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Improvement of Commercial Bank Loans through Scoring Mechanisms

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At present it is impossible to imagine the socio-economic life without the activity of commercial banks without their financial support. This is due to the fact that commercial banks play a leading role in financing investment projects in the country by providing loans to investment project participants and customers thereby contributing to the overall macroeconomic stability in society.

In the context of modernization of the country's economy the importance of financing investment projects by commercial banks is growing from year to year. With the help of loans from commercial banks important sectors of the economy are being financed new investment projects are being built additional jobs are being created for the population and new products are being developed.

Regarding the role of commercial banks in financing investment projects Sh. Mirziyoyev noted that "The bank should develop measures to attract external sources of financing for investment activities along with their own funds". The topicality of this topic is reflected in the fact that the wide implementation of investment projects in the country and its comprehensive support taking into account the issues of financing investment projects at all stages of economic development.

It is gratifying that over the past 10 years the volume of lending by commercial banks has increased 35 times in the development of the economy of Uzbekistan. However, as we know the process of development and progress is fiercely competitive and the problems are improving in acocida. When banks finance investment projects they are assessed as low liquidity. This creates problems in allocating bank loans to these enterprises. An in-depth scientific and methodological study of ways to solve these problems and management methods is an important task.

According to the World Bank the demand for bank loans by enterprises operating on investment projects is much higher in developing countries. While an average of 40 % of enterprises in developed countries need credit. Eastern Europe and Central Asia have a range of 45 % to 60 %. At the same time the demand for collateral in the lending process is above 60 % on average in developed countries and above 80 % in Eastern Europe and Central Asia (Figure 1).

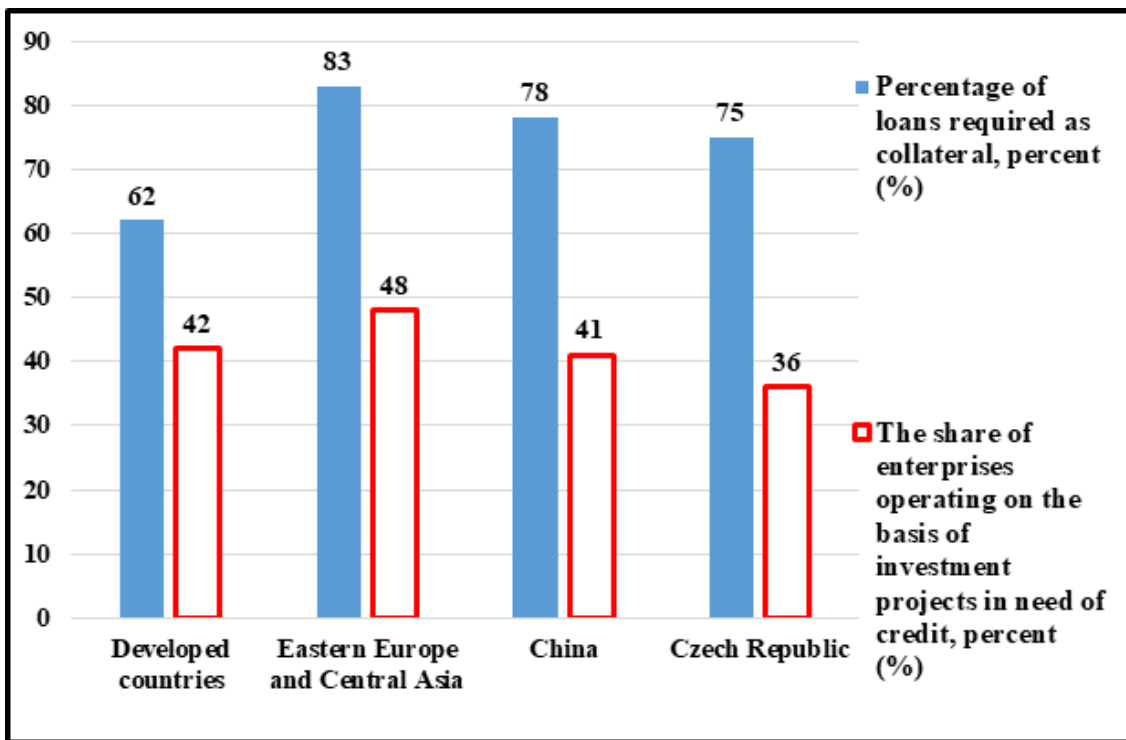


Figure 1. Demand for bank loans at the level of enterprises operating on the basis of investment projects in the world, percent (%) [7]

Based on the experience of the above countries lending for investment projects should be aimed at solving specific socio-economic problems, such as improving the living standards of the population employment, increasing their economic activity. The use of the experience of investment lending tested in world practice in the context of the formation of the market in this area in the Republic of Uzbekistan, serves as an important theoretical and practical source.

