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EXPANDING COMMERCIAL BANKS' PARTICIPATION IN REGIONAL INVESTMENT ACTIVITY

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Abstract: This paper examines regional trends in fixed capital investment and banks' capacity to finance investment projects. It assesses regional disparities in investment flows using data for 2019 and 2023. Recommendations are developed for mobilising long-term funding, selecting projects on the basis of economic criteria, and incorporating regional risks into investment decisions.

Keywords: regional investment, fixed capital, commercial bank, project finance, long-term funding, diversification, investment risk.

Introduction

Fixed capital investment is associated with the renewal of production capacity, infrastructure development, and the expansion of regional economic potential. Commercial banks participate in this process by financing investment projects. However, differences in regional sectoral structures, project scale, and demand for financial resources require banks to tailor their investment policies to regional conditions [1, 5].

A bank's regional investment strategy involves assessing not only the volume of resources to be allocated, but also project cash flows, implementation periods, and debt repayment capacity. Efforts to expand financing in regions with low investment activity should be aligned with the availability of economically viable, sufficiently developed projects and the capacity to manage the associated risks [2].

The purpose of this study is to identify ways to strengthen commercial banks' participation in investment activity through an analysis of regional investment trends. Comparative and structural analyses were applied to the statistical data presented in F. T. Yuldashev's article, "The Importance of Investment Operations in the Development of Commercial Banks' Activities". Total fixed capital investment was interpreted as an indicator of regional demand and opportunities; it was not assumed to be financed entirely through bank loans.

Fixed capital investment in Uzbekistan increased from UZS 195,927.3 billion in 2019 to UZS 356,071.4 billion in 2023. The absolute increase amounted to UZS 160,144.1 billion, equivalent to nominal growth of 81.74 per cent. This change reflects an increase in the monetary value of investment. Assessing growth in real terms requires a separate adjustment for price effects. In 2023, the combined investment in Tashkent City and Tashkent Region accounted for 33.38 per cent of the national total. Bukhara and Surkhandarya regions also recorded nominal growth. By contrast, Kashkadarya Region experienced a decline of 13.59 per cent relative to 2019. These findings indicate that regional investment activity developed at uneven rates.

Table 1. Trends in fixed capital investment in selected regions (UZS billion)

Region	2019	2023	Change
Republic of Uzbekistan	195,927.3	356,071.4	160,144.1
Tashkent City	42,458.1	71,143.7	28,685.6
Tashkent Region	20,353.9	47,709.3	27,355.4
Bukhara Region	10,366.6	31,030.5	20,663.9
Surkhandarya Region	11,835.1	18,307.7	6,472.6
Kashkadarya Region	24,462.5	21,138.0	−3,324.5

Trends in total investment do not directly establish how bank lending has changed within a region. The financing mix may also include enterprises' own funds, public resources, and foreign investment. Regional differences should therefore be examined by source of financing before they are attributed to stronger or weaker bank activity [3, 4].

Table 1 above indicates that the share of bank loans and other borrowed funds in fixed capital investment declined from 13.8 per cent in 2019 to 3.8 per cent in 2023. The 10-percentage-point decrease in this aggre-

gate indicator cannot be attributed exclusively to bank loans. Moreover, a decline in the share does not imply that the absolute volume of the corresponding funds contracted in the same proportion.

A long-term funding base is essential to expanding banks' investment capacity. Securities issuance can serve as a means of diversifying funding sources. If the maturity and cost of the funds raised are not aligned with the cash inflows of the projects being financed, the bank's refinancing needs may increase. Regional project portfolios should therefore be developed within the bank's overall asset and liability management framework [4].

Regional investment policy should move beyond aggregate indicators towards project-level analysis. When selecting promising projects across regions, banks should assess market demand, the stability of cash flows, and sources of debt repayment. Disbursing funds in stages and monitoring project outcomes can help manage investment risks.

Diversification across regions and sectors should aim to reduce the bank portfolio's dependence on individual economic activities. Interregional linkages and common project risk factors should also be considered. In regions with low investment activity, the development of project preparation and financial advisory services may broaden the range of bankable initiatives.

The effectiveness of banks' participation should be assessed by jointly monitoring investment loan disbursements, loan repayments, project commissioning timelines, and the quality of regional portfolios. Trends in total investment provide the macroeconomic context for this assessment.

