



DYNAMIC DEVELOPMENT OF THE PROCESS OF FINANCING INVESTMENT PROJECTS THROUGH BANK LOANS

Fakhriddinov Temur Fakhriddin ugli - Independent Researcher, PhD,
Tashkent State University of Economics.

Article history:	Abstract:
Received: 28 th February 2026 Accepted: 26 th March 2026	<p>This article examines the dynamic development of financing investment projects through commercial bank loans. The study analyzes the theoretical foundations of bank lending in investment activities, as well as the role of financial intermediation in economic growth. In addition, international experience in financing investment projects through bank credit is reviewed and compared. Based on the analysis, the sectoral distribution of bank credit investments in Uzbekistan is evaluated, highlighting the priority sectors such as industry, agriculture, construction, and services.</p> <p>The findings indicate that the expansion of bank lending contributes significantly to increasing investment activity, improving production capacity, and supporting economic growth. At the same time, factors such as interest rates, credit accessibility, and risk management play a crucial role in determining the effectiveness of investment financing. The study also identifies existing challenges, including high borrowing costs and strict lending requirements, which may limit investment potential. Finally, practical recommendations are proposed to improve the efficiency of financing mechanisms and enhance the role of commercial banks in supporting investment projects.</p>

Keywords: Investment projects, bank loans, commercial banks, investment financing, economic growth, credit policy, financial intermediation, Uzbekistan economy.

INTRODUCTION. Nowadays, investment processes are one of the main factors of economic growth. In particular, commercial bank loans play an important role among the sources of financing investment projects. Financing investment projects through bank loans is of great importance in expanding the activities of enterprises, modernizing production, and creating new jobs.

The process of financing investment projects through bank loans is closely related to economic development, and its dynamic development depends on the stability of the financial market, the level of development of the banking system, and the attractiveness of the investment environment. As a result of the reforms carried out in the economy in recent years, the functioning of the banking system has improved, and the volume of financing investment projects is increasing significantly.

At the same time, there are some problems in financing investment projects through bank loans. In particular, limited credit resources, high interest rates, high risks, and shortcomings in the project evaluation system can reduce the effectiveness of this process. Therefore, the development of scientifically based approaches in this area is urgent.

LITERATURE REVIEW ON THE TOPIC. The issue of financing investment projects through loans from

commercial banks has been widely studied in the economic literature, where the main directions are considered to be the influence of financial resources on investment processes, the role of the banking system and the efficiency of lending mechanisms. In particular, this issue is studied in close connection with economic growth, investment activity and the development of the financial market.

J. Keynes, arguing that investments are the main factor of economic growth, emphasizes that the lack of financial resources limits investment activity [1]. In our opinion, this approach shows the important role of bank loans in financing investment projects. If credit resources are sufficient, investment processes are activated and economic growth is accelerated.

R. Levine, arguing that the development of the financial system directly affects investment processes, notes that banks are an important institution that effectively allocates investment resources [2]. In our opinion, the development of the banking system is a necessary condition for the effective financing of investment projects. This ensures the effective allocation of capital in the economy.

F. Mishkin emphasizes that bank loans provide financial intermediation in the economy and serve the implementation of investment projects [3]. In our opinion, the development of financing mechanisms



through banks increases the efficiency of investment projects and strengthens economic stability.

In World Bank studies, commercial bank loans are recognized as one of the main sources of financing investment projects [4]. In our opinion, increasing the volume of investment through bank loans leads to the expansion of production and the creation of new jobs.

OECD reports note the importance of risk management and improving credit policy in financing investment projects [5]. In our opinion, effective risk management ensures the stability of financing through bank loans and serves to increase the volume of lending.

This issue has also been widely studied in domestic economic literature. A. Vakhobov, analyzing investment policy, emphasizes that commercial bank loans are one of the main financial sources of the investment process [6]. In our opinion, this approach is also relevant in the conditions of Uzbekistan, and by expanding bank loans, it is possible to increase the volume of financing of investment projects. This will accelerate the pace of economic growth.

S. Gulyamov, justifying the need to improve the financing system in the conditions of an innovative economy, notes the importance of increasing the role of bank loans in investment processes [7]. In our opinion, it is necessary to develop a financing system through bank loans for innovative development. This will serve the introduction of new technologies and modernization of the economy.

