

IJORCES

**INTERNATIONAL JOURNAL
OF CONFERENCE SERIES ON EDUCATION
AND SOCIAL SCIENCES.**

**PUBLISHER: ÇORUM: O CERINT -INTERNATIONAL
ORGANIZATION CENTER OF ACADEMIC RESEARCH**

IJORCES

**International journal of conference series on education
and social sciences. (Online)**

January 2024

Science Editor: **Cetin Avcı**
(*Kadir Has University*)

Copyright © 2024

By Çorum: Ocerint -International Organization Center of Academic Research

All rights reserved.

Available at ijorces.org

Published:

Çorum: Ocerint -International Organization Center of Academic Research

ISSN 2717-7076

Bursa

Bursa, Turkey

Editorial Board Members

Prof. **Hakan Mete Dogan**, Tokat Gaziosmanpasha University, Turkey

Prof. **Afsun Sujayev**, Institute of Additive Chemistry of the ANAS, Azerbaijan

Prof. **Nadir Mammadli**, Azerbaijan Architecture and Construction University, Azerbaijan

Prof. **Munevver Sokmen**, Konya Food and Agriculture University, Turkey

ELSEVIER



SSRN
Electronic Journals

Universal
Impact Factor

THE IMPACT OF THE TRANSFORMATIONAL DEVELOPMENT OF THE BANKING SYSTEM ON PROJECT FINANCING

Bobir Sultonmurodov

PhD, Head of the Green finance
Department JSCB "Uzpromstroybank"

Abstract: The article discusses a number of issues related to the reform of the banking system of the Republic of Uzbekistan, financing and implementation of investment projects. Measures aimed at strengthening partnerships with foreign banks and international financial institutions, attracting long-term borrowed funds, improving business efficiency, commercialization and ensuring customer orientation of banks with a state share have been identified.

Keywords: reformation, investment project, attracted funds, international financial institution, foreign bank, customer orientation.

In the last five years, special attention has been paid to improving the activities of commercial banks with a state share. The reason was that most state-owned banks stopped developing and strengthening their positions in international markets, which is vital for achieving the country's investment goals. 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.

As known, investment lending and project financing are associated with a high risk of losing financial resources. In this regard, bank lending often acts as an additional source to existing financial resources. Thus, it should be noted that the analysis of the sources of financing of an investment project can significantly affect its cost, feasibility and effectiveness, therefore, a balanced approach should be taken to evaluating various mechanisms for financing investment activities.

Today, state-owned banks have sufficient capital, which allows them to enter the international market and cooperate with foreign banks and international financial institutions. But along with the positive aspects, there are also negative ones that directly prevent banks from providing their potential customers with the necessary financial resources.

Today, the development of financing investment projects is 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, entering the international market by creating a competitive product, etc. The results of the study should be linked to the reform of the banking system of the Republic of Uzbekistan. 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 .

The banking sector of the Republic of Uzbekistan is a springboard for the development of payment systems and infrastructure. The banking sector has a two-tier system, international agencies define the financial sector of Uzbekistan as "stable". As of January 1, 2023, this industry is represented by 43 second-tier banks with a total of 720

branches.

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

A number of reforms are being implemented in the republic, which will ensure the further opening of the financial sector to foreign investors. In the context of reforms in Uzbekistan, investors are beginning to feel interest in the banking sector, some cases confirming this trend.

Uzbekistan has strict banking regulation. The Central Bank oversees second-tier banks, imposing higher requirements than is customary in international practice. Thus, in 2020, the regulatory capital adequacy ratio of the 1st level in the banking sector was 20.4% and gradually decreased to 14.6% as of May 1, 2023. Despite the gradual decrease, the state's share remains significant: 78% of banking assets have state participation in one form or another.

According to Forbes, only 5% of the population has deposits in banks. The share of retail loans is gradually growing. The growth rate of the banking sector is expected to outpace the growth rate of the economy on average, as demand for consumer, mortgage and other types of loans and financial instruments has not yet been satisfied.

In order to effectively organize the financing process 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 a positive margin; banks will be required to review their interest rates.

In order to further develop project financing and strengthen the bank's position in international markets, it is necessary:

- to introduce best practices in financing investment projects;
- to carry out a qualitative assessment of financial, environmental and social risks at all stages of the project implementation;
- systematically monitor the performance of the business plan/feasibility study (feasibility study) indicators;
- to develop new banking products and services on favorable terms for customers;
- get technical support from foreign partners;
- to carry out an assessment of environmental and social risks before the start of project financing;
- use various licensed software to evaluate investment projects;
- implementation of a system for evaluating banking products and services in order to improve their quality;

Based on the above, it should be noted that the transformational development of the banking system has a positive effect on improving the financing mechanism for investment projects, which is an important factor and foundation for the sustainable development of the bank.