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## **FINANCING BUSINESS PROJECTS THROUGH BANK CREDIT AND SYNDICATED LOANS**

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### **Abstract**

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**Keywords:** project financing, business project, bank loans, syndicated loans, green loans, syndicate, fixed interest rates

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In this article, the scientific works of various research scientists are studied in the analysis of the practice of financing business projects through bank loans and syndicated loans. The practice of financing business projects through green loans "Uzsanoatkurilishbank" JSC analyzed in the example. Also, the practice of attracting syndicated loans by local commercial banks was studied. Conclusions and suggestions were formed based on the performed analysis.

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### **INTRODUCTION**

Financing of business projects is important for economic development and increasing the share of the private sector in the economy. The use of bank loans, especially syndicated loans, in financing business projects provides an opportunity to attract a large amount of financial resources to business projects. When financing large business projects, sometimes the financial position of one bank may not be sufficient, or in this case, a large risk may arise. Therefore, large business projects are financed through syndicated loans formed by several banks. While this practice is widely used in foreign experience, it requires development in national practice. The lack of effective organization of business project evaluation practices, limited financial resources, lack of risk assessment specialists, etc. are obstacles to the development of business project financing practices through bank loans and syndicated loans. Therefore, it is important to analyze the practice of financing business projects through bank loans and syndicated loans.

### **LITERATURE REVIEW**

Many researchers and research institutes have focused on the practice of financing business projects through bank loans and syndicated loans, and various aspects of this practice have been studied by them. "In the financing of business projects, funds are mainly provided by commercial banks and other financial institutions, and these funds are usually securitized against the main assets of the project. When commercial banks that rely on short-term sources

of financing are unwilling to lend at long-term fixed interest rates, they can arrange financing through a combination of floating and fixed interest rates. This situation reduces the interest risk of the project" [1].

D. Gong and others have touched on a number of aspects of syndicated credit. "First, syndicated loans are an important source of corporate financing. Therefore, the syndicated loan market is expanding today. Secondly, the joint lending practice of national development banks and commercial banks established by the governments for the purpose of economic development has recently gained great importance. Because in this process, the role of national development banks in activating private capital and financing the Sustainable Development Goals agreed by the United Nations member states is important. Third, national development banks do not always disclose their loan information, which hinders empirical research. But companies in the syndicated loan market are required to disclose their credit information because they are listed companies or private companies that trade in government debt securities" [2]. Therefore, it is necessary to study the market of syndicated loans and study its specific aspects.

M. Kanno focused on sources of external financing, "external financing can be divided into three types: public placement of shares, borrowing from financial institutions and issuance of corporate bonds. External financing is primarily carried out through public placement of shares" [3]. However, the above-mentioned form of borrowing from financial institutions in the form of borrowing from banks and attracting syndicated loans is used worldwide today.

H. Amiraslani and others touched upon the problematic situation in the market of syndicated loans and the participation of the state in this process. "Government lending was created to address a significant conflict in lenders' extensive participation in the syndicated loan market, namely the protection of borrowers' personal information shared with lending syndicates. Although the personal information disclosed to the syndicate is intended only to inform lenders of their participation in the loan, the leakage of this information into the public securities markets is a major concern for borrowers, lenders and regulators. is considered" [4]. Therefore, in the practice of syndicated loans, there is a risk that the borrower's business information, which is not intended for public disclosure, will be leaked . It can be said that the prevention of this situation will serve to further expand the practice of syndicated lending.

"In syndicated lending, lead organizers negotiate a contract with a borrower and form a syndicate with participating lenders. In this, each member will have a share of the loan. This type of contract allows lenders to diversify their credit risks and reduce financial transaction costs for borrowers" [5].

I. Tompakoudis et al studied the impact of the syndicated loan market on GDP before and after the start of the COVID-19 pandemic. "Using data from 637 syndicated loan borrowers in Europe, it was found that the impact of the syndicated loan market on GDP during the pandemic was significantly higher than before the pandemic" [6]. Demand for debt capital, including syndicated loans, increases when various crisis situations occur, such as a pandemic.