Conclusions and Recommendations. Expanding commercial banks' participation in regional investment activity entails providing financial resources for projects that develop regional production capacity, entrepreneurial activity, and infrastructure. Through investment loans, leasing, guarantees, and co-financing mechanisms, commercial banks contribute to enterprise modernisation, the creation of new production capacity, and the expansion of services.

As regions differ in their natural resources, production structures, transport capabilities, and market demand, banks' investment policies should be tailored to these characteristics. For example, agricultural processing and storage projects may offer promising financing opportunities in regions with a developed agricultural sector; technological upgrading may be appropriate in industrial regions; and service infrastructure may be a priority in regions with tourism potential. Market demand and economic viability must be substantiated separately for each project.

Stable project cash flows and debt repayment capacity are among the principal criteria for expanding banks' participation in regional investment activity. The assessment should consider the project sponsor's financial position, management experience, capacity to sell its products, and sensitivity to cost changes. The Basel Committee's principles for credit risk management likewise stipulate that lending decisions should be based on the borrower's creditworthiness, future cash flows, and financial position under different scenarios.

The following measures are proposed to strengthen this activity:

Identifying regional investment needs. Banks should systematically analyse information on regional sectors, existing enterprises, infrastructure, and prospective projects. This would enable financing priorities to be aligned with regional economic opportunities.

Strengthening the long-term funding base. It is essential to mobilise funds with maturities that match the payback periods of investment projects. Options include long-term deposits, bank bonds, and credit lines from international financial institutions. The maturity, currency, and cost of funding should be aligned with the cash inflows of the projects being financed.

Improving the quality of project preparation. Advisory services that assist entrepreneurs in preparing business plans, financial projections, and investment appraisals should be developed. These services would improve the completeness and reliability of the information required for banks to assess projects.

Expanding guarantee and co-financing mechanisms. Opportunities can be developed for syndicated lending involving several banks in large projects and for the use of guarantee mechanisms in small business financing. The World Bank's FINGROW project for Uzbekistan also envisages expanding entrepreneurs' access to finance through credit guarantees and equity investments in cooperation with banks.

Managing regional and sectoral risks. Excessive concentration of the loan portfolio in particular regions, sectors, or interconnected enterprises should be limited. Geographic diversification should take account of regions' exposure to common economic factors. This approach is consistent with the Basel Committee's principle of establishing limits by geographical area and economic sector.

Developing digital services and monitoring. Remote application submission, electronic document exchange, and systems for tracking project milestones can facilitate services for clients across the regions. Monitoring should cover the use of funds for their intended purposes, the commissioning of project facilities, and the generation of projected revenues.

Assessing the effectiveness of banks' participation requires a joint analysis of the volume of investment loans disbursed, the extent to which financed projects have become operational, loan repayments, and the share of non-performing loans. To determine regional economic effects, changes in job creation, output, and value added should also be examined. Distinguishing the bank-financed component of total regional investment would enable a more accurate assessment of banks' actual contribution.

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THESIS INFORMATION IN OTHER LANGUAGES

Аннотация: В тезисах рассматриваются региональные тенденции инвестиций в основной капитал и возможности банков по финансированию инвестиционных проектов. На основе данных за 2019 и 2023 годы оцениваются региональные различия в инвестиционных потоках. Разработаны рекомендации по привлечению долгосрочных финансовых ресурсов, отбору проектов на основе экономических критериев и учёту региональных рисков при принятии инвестиционных решений.

Ключевые слова: региональные инвестиции, основной капитал, коммерческий банк, проектное финансирование, долгосрочное финансирование, диверсификация, инвестиционный риск.

Annotatsiya: Tezisda asosiy kapitalga investitsiyalarning hududiy tendensiyalari va banklarning investitsiya loyihalarini moliyalashtirish imkoniyatlari o‘rganiladi. 2019 va 2023-yillar ma’lumotlari asosida investitsiya oqimlaridagi hududiy tafovutlar baholanadi. Uzoq muddatli moliyaviy resurslarni jalb etish, loyihalarni iqtisodiy mezonlar asosida tanlash hamda investitsiya qarorlarini qabul qilishda hududiy risklarni hisobga olish bo‘yicha tavsiyalar ishlab chiqilgan.

Kalit so‘zlar: hududiy investitsiyalar, asosiy kapital, tijorat banki, loyihaviy moliyalashtirish, uzoq muddatli moliyalashtirish, diversifikatsiya, investitsiya riski.