

## **FINANCING OF INVESTMENT PROJECTS: EXPERIENCE OF FOREIGN BANKS**

***BOBIR SULTONMURODOV***

*Doctor of Philosophy (Ph.D.) in Economics, Head of the Green finance*

*Department JSCB "Uzpromstroybank"*

**Abstract.** This article examines the experience of financing investment projects by foreign banks, which directly ensure the sustainable economic development of the country. To date, foreign banks have increasingly begun to pay attention to the development of investment lending and project financing, introducing new financing mechanisms. Thus, banks retain their leading positions in the market of investment banking services. Sberbank is one of the largest banks in Russia, which has sufficient experience in the field of financing investment loans and project financing. The possibilities of applying Sberbank's experience in financing investment projects were explored.

**Keywords:** foreign bank, new banking product, international financial institutions, investment project, attracted resources, customer orientation.

### **1. INTRODUCTION.**

Foreign experience in financing investment projects shows that successful financing of a project brings good profits not only for the lending bank, but also for the project initiator himself. The project initiator, through the implementation of an investment project, contributes to the economic growth of the country, the creation of new jobs, the production of exports of replacement products and entry into the international market.

In the context of increasing global competition between banks in attracting funds from international financial institutions, they determine the level of development of correspondent relations, activities in the field of lending, as well as the customer focus of banks. It is the active attraction of funds from international financial institutions that ensures high competitiveness in the global financial market.

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 economy \*.

International financial institutions help banks expand their activities and conduct business internationally. They create new opportunities for raising funds and developing banks' lending activities, as banks develop and offer new products and services to meet international requirements. All this also increases competition between commercial banks. Banks face competition from local and foreign banks, which encourages them to develop and implement new innovative solutions to attract and retain customers.

Today, globalization processes have acquired such proportions that it is now difficult to define clear boundaries between the national and international financial systems. Business entities of various forms of ownership actively participate in export-import transactions, international payments and other financial and economic relations. In particular, commercial banks of Uzbekistan are actively carrying out operations to attract and actively place funds from international financial institutions.

## **2. LITERATURE REVIEW.**

Banking resources represent the totality of its own and borrowed funds at its disposal and used to carry out active operations (O.I. Lavrushin). The resources of a commercial bank are its own capital and funds attracted on a repayable basis from legal entities and individuals, formed by the bank as a result of passive operations, which are collectively used by it to carry out active operations (G.G. Korobova).

The resource base of a commercial bank is the total capital that is formed as a result of the bank's policy of increasing its own capital and borrowed funds and is used to carry out active operations in order to realize public and its own commercial interests (V.V. Kiselev).

International credit plays a dual role in the development of production: positive and negative. On the one hand, credit ensures the continuity of reproduction and its expansion. It promotes the internationalization of production and exchange, the deepening of the international division of labor. On the other hand, international credit increases the imbalances in social reproduction, stimulating the abrupt expansion of profitable industries, and restrains the development of industries that do not attract foreign borrowed funds. International credit is used to strengthen the position of foreign creditors in competition (O.I. Lavrushin)

---

\*Decree 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"

### **3. 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 for improving the financing of investment projects, and, on the other hand, factors influencing the development of project financing. As a result of the study, problems associated with the financing of investment projects were identified.

### **4. ANALYSIS AND RESULTS.**

For more than 10 years, Sberbank of Russia has been participating in the financing of long-term investment projects in all sectors of the Russian economy, being the market leader in terms of the volume of financing provided and the degree of industry and product diversification. The Bank has accumulated extensive experience both in providing classic investment lending and project financing services, and in introducing non-standard complex financial products.

The bank offers corporate clients the following services:

- medium- and long-term financing of investment projects;
- financing of mergers and acquisitions (M&A);
- financing of leasing transactions;
- organization of placement of bond issues;
- provision of bank guarantees within the framework of financed projects;
- lending within the framework of export financing under insurance of the export agency.

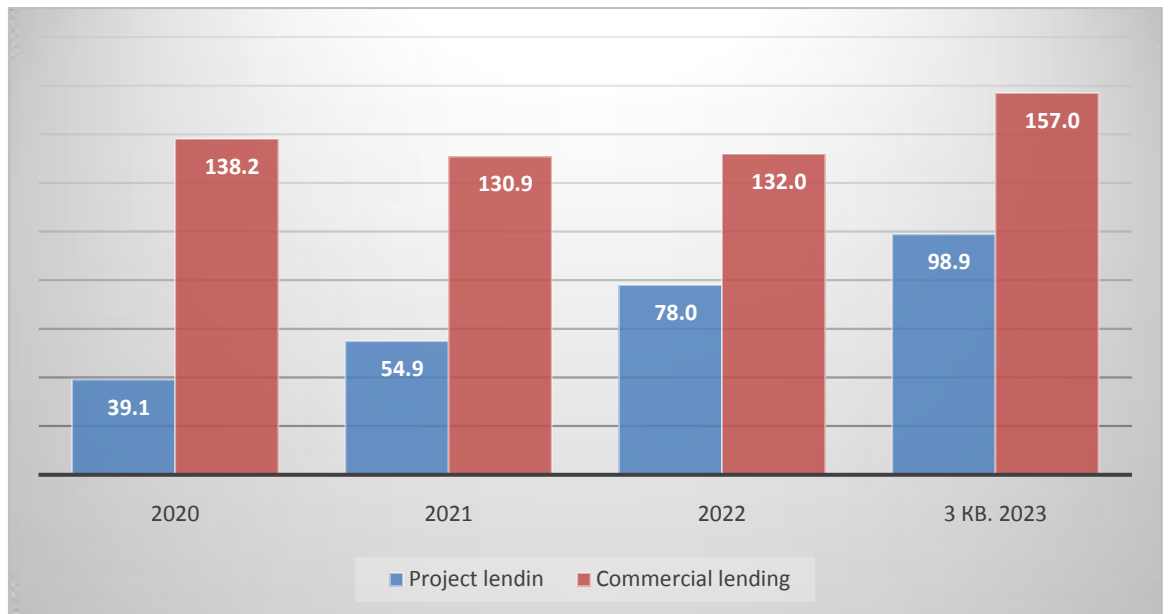
Sberbank also provides project financing. As for project financing, the return of invested funds is carried out at the project operation stage mainly (more than 50%) from funds generated by the project itself.