B. Khodiev emphasizes the importance of effective use of financial resources in the conditions of economic reforms and indicates the need to improve the system for assessing investment projects [8]. In our opinion, effective assessment of investment projects ensures targeted targeting of bank loans. This leads to the effective use of credit resources.

RESEARCH METHODOLOGY. In preparing this article, a comparative and critical analysis of the legal documents, the literature and Internet information used, and the scientific and theoretical views of economists on the topic were carried out. In the course of studying the topic, along with general economic methods, systematic analysis, generalization, abstract-logical thinking, and statistical methods were used.

ANALYSIS AND DISCUSSION OF RESULTS. Financing of investment projects through loans from commercial banks is studied in economic theory in

connection with the concepts of financial intermediation and investment efficiency. Banks act as the main institution that concentrates temporarily idle financial resources in the economy and directs them to investment projects. This accelerates capital turnover in the economy and increases production.

Theoretically, the process of lending to investment projects is based on several important principles: repayability, solvency and maturity. These principles ensure the effective and stable operation of bank loans. At the same time, risk assessment, diversification of the loan portfolio and determination of the economic efficiency of projects are of great importance in financing investment projects.

Also, the efficiency of financing investment projects through bank loans is closely related to the level of development of the financial market, interest rates, inflation rate and monetary policy pursued by the state. These factors directly affect the volume of lending and determine the dynamic development of investment processes.

The experience of developed countries shows that financing investment projects through loans from commercial banks is one of the important factors of economic growth. In particular, in the experience of Germany, banks actively participate in the modernization of production through long-term lending to industrial enterprises [9]. Here, the support provided by the state to the banking system leads to a decrease in the cost of credit resources.

In South Korea, bank loans are the main source of financing innovative projects. Benefits and subsidies provided by the state serve to increase the volume of investment projects implemented through bank loans [10]. As a result, high-tech production develops in the economy.

In the experience of the United States, although the role of capital markets in financing investment projects, along with bank loans, is also significant, small and medium-sized businesses rely mainly on loans from commercial banks [11]. This once again confirms the important role of bank loans in the economy.

In general, foreign experience shows that the effectiveness of financing investment projects through bank loans depends on the development of state policy, financial infrastructure, and risk management systems [12].

Table 1
Dynamics of financing investment projects based on loans from commercial banks [13]

Indicators	2020	2021	2022	2023
Number of investment projects (pcs)	1 250	1 480	1 760	2 100



Volume of allocated loans (billion soums)	18 500	22 300	27 800	34 600
Average loan interest rate (%)	22	20	18	16

Share of repaid loans (%)	87	89	91	93
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Based on the data in the table, it can be observed that the process of financing investment projects through loans from commercial banks has been developing steadily and positively in recent years. In particular, the number of investment projects has increased by almost 1.7 times, from 1,250 in 2020 to 2,100 in 2023. This indicates a significant increase in investment activity in the economy. This growth is directly related to the expansion of bank loans and the improvement of the investment climate.

If we pay attention to the volume of loans allocated, it can be seen that it has increased from 18.5 trillion soums in 2020 to 34.6 trillion soums in 2023. The increase in this indicator indicates the increasing role of commercial banks in financing investment projects. At the same time, an increase in the volume of loans serves to expand production volumes, implement new projects, and accelerate economic growth.

The decrease in the average loan interest rate from 22 percent to 16 percent is also one of the

important positive factors. The decrease in interest rates reduces the financial burden of investment projects and makes the use of loans more attractive. As a result, the opportunities for business entities to implement new investment projects are expanding.

The increase in the share of repaid loans from 87 percent to 93 percent indicates an increase in the efficiency of investment projects. This indicator indicates that the credit risk management system in the banking system has improved and the processes of selecting and evaluating projects have been effectively established. At the same time, timely repayment of loans strengthens the financial stability of banks.

In general, the analysis of the table shows that the process of financing investment projects based on loans from commercial banks is developing consistently. In this case, an increase in the volume of loans, a decrease in interest rates and an increase in the level of loan repayment in harmony with each other lead to an increase in investment activity. This is an important factor for the sustainable development of the country's economy.

