectors. Agriculture and industry. Providing specialized financial products and services to key sectors such as agriculture, manufacturing, and tourism to boost economic growth. Infrastructure development. Financing infrastructure projects, including transportation, telecommunications, and urban development, to enhance economic connectivity and productivity. [1]

Strengthening regulatory framework and risk management. Regulatory compliance. International standards. Aligning banking regulations with international standards, such as Basel III, to ensure financial stability and resilience. Risk management practices. Enhancing risk management frameworks to address credit, market, operational, and liquidity risks effectively. Corporate governance. Transparency and accountability. Promoting transparency and accountability in banking operations through stringent corporate governance practices. Anti-Money Laundering (AML). Implementing robust AML and combating the financing of terrorism (CFT) measures to prevent financial crimes and enhance the integrity of the banking system.

Literature review.

The theoretical and methodological basis of the study was the works of foreign economists on the theory of finance and credit. A significant contribution to the theory of the problems under study was made by A.I. Arkhipov, G.N. Beloglazova, I.A. Blank, M.Z. Bor, V.V. Bocharov, O.B. Veretennikova, A.Yu. Kazak, O.I. Lavrushin, V.E. Leontyev, M.S. Maramygin, G.B. Polyak, V.M. Rodionova, M.V. Romanovsky, V.K. Senchagov, A.M. Tavasiev, M.A. Fedotova, D.V. Bailey, I. Bernard, J.L. Gitman, M.D. Jonck, J.M. Keynes, J.-C. Colley, P. Masse, N. Ordway, J.M. Rosenberg, J. Friedman, W.F. Sharp. Scientific and theoretical works of leading economists reveal the main provisions of the theoretical foundations of finance, credit and investment; represent the economic nature and functional purpose of the lending process; contain a theoretical and methodological justification for long-term lending; determine the role of credit operations in the activities of a commercial bank. [2]

Research methodology.

In the course of the research work, observations, data collection, generalization, grouping, comparison, conclusions and proposals were formed regarding the researches of local and foreign scientists on the issues of the development of the employee incentive system in commercial banks and their solutions.

Analysis and discussion of results.

The financing of investment projects by commercial banks is crucial for the economic development of Uzbekistan. The period from 2020 to 2024 has seen significant initiatives aligned with the Uzbekistan-2030 Strategy. This period focuses on modernization, diversification, and sustainable development. Below is an analysis of the

bank financing of investment projects during this period, highlighting key sectors, strategies, and outcomes. [3]

1. Key sectors for investment financing.

a) Agriculture.

Projects: Modernization of irrigation systems, development of agro-industrial complexes, and introduction of advanced farming technologies.

Financing Mechanisms: Concessional loans, credit lines, and agribusiness development funds.

Outcomes: Increased agricultural productivity, enhanced food security, and export growth.

b) Industry and manufacturing.

Projects: Upgrading of manufacturing facilities, establishment of industrial parks, and investment in high-tech industries.

Financing Mechanisms: Long-term loans, equipment leasing, and syndicated loans.

Outcomes: Industrial growth, job creation, and technological advancement.

c) Energy and infrastructure.

Projects: Construction of renewable energy plants, expansion of the power grid, and infrastructure development (roads, bridges, and urban infrastructure).

Financing Mechanisms: Project finance, public-private partnerships (PPPs), and green bonds.

Outcomes: Improved energy security, infrastructure modernization, and support for sustainable development.

d) Small and medium enterprises (SMEs).

Projects: Support for startups, expansion of existing businesses, and promotion of entrepreneurship.

Financing Mechanisms: Microloans, SME credit lines, and venture capital.

Outcomes: Increased SME contribution to GDP, innovation, and economic diversification.

e) Financing strategies and mechanisms.

2. Public-private partnerships (PPPs).

Description: Collaboration between government and private sector to finance large-scale infrastructure and public service projects.

Examples: Construction of highways, development of urban infrastructure, and renewable energy projects.

Impact: Risk-sharing, efficient resource allocation, and accelerated project implementation.

3. Green financing.

Description: Financing projects that have a positive environmental impact, such as renewable energy and energy efficiency projects.

Examples: Solar power plants, wind farms, and green building projects.

Impact: Support for sustainable development goals, reduction in carbon footprint, and promotion of green technologies.

4. Venture capital and private equity.

Description: Investment in high-growth potential startups and innovative projects.

Examples: Technology startups, biotech companies, and innovative manufacturing firms.

Impact: Fostering innovation, job creation, and economic diversification.

5. Concessional loans and credit lines.

Description: Providing loans with favorable terms to support key sectors such as agriculture, SMEs, and industrial development.

Examples: Low-interest loans for modernizing farming equipment, expanding manufacturing capabilities, and supporting SMEs.

Impact: Increased access to finance, growth in key sectors, and economic resilience.

6. Outcomes and impact. Economic growth.

GDP Contribution: Bank financing of investment projects has significantly contributed to GDP growth, particularly in agriculture, industry, and energy sectors.

Job Creation: Investment projects have created numerous jobs across various sectors, reducing unemployment and boosting household incomes.

7. Technological advancement.

Innovation: Financing of high-tech and innovative projects has led to technological advancements, improving productivity and competitiveness.

Modernization: Investment in modernizing infrastructure and industrial facilities has enhanced the overall efficiency of the economy.

8. Sustainable development.

Environmental Impact: Green financing initiatives have supported the development of renewable energy projects, contributing to environmental sustainability.

Energy Security: Investment in energy infrastructure has improved energy security and reliability, supporting long-term economic growth.

9. SME growth and diversification.

SME Development: Increased financing for SMEs has promoted entrepreneurship, innovation, and economic diversification.

Regional Development: Financing projects in various regions have balanced regional development, reducing economic disparities. [4]

Conclusion

From 2020 to 2024, bank financing of investment projects in Uzbekistan has played a critical role in supporting the objectives of the Uzbekistan-2030 Strategy. By focusing on key sectors such as agriculture, industry, energy, and SMEs, and utilizing diverse financing mechanisms, commercial banks have significantly contributed to economic growth, technological advancement, and sustainable development. The outcomes of these efforts are evident in increased GDP, job creation, innovation, and environmental sustainability, positioning Uzbekistan for continued progress towards its strategic goals.

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