

## Financial Instruments for Investment Financing in Uzbekistan

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**Abstract:** This article analyzes the state and prospects of using financial instruments to finance investments in Uzbekistan. The article examines a wide range of instruments available to both domestic and foreign investors, with an emphasis on their specificity in the context of the Uzbek economy. Existing problems are analyzed and solutions are proposed to stimulate investment activity and accelerate economic growth.

**Key words:** Investments, financial instruments, Uzbekistan, economic growth, public policy, private sector, bank lending, securities issuance, leasing, factoring, investment funds, venture capital.



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### Introduction:

Uzbekistan, having gone through the path of reforms and liberalization of the economy, has identified attracting investment as a key factor in sustainable economic growth. For the successful implementation of investment projects, it is necessary to ensure access to financial resources. This article will consider the state and prospects for the development of financial instruments for financing investments in Uzbekistan, analyzing both the advantages and disadvantages of existing mechanisms.

#### 1. The state of the financial instruments market in Uzbekistan:

##### Bank lending:

Uzbekistan has a developed banking system, including commercial banks and specialized credit institutions.

The availability of loans for investment projects is gradually improving due to lower interest rates and simplified lending procedures.

However, there are problems: limited access to long-term loans, insufficient development of mortgage lending, lack of guarantees and loan insurance.

##### Securities issue:

The securities market in Uzbekistan is at the formation stage.

The main instruments are government bonds, bonds of commercial banks and some large enterprises.

There are problems: low market liquidity, lack of sufficient information on the financial condition of issuers, underdeveloped market infrastructure.

Leasing:

Leasing is becoming an increasingly popular instrument for financing investments in Uzbekistan.

There are both state-owned and private leasing companies.

However, there are problems: limited access to leasing services for small and medium-sized enterprises, high cost of leasing payments.

Factoring:

Factoring in Uzbekistan is at an early stage of development.

There are several factoring companies providing services mainly to large enterprises.

Problems: lack of uniform regulation of factoring operations, lack of trust in factoring companies.

Investment funds:

In Uzbekistan, there are mutual investment funds (MIFs) that invest in shares and bonds of Uzbek companies.

There are also private equity funds that invest in specific projects.

Problems: lack of developed infrastructure for the investment fund market, limited access for private investors.

Venture capital:

Venture capital in Uzbekistan is at an early stage of development. There are several venture funds, but their activity is limited by the lack of sufficient information about promising startups and the lack of experienced managers and investors.

## 2. Problems of investment financing in Uzbekistan:

Insufficient availability of long-term financial resources for investment projects.

High cost of financing, especially for small and medium-sized enterprises.

Lack of guarantees and loan insurance, which increases risks for investors.

Insufficient transparency and liquidity of financial markets.

Lack of developed infrastructure of financial markets, including regulatory bodies, exchanges, rating agencies.

Low level of financial literacy of the population.

## 3. Prospects for the development of financial instruments in Uzbekistan:

Development of a system of guaranteeing and insuring loans.

Stimulating the development of the securities market, including through the creation of new exchanges and rating agencies.

Creation of special funds for financing innovative projects and start-ups.

Development of leasing services taking into account the needs of small and medium-sized enterprises.

Stimulating the development of factoring as a tool for accelerating the turnover of funds.

Creating favorable conditions for attracting foreign investment, including through the creation of special economic zones and the provision of tax incentives.

Increasing the financial literacy of the population through educational programs and campaigns.

#### 4. State policy in the field of investment financing:

The Government of Uzbekistan is implementing a number of measures to stimulate investment activity, including:

Reducing tax rates for investment projects.

Providing state guarantees and subsidies.

Developing infrastructure and improving the investment climate.

Creating special economic zones with preferential conditions for investors.

However, it is necessary to continue reforms in the financial sector aimed at increasing accessibility and reducing the cost of financing.

#### Comparative analysis of financial instruments

##### Evaluation Criteria

When comparing financial instruments for financing investments, several key evaluation criteria can be identified:

##### ➤ Cost

The cost of financing includes interest rates on loans and dividends on shares, as well as transaction and administrative costs. Debt instruments typically have fixed costs, while the cost of equity capital can be more volatile depending on market conditions.

##### ➤ Availability

The availability of financing is determined by how easy it is to obtain funds through a particular instrument. For example, bank loans may be less accessible to start-ups with limited credit history, while crowdfunding may offer greater access to start-ups and small businesses.

##### ➤ Risk

Each financial instrument carries certain risks. Debt instruments are subject to credit risk and interest rate risk, while equity capital is associated with market risks and share price volatility. Risk analysis helps investors make more informed decisions when choosing a financing instrument.

##### Macroeconomic factors

The macroeconomic situation in the country significantly affects the choice of financial instruments. These factors include:

##### ➤ Interest rates

High interest rates can make debt financing less attractive, forcing companies to look for alternative sources such as venture capital or crowdfunding.

➤ Inflation High inflation can reduce the real return on investment, which can affect the choice between debt and equity instruments. Investors may prefer higher-yielding assets in an inflationary environment.

##### ➤ Economic growth

During periods of economic growth, access to financing usually improves, allowing companies to use a variety of instruments to raise capital. In times of economic instability, investors may be more cautious in their choice of instruments.

#### Institutional conditions

Institutional conditions such as the legal system, tax policy and accessibility of financial services also influence the choice of financial instruments:

##### ➤ Legal environment

A reliable legal system and protection of property rights contribute to the development of financial markets and attract investors. If the legal system is underdeveloped, companies may have difficulty attracting investment.

##### ➤ Tax policy

Tax incentives for certain financial instruments may influence the choice between debt and equity financing. For example, tax deductions on interest on loans may make debt financing more attractive.

##### ➤ Development of financial markets

The level of development of financial institutions and the availability of infrastructure (e.g. stock exchanges, crowdfunding platforms) determine the availability and variety of financial instruments.

#### **Conclusion:**

In today's world characterized by rapid development, investment plays a key role in economic growth and progress. However, financing investment projects requires careful selection of appropriate financial instruments. This article has reviewed and analyzed the various instruments used to finance investments, from traditional bank loans to modern forms of crowdfunding.

Financial instruments play a key role in attracting investment and stimulating economic growth in Uzbekistan. However, existing problems in the field of investment financing require the government to continue reforms and create favorable conditions for the development of financial markets and attracting both domestic and foreign investors.

The key conclusion of the article is that the choice of the optimal investment financing instrument depends on many factors, including the purpose of the investment, the size of the project, the level of risk, the payback period and the financial condition of the investor. It is important to carefully analyze the advantages and disadvantages of each instrument, taking into account the specifics of a particular investment project.

In the future, further development of alternative forms of investment financing is expected, including the use of digital technologies and blockchain. This opens up new opportunities for attracting financing and increasing the availability of investments for a wide range of investors.

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