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## RESOURCES OF INTERNATIONAL FINANCIAL INSTITUTIONS, THEIR ROLE IN THE DEVELOPMENT OF INVESTMENT LENDING

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### Abstract

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#### Keywords:

commercial bank,  
international  
financial institution,  
investment loan,  
credit resources,  
borrowed funds,  
own funds,  
customer  
orientation.

*This article examines banking resources, international financial institutions, the practice of lending to commercial banks and the development of investment lending with a special emphasis on an individual client approach based on industry specifics and an in-depth understanding of client needs. Cooperation with international financial institutions is an important aspect in the business activities of commercial banks. To date, the development of investment lending remains an urgent topic for banks, the study of the main problems of lending and ways to solve them contribute to: maintaining leadership positions in the market of investment banking services.*

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### 1. Introduction.

In a market economy, commercial banks are dynamically developing in parallel with other sectors of the economy. "World practice has shown that the economic development of any country is closely connected with bank credit, various forms of which affect all spheres of society. This is confirmed by the expansion of the range of banking operations, including lending. Lending operations are the main source of income for banks: 2/3 of the total result of financial operations is accounted for by net interest income on loans provided <sup>1</sup>.

The main goal of commercial banks is to obtain a stable profit. Commercial banks receive the main profit from investment activities, i.e. from the development of investment lending. The main sources of financing for investment loans are attracted resources from international financial institutions. Given the competitive environment, banks are forced to respond to changes in market conditions, expand their product line, go international, use the experience of foreign banks, and participate in financing large investment projects.

Increasing the potential of employees will be the basis for improving the quality of service and increasing the level of cross-selling, including with the active use of the experience of foreign banks. "It is necessary to accelerate the adoption of measures for the widespread introduction of information technologies in the banking system based on modern service solutions, financial technologies, ensuring information security at the proper level, as well as reducing the influence of the human factor in the provision of financial services" <sup>2</sup>.

### 2. Literature review.

The current economic situation forces banks to look for new ways and apply new methods to achieve the desired financial results. In the Republic of Uzbekistan, the most important

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<sup>1</sup>Muradova L.F. Ways to increase the profitability of assets of commercial banks in the context of modernization of the economy of Uzbekistan. dissertation PhD . – T.: 2018.

<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 for 2020-2025"

priorities are the rapid development and liberalization of the economy in the context of globalization, the acceleration of its integration into the global financial market and the further development of the capital market and the digital economy, the introduction of modern principles of investment lending, the formation of a resource base for commercial banks by attracting funds from international financial institutions. Creation of economic conditions for large corporate clients implementing investment projects. Timely implementation of investment projects is one of the important factors in attracting funds from international financial institutions .

During the writing of the article, it was found that investment lending has been studied by many scientists in our country and neighboring countries. The role of investment loans in the development of the country's economy has been studied by economists for several decades. Banking operations, including investment lending, were considered in the works of O.I. Lavrushina (2021), M.S. Maramygin (2021) and others.

According to the economist O.I. Lavrushin (2021) "The growth of competition in the market has been intensifying in recent years. In the financial market, structures that are often referred to as the shadow banking sector are beginning to work actively. By taking over the functions of the traditional banking sector and performing banking operations and their new varieties, these companies do not fall under the regulatory norms of central banks, which allows them to become more competitive in the market." According to M.S. Maramygin (2021), the result of the formation and implementation of the policy of a credit institution in the field of raising funds and their effective use is the provision of a wide range of banking services to customers. According to the economist L.V. Chkhutiashvili (2010) "The current economic situation forces banks to look for new ways and apply new methods to achieve the desired financial results. The issues of qualitative improvement of banking marketing come to the fore. It is important not only to expand the list of banking products and improve the technology for their creation, but also to study ways to implement them."

The prospects for the development of investment lending have been studied by a number of foreign economists (Lavrushin, 2005; Glushkova, 2005; Kosterina, 2005; Tavasieva, 2005; Buevich , 2005; Chkhutiashvili , 2010), whose works are used in building the bank's business strategy.

