

## **MECHANISMS FOR RAISING FUNDS FROM INTERNATIONAL FINANCIAL INSTITUTIONS**

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**Abstract:** The article examines the role of attracted funds from international financial institutions in providing loans to investment projects of corporate clients of commercial banks. The foreign experience of attracting and placing borrowed funds, the role of reforming the banking system of the Republic of Uzbekistan in improving the mechanisms of work with international financial institutions has been studied. The analysis of the attracted funds of a commercial bank is given.

**Keywords:** mechanism, attracted resource, international financial institution, reform, customer orientation.

### **1. INTRODUCTION.**

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 <sup>1</sup>.

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.

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<sup>1</sup>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"

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)

## **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 of development for attracting borrowed funds, and, on the other hand, factors influencing the development of mechanisms for attracting funds from international financial institutions. As a result of the study, problems associated with attracting investment funds for the development of lending by commercial banks were identified.

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

Today, attracted funds from banks play a significant role in the development of financing of investment projects and are increasingly becoming relevant, since the country's investment policy is aimed at attracting foreign investment, developing all sectors of the economy, employing the

population by creating new jobs, and entering the international market by creating a competitive product. 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 <sup>2</sup>.

As of January 1, 2023, the total assets of commercial banks in Uzbekistan increased by 21% over the year. However, banking penetration remains low, creating great potential for development. Domestic private debt increased and amounted to 35.8% of GDP.

Using the example of JSCB Uzpromstroybank , one can see the growth dynamics of funds attracted by IFIs. Today, the Bank is actively developing its passive part, focusing on small and large funds, including funds attracted from IFIs, as this is considered a stable source of funds, allowing it to concentrate on creating a set of passive products using targeted transaction accounts.

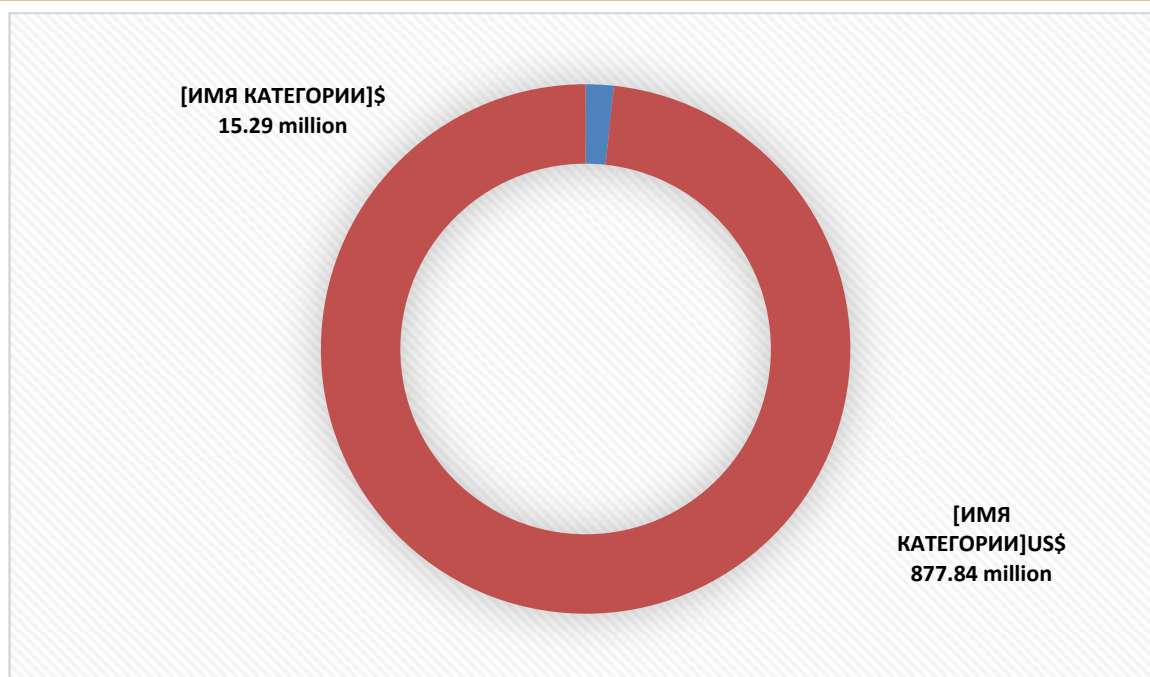
**Table 1. Attracted credit lines for 2023 (breakdown by country)**

**million US dollars**

<b>No.</b>	<b>A country</b>	<b>Sum</b>
<b>1</b>	Great Britain	119.6
<b>2</b>	Germany	62.3
<b>3</b>	Russia	89.8
<b>4</b>	Italy	53.6
<b>5</b>	Kazakhstan	14.5
<b>6</b>	Austria	20.8
<b>7</b>	China	33.4
<b>8</b>	USA	224.2
	MFI	36.9
	Others	238.1
	<b>Total</b>	<b>893.2</b>

The figure shows that in 2023, the total amount of funds raised amounted to \$893.2 million, of which IFI funds amounted to \$36.9 million. In 2023, JSCB " Uzpromstroybank " attracted the bulk of borrowed funds working with banks in countries such as , USA, UK, Germany, Russia, etc.

<sup>2</sup>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



**Figure 1. Attracted credit lines as of 12/01/2023.<sup>3</sup>**

As usual, attracting credit lines from international financial institutions and foreign banks is carried out in two ways, with a state guarantee and without a state guarantee. Many large banks with good financial condition allow themselves to attract funds from foreign donors without a government guarantee. The figure shows that in 2023, JSCB Uzpromstroybank attracted \$877.84 million without a government guarantee. With a government guarantee, the bank managed to attract funds in the amount of \$15.29 million, these are mainly targeted resources for government programs .

## **5. CONCLUSION.**

A fairly effective tool for attracting funds from international financial institutions into the economy is the mechanism of subsidized interest rates on bank loans. Its significance is determined by the fact that it requires less budget expenditure, allows you to provide support to a larger number of borrowers and implement a larger number of investment projects, and attract additional credit resources.

To effectively organize the attraction of funds from international financial institutions 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.

<sup>3</sup>Compiled by the author based on the results of the research

In order to further develop the attraction of funds from international financial institutions, commercial banks need to:

- introduce a new lending mechanism that allows banks to minimize credit risks;
- maintaining balance when attracting and placing funds from international financial institutions;
- systematically monitor the allocated funds and take appropriate measures for their timely return;
- develop an action plan for the timely placement of raised funds;
- receive technical support from foreign partners regarding the assessment of investment projects;
- comply with covenants under loan agreements and introduce a mechanism for reflecting some of them in loan agreements with clients;
- use licensed software when assessing investment projects;
- introduction of a system for evaluating banking products and services in order to improve their quality;
- conduct a realistic assessment of the resources attracted and the bank's ability to place them.

Based on the above, it should be noted that improving the mechanisms for attracting funds from international financial institutions is one of the important factors in the development of the lending activities of commercial banks.

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