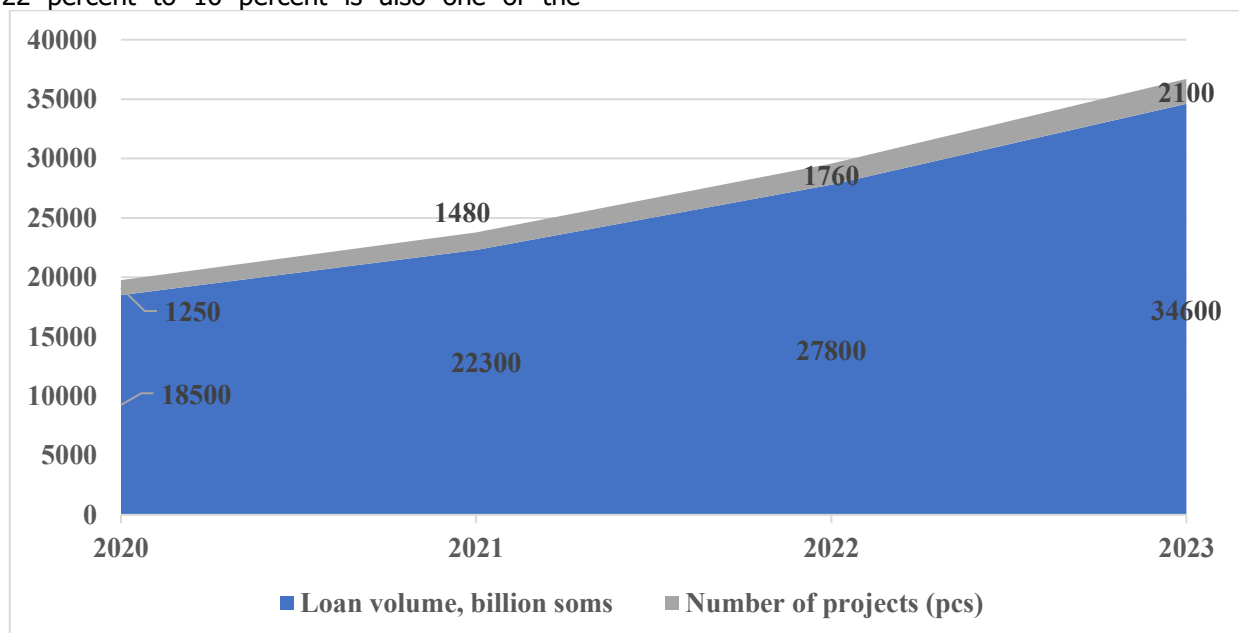


Figure 1. Dynamics of financing investment projects based on loans from commercial banks [13]

This figure clearly reflects the dynamic growth of investment projects financed by loans from commercial banks. The graph shows that along with the increase in the volume of loans, the number of investment projects

is also increasing proportionally. This confirms the direct positive impact of bank loans on investment processes.

The steady growth trend observed in the figure also indicates the development of the banking system, the improvement of lending conditions, and the



increasing attractiveness of the investment environment. In particular, the acceleration of growth

rates in 2022–2023 indicates a significant increase in investment activity in the economy.

Table 2
Sectoral Distribution of Bank Credit-Based Investments in Uzbekistan [13]

Sectors	Type of Credit Allocation	Share (approx., %)	Description
Industry (Manufacturing)	Equipment, modernization, industrial projects	25–30%	Mainly large-scale investment projects
Agriculture	Farming, livestock, agro-technologies	15–20%	Supported by government programs
Construction and Infrastructure	Housing, roads, infrastructure projects	15–18%	Includes mortgage and construction loans
Trade and Services	Small business, service sector	10–15%	Focus on SMEs financing
Transport and Logistics	Vehicles, logistics centers	5–8%	Development of transport infrastructure
Energy	Electricity, renewable energy projects	5–7%	Strategic investment direction
Households (Retail lending)	Consumer and mortgage loans	20–25%	Stimulates domestic demand

The data presented in the table indicate that bank credit-based investments in Uzbekistan are broadly diversified across key sectors of the economy, with a strong emphasis on the real sector. The industrial (manufacturing) sector holds the largest share (25–30%), which reflects its central role in economic growth, structural transformation, and technological modernization. This suggests that commercial banks prioritize financing projects that generate high value-added output and support industrial expansion.

The agriculture sector accounts for a significant portion of total credit allocation (15–20%), highlighting its strategic importance in ensuring food security and rural development. The presence of government-supported programs in this sector further enhances access to credit, enabling farmers and agribusinesses to invest in modern technologies and increase productivity.