### **3. Research methodology.**

The methodological basis of the study is the dialectical theory of development, the fundamental provisions of the theories, including the analysis and theoretical generalization of the essence, functions, roles and processes for the development and implementation of banking products and services, as well as an analysis of the approach of several banks to this issue. Methodological studies aimed at the effective organization and improvement of the lending system of commercial banks through the sale of banking products and services were carried out by the world's leading financial institutions and foreign economic research institutions.

### **4. Analysis and results.**

The expansion of financial markets, the attraction of funds from international financial institutions and the increase in the profitability of commercial banks' assets through the development of investment lending occupies the lion's share in the gross income of a commercial bank.

World practice has shown that the economic development of any country is closely connected with bank credit, various forms of which affect all spheres of society. This is confirmed by the expansion of the range of banking operations, including lending. "Credit operations are the

main source of income for banks: 2/3 of the total results from financial operations account for net interest income on loans granted " <sup>3</sup>. "The functioning and development of the credit market depends not only on the efficient financial activities of commercial banks, but also on the legal framework that regulates it on the basis of well-developed legislation" <sup>4</sup>.

As you know, today the banking system of the Republic of Uzbekistan is undergoing a transformation stage, a system of relationships with international financial institutions has been established. "In the course of the consistent reform of the financial sector, a number of measures have been implemented, as a result of which the necessary legal conditions have been created for conducting a progressive banking business and strengthening the competitive environment in the sector" <sup>5</sup>.

Moreover, the work on attracting credit funds from the World Bank Group has intensified . The activity of banks in the timely development of World Bank funds has increased , and the green economy has begun to develop rapidly. " In order to widely introduce renewable energy sources in the social sphere, in the field of housing and communal services and sectors of the economy, to ensure compensation for energy shortages in the regions of the republic by improving energy efficiency, a comprehensive organization of work in this direction, as well as creating favorable conditions and introducing incentive mechanisms for investors » <sup>6</sup>new opportunities are open.

Attracted resources of the World Bank are distributed among commercial banks: JSCB "Uzpromstroybank", JSCB "Hamkorbank", JSCB "Asia Alliance Bank", JSC "Infinbank", JSCB "Aloqabank", JSC "Asakabank" and JSC "Uznavtobank". Despite the fact that JSCB "Ipoteka-bank" is quite experienced in the development of corporate lending, has 39 branches and, thanks to a well-developed network, provides a wide range of banking services, the IBRD did not use the resources.

The most active bank in terms of timely disbursement of World Bank funds is Uzpromstroybank . As part of the third phase, a loan in the amount of USD 50.0 million was allocated to the bank, but by the end of 2021, undisbursed funds of Asaka Bank in the amount of USD 45.0 million were transferred to Uzpromstroybank and the total amount amounted to about 95.0 million US dollars.

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<sup>3</sup>E.A. Grishina, "Organization of bank lending" Textbook for students of the direction of preparation 38.03.01. Economics - Saratov: Saratov Socio-Economic Institute (branch) of the PRUE. G.V. Plekhanov, 2018, p.152, - 7s

<sup>4</sup>V.A. Maltsev Problems of legal regulation of bank credit in Russia // Socio-political sciences. - 2015. - No. 2

<sup>5</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 for 2020-2025"

<sup>6</sup>Decree of the President of the Republic of Uzbekistan dated February 16, 2023 No. PP-57

"On measures to accelerate the introduction of renewable energy sources and energy-saving technologies in 2023"

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**Table 1**

**Assimilation of funds under the project "Improving the energy efficiency of industrial enterprises"<sup>7</sup>**

**07/01/2023**

No.	Name	The total cost of the project	Balance as of 01/01/2023	Development in 2023
	Assimilation of funds, of which:	<b>199.00</b>	<b>65.27</b>	<b>65.27</b>
	<i>Own funds</i>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	<i>International loans, including through participating banks</i>	<b>199.00</b>	<b>65.27</b>	<b>65.27</b>
1	JSCB "Uzpromstroybank"	95.00	27.45	27.45
2	JSCB "Hamkorbank"	25.00	2.04	2.04
3	JSCB "Asia Alliance Bank"	17.00	4.55	4.55
4	JSC "Infinbank"	12.00	6.49	6.49
5	JSCB "Aloqabank"	40.00	24.74	24.74
6	JSC "Asakabank"	5.00	0.00	0.00
7	National Bank JSC	5.00	0.00	0.00

The economic reform program of the government of Uzbekistan is aimed at improving the efficiency of state-owned enterprises and the implementation of the privatization plan. The banking sector of Uzbekistan is gradually opening up to external investors and capital markets.