Sh.Abdullayeva paid attention to the essence of syndicated loans. "Syndicated loan is a joint (consortium) of 2 or more lenders providing loans to one borrower. A group of bank-creditors unites their idle financial resources for a certain period of time in order to lend a certain object or debtor. One or a small group of leading bank-coordinators negotiates the terms

of the loan agreement with the borrower on behalf of the entire syndicate, ensures the collection of the required amount" [7]. Increasing this type of credit is convenient for financing large projects.

"Development of production in countries, as well as providing syndicated loans in cooperation, making investments in the authorized capital of enterprises, guaranteeing the placement of securities, supporting programs on the development of the country's infrastructure and export-import operations"[8] attention should be paid in the policy.

It was stated by O. Rashidov and others that "syndicates of private banks provide their loans to the borrowing countries only if they receive loans from the International Monetary Fund and the International Bank for Reconstruction and Development" [9].

Agreeing with the opinion of the above researchers, it should be noted that it is necessary to study the role and importance of syndicated loans in financing business projects through bank loans and syndicated loans, and to use them in financing large business projects in developing countries.

**RESEARCH METHODOLOGY**

Research methods such as scientific abstraction, selective observation, statistical analysis, analysis, synthesis, induction, deduction were used in the analysis of the practice of financing business projects through bank loans and syndicated loans.

**ANALYSIS AND RESULTS**

It should be noted that bank loans are widely used as the main form of financing business projects in Uzbekistan. Therefore, although the interest rate of bank loans is high, the demand for bank loans remains high. In recent years, a number of studies have been conducted on the development of credit activities of commercial banks operating in our country, and various forms of bank loans are provided by commercial banks (Table 1). It can be seen from Table 1 that the volume of loans and long-term loans allocated to legal entities is large.

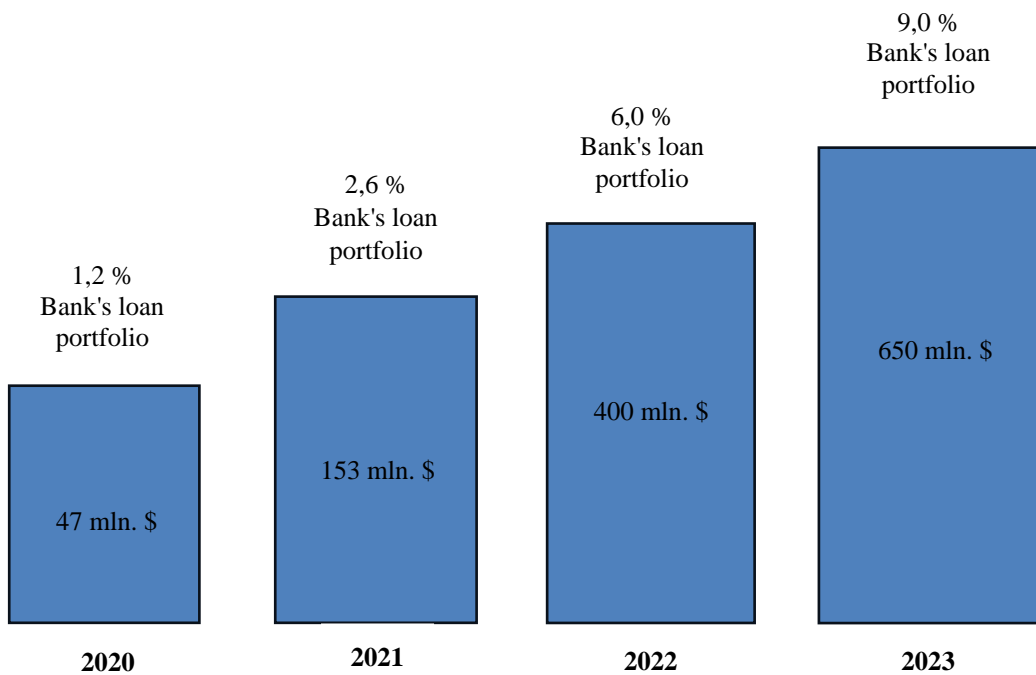
**Table 1**  
**Separate indicators of the activity of commercial banks grouped by the amount of assets, 2022 (trillion soums) [10]**

