

## OPPORTUNITIES AND PROSPECTS OF SYNDICATED CREDITATION IN UZBEKISTAN

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### **Abstract:**

The financial market in Uzbekistan has been undergoing a significant development phase in recent years. In particular, the issue of diversifying financial instruments for projects requiring large amounts of financing remains relevant. In this process, syndicated lending is recognized as an important method of effectively attracting financial resources.

**Keywords:** project, syndicated lending, credit risk.

Currently, a new method of financing investment projects has emerged - syndicated lending (a set of loans from several creditors organized into a syndicate). Since there is no exact definition of this word in the economic literature, in most cases this type of financing is also called syndicated credit. Syndicating, meaning forming a syndicate and uniting, refers to one of the methods of organizing joint financing of large investment projects in the investment financing system. The main feature of syndicated lending in financing investment projects is that there are several creditors, the amount of the loan granted for financing and the participation in the risks associated with it are distributed among the creditors (banks).

Loans that can be syndicated in the financing of investment projects are included in project financing. In project financing, the source of loan repayment is the profit received as a result of the project implementation. Project financing methods began to be used in Western European countries in the early 80s of the last century to carry out various financial transactions. These transactions allowed project initiators to reduce the cost of debt payments and use the support of financial and credit institutions. Initially, the world market for project financing was divided between the relatively small American, Canadian, German and Japanese banks. After some time, as a result of the rapid development of oil and gas production in the North Sea, commercial banks from Great Britain joined them. Later, banks from France, Switzerland, the Netherlands, Belgium, Italy and other countries began to actively participate in the world market for project financing. The high rates of economic growth characteristic of the world economy in the first half of the 1990s created a huge demand for project financing forms.

This demand was primarily related to emerging markets. Until the global financial crisis of 1997-1998, the leadership in the world market for project financing was occupied by the

countries of Southeast Asia. In 1996, 36 investment projects worth 19.3 billion dollars were implemented in Hong Kong, 72 projects worth 14.1 billion dollars in Indonesia, and 31 projects worth 9.4 billion dollars in Thailand. In 1996, a total of 400 investment projects worth 86.2 billion dollars were financed in Asian countries. This figure is higher than that of the countries of the American and European contingents.

By the end of the 1990s, Asian countries lost their primacy in the global market for project financing, and the United States and Western European countries again took the lead. However, in recent years, Asian and Eastern European countries, having recovered from the shocks of the crisis, are again trying to ensure high rates of economic growth by attracting foreign investment. Among such countries, we can include, first of all, Asian countries such as China, Indonesia, the Philippines, Malaysia, and Eastern European countries. The pace of investment in these countries has been significantly increasing over the past 2-3 years. As an example of large-scale projects implemented in developed and developing countries based on various forms and schemes of project financing, we can cite the “Eurotunnel” project, which connects Great Britain with the European continent, which is a “pure” example of project financing. This project was implemented based on private sector investments without the participation of government agencies and international organizations. The total cost of project financing is 7 billion. amounted to pounds sterling, and 198 banks from 15 countries participated in the project. In world experience, the important principles of project financing are: the participation of reliable partners in the project who are ready to cooperate in the implementation of the project; a highly qualified feasibility study and design and estimate documentation; sufficient capitalization of the project; development of all aspects of the construction and operation of the project in small pieces; assessment of project risks and their distribution among participants; In the banking practice of developed countries, syndicated lending is widely used in financing large investment projects. In the process of practical credit operations, the bank pays primary attention to studying the borrower's credit history, its economic and financial condition, and the types of collateral, as well as the assessment of the property being pledged, while in project financing, the main attention is paid to project analysis. The main object of project analysis is the availability of collateral and guarantees in accordance with the specific situation. This is the project documentation (feasibility study of the project). The main purpose of project analysis is to determine the financial and economic efficiency of the investment project, to clearly determine the estimated costs and sources of financing of the investment project, as well as to assess and effectively manage risks. Individual banks can also act as guarantors. This is more common when the project is financed by international credit organizations or national agencies that insure export-import credits. In this case, the syndicate-participating banks can open a letter of credit or provide a guarantee in favor of the lender. In general, a syndicated loan is a large investment project financed by several banks. A syndicated loan is a loan issued by several lenders on the basis of the same documents on uniform terms. The shares

of the lenders may be different, but all lenders have the same rights and are considered to have the same risk within the limits of their shares. As a rule, one of the banks arranges such a loan for the borrower and other lenders. Support for such a loan (for example, distribution of payments between lenders) is carried out by a specially appointed loan manager. As a rule, this is one of the participants in the syndicate.

The essence of syndicated lending

Syndicated lending is a form of credit provided jointly by a group of banks or financial institutions to finance large projects.

Using this mechanism:

- it is possible to attract large financial resources in a short time;
- it becomes possible to reduce lending risks by distributing them among several parties;
- the financial stability of the project increases, since the syndicate includes organizations with different experience.

Factors driving the development of syndicated lending in Uzbekistan

The following factors are influencing the development of syndicated lending in Uzbekistan:

1. Improvement of the investment climate. Reforms carried out by the state are facilitating the attraction of foreign and domestic investments for large projects.
2. Banking sector reforms. The banking system is being reformed and its financial capabilities are increasing.
3. Energy infrastructure projects. Large-scale projects implemented by the state and private sectors are increasing the need for syndicated lending

Advantages of syndicated lending

- Financing volume. The problem of capital shortage is solved by financing large projects by several banks, not one.
- Availability of risks. Credit risk is distributed among several organizations, which is considered safe for banks operating individually.
- Resource services. Despite the complexity of the project, it is possible to attract funds in a short time.

Problems and ways to solve them

There are a number of obstacles to the development of the syndicated lending system in Uzbekistan.

The insufficiently developed legal framework may be an obstacle to the development of syndicated lending in our country. This requires improving the legislation regulating lending processes. It is necessary to strengthen interbank cooperation, that is, to strengthen mutual trust and cooperation between banks. Limited experience in working with foreign investors. It is necessary to develop cooperation with international financial organizations.



In conclusion, it can be said that syndicated lending is of great importance in Uzbekistan as an innovative tool for financing large projects. The development of this mechanism plays an important role in strengthening cooperation between the state and the private sector, improving the investment climate and accelerating economic growth. Therefore, it is necessary to pay attention to syndicated lending as a mechanism that unites the financial sector and other sectors of the economy.

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