“3 scenarios for the growth of the loan portfolio for the period from 2023 to 2026 are presented. The optimistic and pessimistic scenarios are presented in accordance with the CBU forecasts "The main directions of monetary policy for 2023 and the period 2024-2025". The base case is presented in line with KPMG forecasts. In accordance with the two scenarios presented by the Central Bank of Uzbekistan, lending is expected to grow by 15-16% and 10-12% in 2023. S&P predicts lending growth in Uzbekistan in the range of 25-30% by 2024. According to KPMG's forecast, the economic environment will support further lending growth of 20% in 2023. <sup>8</sup>”

The volume of loans in the banking system exceeds the total volume of deposits by almost two times, which indicates a lack of internal sources of funding. Due to the low level of income in Uzbekistan, until 2022, the total volume of loans from the banking system exceeded the total volume of deposits by almost 2 times. Against the backdrop of strong growth in deposits, this ratio fell to 1.8, but is still a high figure.

<sup>7</sup>Compiled by the author based on the results of the study

<sup>8</sup>KPMG Report "Diagnosis of the internal and external environment", 2023.

**Table 2**

**Disbursement of EIB funds under the project "Improving the energy efficiency of industrial enterprises"<sup>9</sup>**

**07/01/2023**

No.	Name of the bank	Allocated amount (million euro)	Actual Development	note
1	JSCB "Uzpromstroybank"	50.0		
2	JSCB "Qishloq" Kurish Bank"	25.0 _		
3	JSCB "Hamkorbank"	14.0	1, 2	
4	JSCB "Asia Alliance Bank"	6.0		The possibility of transferring funds to JSCB "Microcreditbank"
5	JSCB "Microcreditbank "	5.0	5,0 _ _	
	<b>Total</b>	<b>100.0</b>	<b>6.2</b>	

According to the terms of the European Investment Bank, the incoming fixed interest rate for commercial banks is 4.31% per annum. The margin of the Ministry of Economy and Finance of the Republic of Uzbekistan is 0.2%, and the margin of refinancing banks ranges from 4% (for Corporate clients) to 5% (for Small businesses). The final interest rate for sub-borrowers costs in the region - 8.51% (for Corporate clients) - 9.51% (for Small business)


**Conclusion.**

Long-term 5–10-year investment loans allow banks to form a stable long-term client base with a huge potential for cross-selling other banking products to the client. Investment lending can become a powerful competitive advantage for a bank in the fight for the best regional and even federal clients, and become a decisive argument when discussing the issue of transferring the client's entire business to be serviced by a financing bank. In addition, investment lending allows a bank to receive a significantly higher yield on debt instruments.

In addition, investment lending is associated with a huge range of risks, the implementation of which may lead to default on the loan. To do this, it is necessary to conduct a qualitative analysis of each project, to the extent possible, coordinate projects with international financial institutions and receive technical support from them. Based on the above, it is proposed:

- providing corporate clients with unique opportunities for structured financing to relieve the burden on the bank's capital;
- increasing the share of green loans in the corporate loan portfolio by introducing new innovative and long-term profitable green finance products;
- providing companies with project financing with a focus on the client, in which there is growth potential and significant experience of the bank;
- diversification of the loan portfolio, since investment loans are interconnected with high risks;
- development of syndicated lending for large investment projects.

<sup>9</sup>Compiled by the author based on the results of the study

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In general, today, in order to conquer the investment lending market, a bank needs to establish partnerships with international financial institutions, raise funds, and develop value propositions for potential customers.

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