<b>Distribution of commercial banks grouped by the amount of assets</b>										
<b>Indicator name</b>	<b>Total</b>		<b>3 trillion. up to soum</b>		<b>3 trillion. 10 trillion soums to the end</b>		<b>10 trillion. 30 trillion soums to the end</b>		<b>30 trillion. soum and above</b>	
	<b>number of banks</b>	<b>amount</b>	<b>number of banks</b>	<b>amount</b>	<b>number of banks</b>	<b>amount</b>	<b>number of banks</b>	<b>amount</b>	<b>number of banks</b>	<b>amount</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>
<b>Assets</b>										
<b>Assets</b>	31	556,75	10	9161	7	42,40	8	140,45	6	364,29

<b>Credits, total</b>	31	390 , 0 5	10	5 , 22	7	20 , 19	8	92 , 24	6	272,4 0 _
<b>Loans to individuals</b>	31	100 , 95 _	10	1.9 1	7	8 , 65	8	36 , 1 7	6	54 , 2 2
<b>Loans allocated to legal entities</b>	31	289 , 10	10	3 , 3 2	7	11 , 53	8	56 , 07	6	218 , 18 _
<b>Short term loans</b>	31	51 , 1 4	10	1 , 36	7	3 , 08	8	8 , 8 5	6	37 , 85 _
<b>Long-term loans</b>	31	338 , 9 1	10	3 , 86	7	17 , 1 1	8	83,40 _	6	234 , 5 5
<b>Loans in national currency</b>	31	204 , 93	10	4 , 1 1	7	13 , 6 2	8	61 , 2 6	6	125 , 95 _
<b>Foreign currency loans</b>	31	185 , 1 2	10	1 , 1 2	7	6 , 57	8	30 , 98	6	146 , 4 5

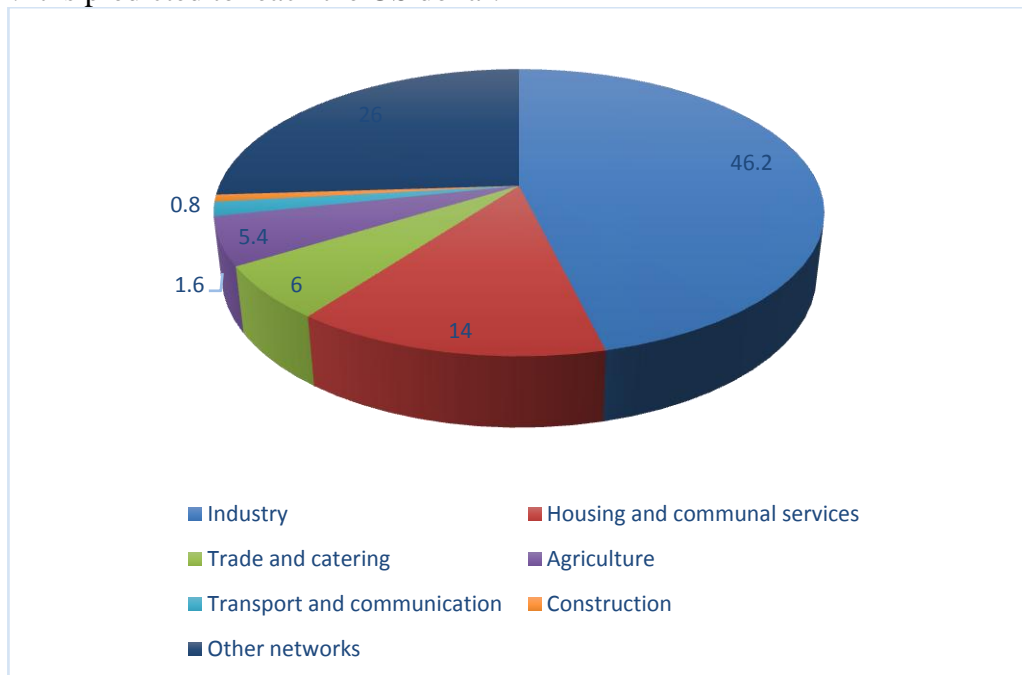
Also, in national practice, it is possible to witness the growing amount of green loans aimed at financing green business projects. In the figure below, we analyze the role of green loans in the financing of business projects on the example of Uzsanoatqurilishbank ATB (Figure 1).

