

## MECHANISMS AND METHODS OF FINANCING INVESTMENT PROJECTS, THE EXPERIENCE OF IPOTEKABANK OTP GROUP

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### Abstract:

The article examines the concept and essence of investment lending and project financing, foreign experience of banks in financing investment projects. It is known that financing large enterprises in the country contributes to GDP growth and sustainable economic development. Today, Uzbekistan pays great attention to improving the financial and banking sector, banks with a state share are on the way to privatization. International financial institutions such as the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD) and the Asian Development Bank (ADB) are involved in the process of privatization of the banking sector. In this study, the possibilities of applying foreign experience in financing investment projects were studied.

**Keywords:** investment loan, project financing, transformation, privatization, foreign bank, international financial institution, banking product.

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

In the context of increasing global competition between banks in attracting funds from international financial institutions, the level of development of correspondent relations, lending activities, as well as customer orientation of banks is determined. 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 hinder the development of the

banking sector in accordance with economic transformations and the needs of society, such as a high proportion of the state's 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.

To date, the processes of globalization have acquired such proportions that it is now difficult to define clear boundaries between the national and international financial system. 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 conducting operations to attract and actively allocate funds from international financial institutions.

Today, commercial banks' investment lending and project financing operations are of great importance in the growing interbank competition. As it is known, these operations are the main source of income for banks, and their relevance in developing banking strategies is growing. A number of foreign and domestic economic scientists have conducted scientific research on the organization and improvement of the practice of investment lending and project financing.

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It is known that financing investment projects is one of the important drivers of the economy. In order to support entrepreneurship in recent years, a lot of work has been done by AKIB Mortgage Bank, which is going through its transformational path.

The Bank has its own individual approach to investment projects, the bank covers such industries as mining and quarrying, manufacturing, electricity supply, gas supply, steam and air conditioning, water supply; sewerage, waste collection and disposal, construction, etc.

In addition, Ipoteka Bank has 39 branches and, thanks to a well-developed network, provides a wide range of banking services, so the bank also has sufficient experience in financing investment projects.

A fairly effective tool for the development of financing of investment projects is the mechanism of syndicated lending and project financing. Its importance is determined by the fact that a large amount of credit is accumulated, and several banks are involved in this. In such large projects, a correct risk assessment, an analysis of the client's financial condition, and the mandatory participation of the initiator of the project with his own funds of at least 30% of the project cost are required.

In order 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 credit 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:

- apply foreign experience in determining investment risks, and when identifying, look for solutions to minimize them;
- identify all possible factors that affect the decrease in the effectiveness of the investment project;

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<sup>1</sup> Указ Президента Республики Узбекистан, от 12.05.2020г. №УП-5992 «О стратегии реформирования банковской системы Республики Узбекистан»



- to analyze the expediency of further financing of the investment project, if cases of non-compliance by the initiator of the project with the indicators of the business plan and feasibility study are identified;
- develop new banking products and services for large enterprises;
- carry out an assessment of environmental and social risks before opening financing, and when risks are identified, develop a plan of corrective measures to eliminate or minimize them;
- maximum automation of some of the bank's business processes responsible for the preliminary assessment of the borrower's financial condition;
- development of structural financing.

Based on the above, it should be noted that improving the system of financing investment projects of large enterprises is one of their important factors in the detail of banks, which contributes to its sustainable development.

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