



## The Role of Banks in Attracting Investments

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### ABSTRACT

This article discusses about the role of investment in the country's economy and the role of banks in attracting investments ,in addition to, Conclusions and suggestions are also given about the importance of bank investments in the economy.

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### Intruduction

The analysis of the economy of developed countries demonstrates that their promotion of permanent investments in the economy is the most important factor in increasing the country's economic stability and ensuring its competitiveness.

One of the conditions for the development of the economy of every country is the attraction of investments to the country's economy ,also by introducing investments into the economy, it is possible to have oppportunities to create new jobs, start production based on new technologies, create new goods

and services, and most importantly, increase the income of the population.

### **Main part**

The term investment is derived from the Latin word "investio" - wrapping, and is a long-term investment of capital in various sectors, socio-economic programs, innovations, and business projects in order to develop the economy.<sup>1</sup>

Scientists have classified investments according to their specific characteristics. For example, investments are classified into: real investments and financial investments.

The nature of participation in investments are divided into direct and indirect investments also there is the investment period: long-term investments and short-term investments.

According to the form of ownership, it is divided into 4 forms:

1. private investments,
2. foreign investments
3. state investments
4. mixed investments.

It is divided into 2 groups according to territorial designation: foreign investments and domestic investments.

Regardless of the type or form of investment, it is the main source of increasing the indicators of economic development of a country or an enterprise. Through investments, the accumulation of capital resources in enterprises and, as a result, expansion of the country's production capabilities and economic growth are achieved.

The Law of the Republic of Uzbekistan No. 598 of December 25, 2019 "On Investments and Investment Activities" is an important legal document that regulates relations in the field of investments and investment activities carried out by foreign and local investors. The law clarifies the concept of foreign investor and includes administrative or territorial bodies of foreign countries, international organizations established in accordance with agreements or other agreements between countries or subject to international public law, legal entities established and operating in accordance with the laws of foreign countries, any other companies, organizations or associations, citizens of foreign countries and stateless persons permanently residing outside the Republic of Uzbekistan.<sup>2</sup>

Since the adoption of the action strategy program on the five priority areas of the development of the Republic of Uzbekistan in 2017-2021, efforts to attract foreign investments in the Republic of Uzbekistan and its regions have become more active. Uzbekistan has the highest growth rate of foreign investments among Central Asian countries.<sup>3</sup>

While in most cases the foreign investor is not given full control over the investee enterprise, the foreign direct investment investor tries to establish control over the investee enterprise. This is the main motivation for foreign investors to invest.

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<sup>1</sup>National Encyclopedia of Uzbekistan. T.: "UzME" state scientific publishing house. 2002, Volume 4, 145-B

<sup>2</sup> Law of the Republic of Uzbekistan No. 598 of December 25, 2019 "On Investments and Investment Activities" <https://lex.uz/docs/4664142>

<sup>3</sup> РОССИЯ В ЦИФРАХ 2020. Краткий статистический сборник – С.548.

The system of financial support of investment activities in the Republic of Uzbekistan includes:

- commercial banks; non-bank credit organizations (credit unions, pawnshops, microcredit organizations);
- off-budget funds;
- leasing companies;
- international financial institutions, international organizations and foreign banks;
- donor organizations, sponsoring organizations;
- insurance companies;
- consulting firms; engineering companies; information and consultation center;
- audit firms, legal consultancies, advertising agencies, trade mediation structures, stock exchanges, etc.

It is known that the main and important aspect of society's activity is production. In the production process, economic resources are used, and as a result, goods and services are created. Ensuring the continuity of production is related to material resources.

Nowadays we turn to credit to find a solution to this problem. Therefore, the importance of bank loans for financing investment projects is considered to be high. Commercial banks actively participate in lending investment projects. In the financing of investment projects, the following forms of credit are used, depending on the subjects and objects of credit relations, the interest rate and the scope of the credit: state credit; bank loan; consumer credit; commercial credit and international credit.

The importance of bank loans in the development of investment activity is also increasing in Uzbekistan. For instance, creating new jobs in the economy, and increasing the volume of production and expanding the range of services, meeting the growing needs of the population is closely related to the financing of investment projects.<sup>4</sup>

The main method of financing investment projects by banks is lending. The content of loans given by banks can be expressed through the following principles:

1. Loan repayment principle; the funds allocated by these commercial banks must be returned to the bank on time, the economic basis for the return of funds is the continuous circulation of funds.
2. Term of the loan; this principle is characterized by the timely return of the loan received from the lender, that is, how and for how long the loan is given. This principle means that the loan must be repaid within a certain period specified in the loan agreement, and not at any time convenient for the borrower. If the creditor recovers the loan on time with interest, he will be able to return it to the owner on time or lend it again.
3. Credit security; This principle is characterized by matching the sum of the borrower's property, material resources, real estate, and production costs. This ensures that the loan will be repaid on time.
4. The principle of credit solvency. This principle stems from the need to advance the amount of payment resources, which ensures the circular circulation of circulating funds, the process of increased reproduction. Based on this principle, investor companies pay the lender in the form of interest for the used debt funds.

<sup>4</sup> B. Mamatov, D. Khojamkulov, O. Nurbekov. Organization and financing of investments. Textbook., Tashkent, "Economy-Finance", 2014

5. Purpose of the loan. The main essence of this principle is that the loans received by the borrower must be directed to the realization of one goal. The purpose of the loan, the specific purpose of the loan, will be specified in the loan agreement concluded between the enterprise and the bank. The creditor will have to use the loan received by the enterprise only to perform the work specified in the loan agreement.

Lending on the basis of these principles allows timely repayment of the loan. Investments by commercial banks today are mainly carried out in the form of bank loans. But the concept of bank investments is also widely used in world practice. Bank investments are investments made by banks in enterprises. In this case, the funds provided by the bank for the development of production in the enterprise are introduced not in the form of credit, but in the form of investment. And the introduction of these funds is carried out based on the terms and principles of investment.

### Conclusions and suggestions

In conclusion, we must say that in the future, bank investments will be important for the development of production, the expansion of the system of creating products and services through new techniques and technologies, the increase in the scale of production of competitive goods, and the possibility of exporting goods abroad. And by making bank investments in enterprises, the bank will also have control and responsibility in expanding the production capacity of the enterprise.

Therefore, we propose the use of bank investments and their implementation in the implementation of investment policy in our country and through this, we will be able to achieve further development of the country's economy.

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