

BANKS' PRACTICE OF SUPPORTING INVESTMENT PROJECTS THROUGH LEASING, FACTORING AND OTHER FINANCIAL INSTRUMENTS

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Abstract: In our article, we consider modern practices of commercial banks in supporting investment projects using various financial instruments, such as leasing, factoring, project financing and syndicated loans. In the study, we emphasize how these instruments expand access to long-term capital, reduce financial risks and promote economic growth by financing small and medium enterprises (SMEs), as well as large strategic initiatives.

Keywords: commercial banks, investment projects, leasing, factoring, project financing, financial instruments, syndicated loans, financial intermediation, Uzbekistan.

Аннотация: В нашей статье рассматриваем современные практики коммерческих банков по поддержке инвестиционных проектов с помощью различных финансовых инструментов, таких как лизинг, факторинг, проектное финансирование и синдицированные кредиты. В исследовании подчеркиваем, как эти инструменты расширяют доступ к долгосрочному капиталу, снижают финансовые риски и способствуют экономическому росту путем финансирования малых и средних предприятий (МСП), а также крупных стратегических инициатив.

Ключевые слова: коммерческие банки, инвестиционные проекты, лизинг, факторинг, проектное финансирование, финансовые инструменты, синдицированные кредиты, финансовое посредничество, Узбекистан.

Introduction. In the context of increasing economic globalization and technological advancement, access to diverse financial instruments has become crucial for fostering investment activity and sustainable development. Commercial banks play a central role in channeling financial resources to the real economy, particularly through modern financing mechanisms such as leasing, factoring, project financing, and syndicated loans. These instruments allow businesses — especially small and medium-sized enterprises (SMEs) — to overcome liquidity constraints and implement long-term investment projects with reduced financial risks.

Uzbekistan, as an emerging market economy, is actively reforming its banking and financial sectors to better support economic diversification and private sector growth. In recent years, considerable attention has been given to strengthening non-traditional forms of financing that go beyond standard credit lines. Leasing and factoring, in particular, have seen notable growth, supported by both legal reforms and regulatory incentives introduced by the Central Bank of Uzbekistan and other government institutions.

Despite this progress, the application of such financial instruments remains limited in scope compared to international benchmarks. This article aims to examine the current state of banks' involvement in investment project support through leasing, factoring, and other financial tools in Uzbekistan, analyze the challenges and opportunities they present, and propose measures to enhance their effectiveness in the national financial system.

Main part. Commercial banks are one of the main pillars of investment support in any economy. In Uzbekistan, banks have traditionally provided financing through direct lending. However, in recent years, there has been a strategic shift toward diversifying financial services, particularly through the introduction and promotion of non-credit-based financial instruments. These include leasing, factoring, project

finance, and syndicated loans, which enable banks to offer more flexible and targeted support to investment projects.

Leasing allows businesses to acquire capital equipment and fixed assets without requiring full upfront payments, thus improving cash flow and reducing capital expenditure pressure. In Uzbekistan, leasing is regulated under the Law "On Leasing" (revised in 2019), and commercial banks have established leasing subsidiaries to offer these services. Leasing operations in the country have expanded in sectors such as agriculture, transport, and light industry, where access to modern equipment is essential. However, challenges remain, including high interest rates, limited awareness among entrepreneurs, and underdeveloped secondary markets for leased assets.

Factoring is an increasingly relevant instrument in Uzbekistan's banking sector, particularly for SMEs with limited access to traditional credit. Through factoring, banks or financial institutions purchase accounts receivable from businesses, providing immediate working capital and relieving the burden of collection. Uzbek banks are gradually integrating factoring into their service portfolios. However, the factoring market remains in its infancy, with low transaction volumes and limited digital infrastructure to support automation and risk management. Legal frameworks are still being improved to strengthen creditor rights and reduce operational risks.

Project financing, particularly for large infrastructure and industrial projects, is gaining ground in Uzbekistan. This approach involves structuring finance based on the projected cash flows of the project rather than the balance sheet of the sponsor. Commercial banks are beginning to collaborate with development institutions such as the Asian Development Bank (ADB), Islamic Development Bank (IsDB), and the European Bank for Reconstruction and Development (EBRD) to co-finance long-term investment projects.

Syndicated loans — where several banks jointly finance a single borrower — are also developing, especially in the energy, transportation, and telecommunications sectors. These methods allow for risk-sharing and increased capital availability, though domestic banks still rely heavily on foreign partners for structuring complex deals.

Despite progress, several constraints hinder the wider adoption of these instruments:

- Regulatory Gaps - Some instruments lack clear legal definitions or mechanisms for dispute resolution.
- Limited Expertise - Bank staff often lack sufficient knowledge and experience in structuring non-traditional financial deals.
- Risk Management Limitations - Inadequate credit information systems and lack of advanced financial analytics tools.

Awareness and Trust: Many entrepreneurs are unaware of the benefits of these instruments or are hesitant to use them due to perceived risks.

✚ the government of uzbekistan has taken several steps to promote alternative financing tools:

✚ the central bank is implementing regulatory reforms to expand financial market infrastructure.

✚ the ministry of economy and finance has launched support programs for leasing and export factoring.

✚ partnerships with international financial institutions have increased access to technical assistance and concessional credit lines aimed at modernizing banking services.








Conclusion and suggestions. In recent years, the role of commercial banks in supporting investment projects in Uzbekistan has evolved significantly. While traditional lending remains the backbone of financing, non-traditional financial instruments such as leasing, factoring, and project financing are becoming increasingly important in facilitating investment in various sectors, especially for small and medium-sized enterprises (SMEs). These instruments provide businesses with the flexibility to access capital while reducing the risks typically associated with direct loans.

The government of Uzbekistan has introduced several regulatory reforms aimed at promoting these financial instruments, and the banking sector has responded

positively by integrating leasing and factoring into their offerings. However, the uptake of these instruments remains limited due to several challenges, including a lack of awareness among entrepreneurs, regulatory gaps, and the need for better risk management frameworks. Additionally, although international financial institutions play a key role in financing large-scale projects, there is still considerable room for development in the domestic financial market to make these tools more accessible and effective.

In conclusion, while the banking sector has made notable strides, the full potential of these financial instruments in supporting investment projects has yet to be realized. Further regulatory and institutional reforms are necessary to enhance their adoption and effectiveness in Uzbekistan's economy.

In the process of studying the topic, we made the following suggestions, including:

-  strengthen legal and regulatory frameworks;
-  enhance risk management systems;
-  promote awareness and education;
-  improve access to financing for smes;
-  support digital transformation;
-  increase collaboration with international financial institutions;
-  develop a secondary market for leased assets.

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