A study of the financing of investment projects in the Russian Federation, which is one of the most developed countries revealed that there is a large imbalance in the supply and demand for investment project loans in the country. In 2013 Russia spent 30 billion US dollars. Loans have been allocated for investment projects in the amount of 50 billion US dollars, but the demand is 50 billion US dollars. According to the data 60 % of the allocated loans fall to banks and 40 % to credit institutions. The average amount of loans for investment projects in Russia is 45-50 thousand US Dollars. The average term is 5-6 years and the average interest rate is 4-5 %. The process of lending to investment projects in Russia the amount of these loans is 10 thousand U.S. dollars. It should be noted that the term is 30-35 years and the interest rate is 3-15%. In the Russian Federation as in all countries soft loans are provided for investment projects and in most cases they are engaged in agricultural and industrial production. When it comes to the effectiveness of loans the risk portfolio of many credit institutions in Russia is in line with international standards. Overdue indebtedness of every second credit institution did not exceed 2,7 %. In addition credit institutions operate with very good profitability averaging 127 % [8].

In order to study the investment potential of the banking sector today and study the opportunities for banks to finance investment projects the activities of the country's leading commercial banks "Agrobank" and "Ravnaq-Bank" were analyzed.

Analyzing the indicators in Table 2: The trend of changing the financial performance of Agrobank has been growing steadily over the years. According to Ravnaq-Bank the bank's total assets loan portfolio and investments have shown good growth rates since 2020. However, the investment performance of the two banks is very low compared to other indicators and even in Ravnaq-Bank we can see that this figure has decreased in the last year. From this, we can see that the bulk of the bank's revenue is accounted for by bank loans and that the investments provide almost nothing

for the bank's revenue portion. This situation deprives the bank of investment activity income, which is a significant source of income for banks in the world practice.

Table 1. Balance indicators of "Agrobank" and "Ravnaq-bank", billion soums [10]

№	Name	2018		2019		2020		2021		2022	
		Agrobank	Ravnaq-bank	Agrobank	Ravnaq-bank	Agrobank	Ravnaq-bank	Agrobank	Ravnaq-bank	Agrobank	Ravnaq-bank
1.	Investments	71,6	0,040	72,5	0,040	186,9	0,5	168,7	3,3	130,0	3,0
2.	Credits	223,1	43,9	317,6	100,1	476,9	162,1	1108,2	315,6	4462,2	397,2
3.	Total assets	2899,0	93,7	3192,5	239,1	3949,4	340,4	4981,5	438,8	10363,0	608,6
4.	Charter capital	263,5	15,7	317,6	20,0	367,6	22,8	1335,6	100	2163,0	100

The above situation in turn has a negative impact on the bank's profitability. Therefore, today there are the following problems in expanding the participation of commercial banks as investors in public investment programs:

- the growth rate of bank capital lags behind the development needs of the bank and the needs of bank financing of the real sector of the economy;
- significant growth of net profit reduces the efficiency of attracting additional resources at the expense of interest;
- commercial banks sell their shares at a very low rate to expand the base of long-term credit and investment resources;
- the bank's issuance and investment policies are not interrelated, increase in the bank's equity does not lead to an increase in the bank's equity in other joint-stock companies;

As a result, investment activity in the bank has become an insignificant secondary activity sector.

The following generalized proposals and recommendations for financing and improving investment projects through bank loans have been developed:

- Investment projects – According to the principle of repayment of lending practice the organization of loan repayment in several stages depending on the type of loan for each loan, the payback period of the project, the sector of the economy in which the loan is issued and provide credit tracking and consulting services;
- Modernization of key industries in the country to increase the volume of bank's own assets, in particular, to expand the use of project financing in the financing of investment projects by banks;
- Improving the investment policy of commercial banks including, increase the share of investment assets in the asset structure, optimization of investment portfolio structure, we believe that it is necessary to increase the level of diversification of bank assets through the sale of non-profit assets and strengthen the organizational structure of investment departments.

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