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OPTIMIZING INVESTMENT PROJECT FINANCING THROUGH SYNDICATED LENDING BY COMMERCIAL BANKS

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Abstract

The article examines contemporary approaches to improving the practice of financing investment projects through syndicated loans provided by commercial banks. In the context of accelerated economic growth and the implementation of large-scale investment programs, the demand for substantial financial resources continues to increase, often exceeding the lending capacity of individual banks. Under these circumstances, syndicated lending serves as an effective financial instrument for mobilizing capital, enabling the distribution of credit risk among several financial institutions, strengthening the stability of the banking sector, and facilitating the financing of large infrastructure, industrial, and energy projects.

The study analyzes the major advantages of syndicated lending, including credit risk diversification, improved bank liquidity, expanded lending capacity, and enhanced interbank cooperation. Particular attention is paid to the current challenges hindering the development of the syndicated loan market in the Republic of Uzbekistan, such as the lack of a harmonized regulatory framework, limited experience in organizing banking syndicates, the absence of standardized loan documentation, and the insufficient digitalization of banking processes.

Based on an analysis of international best practices and recommendations issued by international financial institutions, the paper proposes several measures to improve the syndicated lending mechanism. These measures include harmonizing national banking legislation with international standards, implementing modern digital platforms for syndicated lending operations, strengthening credit risk management systems, and expanding cooperation between commercial banks and international financial institutions. The implementation of these recommendations is expected to enhance the efficiency of financing investment projects, improve the financial resilience of the banking sector, and create favorable conditions for sustainable economic growth in the Republic of Uzbekistan.

Keywords: Syndicated lending; Commercial banks; Investment projects; Banking consortium; Credit risk management; Project finance; Financial stability; Republic of Uzbekistan.

Introduction

The development of investment activity is one of the key drivers of sustainable economic growth, increased national competitiveness, and the modernization of a country's production capacity. The implementation of large-scale investment projects in industry, transportation, energy, digital economy, and infrastructure requires significant financial resources that frequently exceed the lending capacity of individual commercial banks. Under these conditions, syndicated lending has become an effective mechanism for financing large investment projects.

A syndicated loan is a financing arrangement in which two or more commercial banks jointly provide a large loan to a single borrower under one unified loan agreement. This financing mechanism enables participating banks to distribute credit risk, reduce risk concentration within individual institutions, and utilize banking capital more efficiently.

International experience demonstrates that syndicated lending is widely used to finance major infrastructure projects, energy facilities, transportation systems, mining enterprises, and public-private partnership (PPP) projects. In developed financial markets, syndicated loans represent one of the most important sources of long-term financing for the corporate sector.

In the banking system of the Republic of Uzbekistan, the syndicated lending market is currently in the process of active development. Despite ongoing reforms in the financial sector, the potential of this financing mechanism has not yet been fully utilized. The main factors constraining the development of syndicated lending include the absence of standardized loan documentation, insufficient coordination among commercial banks, limited practical experience in organizing syndicated transactions, and shortcomings in the regulatory and legal framework.

Improving the practice of financing investment projects through syndicated loans requires a comprehensive approach. First, the national banking legislation should be aligned with internationally recognized standards governing syndicated lending, particularly the documentation standards developed by the Loan Market Association (LMA). Second, digital platforms should be introduced to automate the formation of banking syndicates, facilitate information exchange among participating institutions, and improve project monitoring throughout the loan lifecycle.

Another important direction for improvement is the enhancement of credit risk management. The adoption of unified borrower assessment methodologies, the integration of Environmental, Social, and Governance (ESG) principles into lending decisions, and the application of advanced financial data analytics can significantly improve the quality of commercial banks' loan portfolios while reducing the probability of non-performing loans.

Furthermore, strengthening cooperation between domestic commercial banks and international financial institutions would facilitate knowledge transfer, improve project appraisal standards, and attract additional long-term financial resources for strategic investment projects. Such cooperation would also contribute to the development of a more competitive and resilient banking sector capable of supporting sustainable economic development.

Thus, the further development of the syndicated lending market will contribute to expanding investment financing, increasing the participation of commercial banks in national development programs, strengthening the financial stability of the banking system, and promoting long-term economic growth in the Republic of Uzbekistan.

Conclusion

Syndicated lending is one of the most effective instruments for financing large-scale investment projects in the modern banking environment. Its development contributes to credit risk diversification, strengthens the resource base of commercial banks, and improves access to long-term financing for the real sector of the economy. To further enhance syndicated lending practices in the Republic of Uzbekistan, it is necessary to improve the regulatory framework, adopt internationally recognized syndicated lending standards, promote digital banking technologies, and strengthen cooperation between commercial banks and international financial institutions. The implementation of these measures will support sustainable investment financing, improve banking sector resilience, and contribute to the country's long-term economic development.

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