Figure 1 shows the results achieved in green projects at Uzsanoatkurilishbank ADB by the end of 2022, a total of 222 green projects were financed and 217.2 mln. Capital directed in the amount of US dollars.



**Figure 1. Indicators and forecast of the green loan portfolio at Uzsanoatkurilishbank ATB [11]**

Figure 2 shows the indicators and forecast of the green loan portfolio at Uzsanoatkurilishbank ATB. In 2020, this indicator will be 47 million. In the case of US dollars, in 2022 a total of 400 mln. amounted to US dollars. In 2023, the green loan portfolio will be 650 mln. It is predicted to reach the US dollar.



**Figure 2. Main industries financed through green portfolio bank loans at Uzsanoatkurilishbank ADB, 2022 (in percent) [11]**

If we pay attention to the main sectors financed by green portfolio bank loans at Uzsanotkurilishbank ATB, it can be observed that the largest share belongs to business projects in industry (46.2 percent) (Figure 3).

The use of syndicated lending practices in financing large business projects has been proven to be beneficial in many ways in international practice. Therefore, in national practice, it is important to expand the practice of syndicated loans and use its opportunities in financing business projects. "In 2021, the mandate to establish a syndicated loan in the amount of 125 million US dollars between "Kishloq Qurilishbank" ADB and Credit Suisse AG (Switzerland), 75 million US dollars between "Kishloq Qurilish Bank" ADB and "Mashreqbank" (UAE) A memorandum of cooperation within the framework of the organization of a syndicated loan was signed between Middle Eastern banks" [12]. On the basis of these agreements, the above-mentioned commercial banks have created opportunities to effectively organize the practice of syndicated loans and provide financial resources to projects in our country.

"Uzmilliybank" JSC effectively formed cooperation with Credit Suisse AG, attracted capital from institutional investors for the financing of various projects through the practice of syndicated lending. "This bank has attracted syndicated loans of 100 million euros from Credit Suisse AG and 100 million dollars from Deutsche Bank AG until 2022 for general corporate purposes. Also, in August 2022, a road show for institutional investors organized by "Uzmilliybank" JSC in cooperation with the leading Swiss bank Credit Suisse AG was successfully held. "Uzmilliybank" JSC Credit Suisse AG as a financial agent and main creditor has signed an agreement to attract a syndicated credit line of 100 million euros from the consortium of Credit Suisse AG, AKA Bank and KfW foreign banks. The credit line is set to attract EUR 100 million for a period of up to 5 years, without state guarantee, without country structure, under attractive financing conditions. This credit line is used to finance investment projects in the textile, food, chemical and pharmaceutical industries, transport and agriculture aimed at the production of high value-added products and expansion of production capacity of existing enterprises" [13]. The successful conclusion of the above-mentioned contracts increases the practical importance of financing business projects through bank loans and syndicated loans.

## **CONCLUSION**

Based on the analysis of the practice of financing business projects through bank loans and syndicated loans, the following conclusions were formed:

1. In the financing of business projects, banks and banking groups appear as the main financing structure. Therefore, it is necessary to introduce new types of loans in expanding the activities of commercial banks.
2. Giving priority to green lending practices in financing business projects through bank loans will serve to expand the new form of financing in the country and develop the green economy. Focusing on business projects with high economic efficiency in this process determines the effectiveness of green lending practice.
3. It is necessary to effectively form the practice of syndicated lending in commercial banks in order to form a large amount of capital necessary for large business projects, to diversify the large risk in large business projects, and to form a type of high-profit activity in banks.
4. Financing of large business projects through syndicated loans plays an important role in the creation of companies that increase the volume of exports in the economy and participate in international markets.

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