In case of project financing, the client may be a legal entity created specifically for the implementation of the project, which does not have a financial and credit history and property, with the exception of property acquired (created) during the implementation of the project.

Sberbank participates in project financing in an amount not exceeding 70% of the total project cost. The amount of funding is determined based on the results of an analysis of the effectiveness and return on investment of the project. The Bank can finance projects with the participation of other banks on the terms of syndicated/ consortium lending by several banks.

Sberbank investment loans are issued in Russian and Belarusian rubles, US dollars, euros, as well as in several currencies (multi-currency lending). Sberbank investment loans

for large-scale projects are always associated with high risk. In this regard, the bank pays special attention to the constant monitoring of loan portfolios.



**Figure 1. Loans to corporate clients (billions of US dollars)<sup>†</sup>**

Using the example of Sberbank, you can see the dynamics of changes in loans to corporate clients. In 2020, the total amount of loans was \$177.3 billion, of which project lending was \$39.1 billion, commercial lending was \$138.2 billion. In 2021, the total amount of loans decreased by \$8.5 billion and amounted to \$185.8 billion, of which project lending was \$54.9 billion, commercial lending was \$130.9 billion. The total amount of loans to corporate clients in 2022 amounted to \$210.0 billion, of which of which project lending is \$78.0 billion, commercial lending is \$132.0 billion. The amount of loans to corporate clients in the 3rd quarter. 2023 amounted to \$255.9 billion, of which project lending was \$98.9 billion, commercial lending was \$157.0 billion. From the analysis, we can conclude that a decrease in the amount of loans to corporate clients was observed only in 2021, this was due to the COVID 19 pandemic , and in other cases there was only an increase in loans.

Many foreign banks prefer retail business and less risky commercial lending. The reason for this is different points of view on the need and importance of developing investment lending and project financing. Many banks are wary of this area; in their opinion, it is the most risky.

<sup>†</sup>Compiled by the author based on the results of the research

In the context of global competition between banks in the world of innovation, the level of development of activities is determined, in particular, by the development of financing of investment projects by commercial banks, including banks of the Republic of Uzbekistan.

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, lack of management and risk management in state-owned banks participation, low level of financial intermediation in the economy.

## **5. CONCLUSION.**

A fairly effective tool for developing financing for corporate clients is the mechanism of syndicated lending and project financing. Its significance is determined by the fact that a large amount of credit is accumulated, and several banks are involved in this. Such large projects require a correct assessment of risks, an analysis of the client's financial condition, and the mandatory participation of the project initiator with his own funds of at least 30% of the project cost.

To effectively organize the financing of investment projects and solve a number of characteristic problems, it is necessary to build and implement an optimal organizational investment system. It is also necessary to ensure timely repayment of loan funds; banks are required to review their lending activities.

In order to further improve the system of financing investment projects by applying foreign experience, banks of the Republic of Uzbekistan need to:

- receive technical support from foreign partners in assessing the risks of investment projects;
- analyze factors that help reduce the economic and technological risks of the project at all its stages;
- analyze the feasibility of further financing of the investment project, when identifying factors of failure by the project initiator to fulfill the indicators of the business plan and feasibility study ;
- develop new products and services in order to increase the corporate customer base;
- conduct an assessment of environmental and social risks before starting an investment project, and if high risks are identified, develop a corrective action plan.

Based on the above, it follows that improving the system of financing investment projects is an important factor and the basis for the sustainable development of the bank.

### REFERENCES

1. Decree 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
2. O.I. Lavrushin, Modern banking products and services: textbook / 2nd ed., additional. - M.: KNORUS, 2021. - 346 p.
3. N.N. Natocheeva “Financing of investment projects: forms, criteria, priorities”, Economics and Management, 2013
4. Financial management in commercial banking and the financial services industry / Joseph Sinkey Jr.; Per. from English \_ – M.: Alpina Publisher , 2021 – 464 p.
5. V. Ismagilov, “How to organize access to statistics for employees - in the context of business growth” // Academy of Analytics - 2022.
6. E.A. Grishina, “Organization of bank lending” Textbook for students in the field of training 03/38/01. Economics - Saratov: Saratov Socio-Economic Institute (branch) REU im. G.V. Plekhanova, 2018, p. 152, – 7s
7. V. Ismagilov, “How to organize access to statistics for employees - in the context of business growth” // Academy of Analytics - 2022.