



IMPROVING THE MECHANISM OF FINANCING INVESTMENT PROJECTS

**Innaminova Naubakhar
Sansizbayevna**

**First-Category Accountant, Accounting
Department, Karakalpak State University**

Improving the mechanism of financing investment projects is one of the essential conditions for ensuring sustainable economic growth, expanding production capacity, modernizing infrastructure, and enhancing the competitiveness of the national economy under modern economic conditions. Investments serve as a vital financial source for establishing new enterprises in the real sector of the economy, technically and technologically upgrading existing production facilities, developing innovative activities, and creating new jobs. Therefore, issues related to the effective organization of the investment project financing process, the rational use of financial resources, and the enhancement of the economic returns on investment are of high scientific and practical importance.

The intensification of competition for financial resources in the global economy, external economic instability, fluctuations in financing costs, and rising investment risks require innovative approaches to financing investment projects. Under these circumstances, rather than relying solely on traditional sources of funding, it is necessary to harmonize bank credits, corporate equity, foreign investment, resources from international financial institutions, the securities market, and public-private partnership mechanisms. The diversification of financing sources strengthens the financial stability of projects, optimizes the cost of capital, and expands opportunities to achieve expected economic returns.

The efficiency of financing investment projects primarily depends on their economic rationale, the stability of cash flows, the accurate assessment of investment risks, and the targeted allocation of financial resources. From this perspective, prior to project funding, it is crucial to evaluate key metrics such as net present value, internal rate of return, payback period, and debt service coverage capacity. Utilizing these indicators helps increase the economic soundness of investment decisions, mitigate financial losses, and ensure resource efficiency.

Expanding investment activity in the economy of Uzbekistan, realizing the regional production potential, modernizing industry, and strengthening the private sector's participation in economic processes necessitate the consistent improvement of investment project financing mechanisms. In this context, mobilizing domestic financial resources, creating favorable conditions to attract foreign capital, increasing transparency in financing processes, and utilizing modern digital tools play a key role.

Furthermore, it is required to ensure continuity between the stages of project selection, financing, and implementation, monitor fund disbursement, and advance mechanisms for evaluating the final economic outcomes of projects. Conducting scientific research into these issues enables higher efficiency in investment resource allocation, the identification of financing bottlenecks, and the development of actionable policy recommendations that support long-term economic development.

Improving the investment project financing mechanism is a critical economic task aimed at fully realizing the economy's investment potential, enhancing resource utilization efficiency, and ensuring the sustainability of investment activities. The successful execution of investment projects depends not only on the availability of necessary funds, but also on how effectively the processes of capital formation, allocation, attraction, and control are structured. Consequently, the task of improving the financing mechanism should be approached not as a mere sequence of isolated financial transactions, but as an interconnected system encompassing the entire trajectory from initial investment decision-making to final outcome evaluation.

First, diversifying sources of funding stands out as a top priority in investment project financing. The rational combination of corporate equity, bank loans, foreign investment, resources from international financial institutions, securities issuance, and public-private partnership instruments expands financing opportunities. In this regard, the cost, maturity, repayment conditions, and risk level of each source must be evaluated in accordance with the project's economic characteristics. When selecting financing sources, emphasis should be placed not merely on the volume of capital raised, but also on its cost of capital and its impact on future cash flows. This approach helps maintain corporate financial stability and prevents excessive debt burdens.

Second, conducting an in-depth pre-investment economic evaluation ensures the validity of financing decisions. To achieve this, a comprehensive analysis covering net present value, internal rate of return, investment payback period, profitability ratios, and cash flow adequacy must be conducted. Simultaneously, risks associated with market conditions, inflation, exchange rate fluctuations, interest rates, and demand volume should be factored in. Scenario analysis based on alternative economic conditions helps project outcomes across various environments, thereby channeling financial resources into the most viable and economically sound projects.

Third, expanding the integration of digital technologies into the investment financing process is of paramount importance. Automating financial analysis, monitoring project cash flows, comparing costs against projected targets, and improving financial report transparency enhance managerial performance. Digital monitoring tools facilitate the targeted expenditure of funds, the timely detection of budget discrepancies, and rapid managerial decision-making. However, the efficacy of these tools hinges on data reliability, information security, and seamless inter-agency coordination.

Fourth, improving state support mechanisms for investment activities serves as a vital catalyst for attracting private and foreign capital. Leveraging state guarantees, targeted infrastructure investments, well-founded tax and customs incentives, and public-private partnerships can mitigate structural entry barriers for private investors. Crucially, state support should be provided based on explicit criteria, rigorous budget expenditure evaluation, and strict management of contingent liabilities. Public funds

must not displace private investment, but rather serve as leverage to attract additional private resources to economically and socially significant projects.

Fifth, ensuring institutional stability, legal guarantees, and investor rights protection plays a defining role in elevating financing efficiency. Transparent and predictable financing conditions, streamlined project review procedures, and accessible financial disclosures foster a positive environment for investor decision-making. Furthermore, building financial management capacity within project-executing organizations, embedding project management principles, and establishing clear accountability structures reinforce financial discipline.

Sixth, evaluating project effectiveness must extend beyond simple absorption rates or the physical count of completed facilities. The assessment framework must incorporate value added, job creation, labor productivity growth, export capacity expansion, budget revenues, and regional economic impact. These criteria align financing outcomes with genuine economic efficiency and form the requisite data foundation for refining future investment programs. In addition, institutionalizing ex-post evaluations after project completion is vital to ensure that anticipated outcomes are fully realized.

Overall, enhancing the mechanism of financing investment projects requires diversifying funding sources, strengthening pre-investment economic rationale, advancing digital monitoring, expanding public-private partnerships, and refining performance evaluation systems. The synchronized implementation of these directions will boost investment resource efficiency, mitigate financial risks, and support economically viable projects—thereby bolstering the impact of investment activity across industries and regions to build a resilient financial foundation for long-term economic growth.