Similarly, construction and infrastructure projects receive a considerable share (15–18%), which is closely linked to ongoing urbanization processes and large-scale development programs. The expansion of housing through mortgage lending and infrastructure investments contributes not only to economic growth but also to improving living standards.

The trade and services sector (10–15%) demonstrates the active role of small and medium-sized enterprises in the economy. Bank credits in this area

help stimulate entrepreneurship, increase employment, and expand the service economy. This indicates that financial institutions are increasingly supporting business diversification beyond traditional industries.

In contrast, transport and logistics (5–8%) and energy (5–7%) sectors, although having relatively smaller shares, play a crucial strategic role. Investments in these sectors are typically capital-intensive and long-term, aimed at improving economic efficiency, connectivity, and sustainability. In particular, financing renewable energy projects reflects a gradual shift toward sustainable development priorities.

A notable feature is the high share of household lending (20–25%), mainly in the form of consumer and mortgage loans. This reflects the growing role of domestic demand as a driver of economic growth. However, it also indicates the need for a balanced credit policy to ensure that excessive consumer lending does not crowd out productive investment.

Overall, the table demonstrates that the allocation of bank credits in Uzbekistan is relatively balanced, supporting both production-oriented sectors and domestic consumption. This structure contributes to stable economic growth, but further optimization of credit distribution—especially toward high-productivity and export-oriented sectors—could enhance long-term economic efficiency and competitiveness.



Figure 2. System of financing investment projects through bank loans [13]

This infographic clearly demonstrates the continuous and interconnected stages of the process of financing investment projects through loans from commercial banks. It systematically describes the process from sources of financing to the implementation of investment projects, lending conditions and final economic results. The infographic shows that bank loans are the main driver of investment activity, through which production volumes increase, new jobs are created and economic growth is ensured.

Theoretical and practical analyses show that commercial bank loans play a crucial role in financing investment projects. In particular, the increase in credit resources leads to an increase in investment activity, modernization of economic sectors, and increased production efficiency. Through tabular and graphical analyses, it was revealed that there is a correlation between loan volume, interest rates, and loan repayment rates. At the same time, a comparative analysis of foreign experience and Uzbek practice shows that for effective financing of investment projects, a developed banking system, improved risk management mechanisms, and state support measures are of great importance. When these factors are used in combination, the stability and economic efficiency of investment processes increase significantly.

CONCLUSION AND SUGGESTIONS. As a result of the conducted research, it was found that financing investment projects through loans from commercial banks is one of the important factors of economic growth. Loans provided through commercial banks play an important role in expanding production, modernizing sectors of the economy, and creating new jobs. At the same time, the analysis showed that the increase in the volume of loans is directly related to the increase in the number of investment projects.

As a result of practical analysis, it was found that bank loans in Uzbekistan are mainly directed to the industrial, agricultural, construction, and service sectors. This serves to support the real sector. At the same time, the decline in interest rates and the increase in the rate of loan repayment indicate that the efficiency of the lending system is increasing.

However, there are some problems in the process of financing investment projects through bank loans. In particular, insufficient credit resources, relatively high interest rates, complex loan conditions, and high risks limit the efficiency of this process. Therefore, it is necessary to improve the system in this area based on an integrated approach.

First, it is necessary to increase the volume of long-term loans allocated by commercial banks to finance investment projects. This will ensure stable financing of investment projects and expand the possibilities for implementing large and long-term projects.

Second, it is advisable to reduce loan interest rates and expand preferential lending mechanisms. In particular, the financial burden for entrepreneurs can be reduced by allocating subsidies or covering part of the interest rates by the state.

Third, it is necessary to improve the system for assessing and monitoring investment projects. This will ensure targeted and effective targeting of loans and reduce risks.

Fourth, it is necessary to simplify the conditions for obtaining loans for small and medium-sized businesses and ease collateral requirements. This will encourage their active participation in investment projects.

Fifth, it is important to develop risk management mechanisms and widely introduce insurance instruments in the banking system. This will increase the stability of the lending process and prevent financial losses.



Ultimately, the implementation of the above proposals will further improve the system of financing investment projects through bank loans, accelerate economic growth and contribute to the sustainable development of the country's economy.

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