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# THE IMPORTANCE OF COMMERCIAL BANK POLICY IN THE REAL SECTOR

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**Abstract:** This article analyzes the importance of commercial banks in the real sector, their role in the development of the economy and their development due to the policies pursued in our country today. The fact that commercial banks are one of the hearts and foundations of a market economy shows that it has its share in every sector.

**Keywords:** Banking, reforms, currency, deposit, banking sector, conversion, bank, financial system.

There is no denying that the future development of Uzbekistan and the world economy depends largely on investment. Therefore, one of the most pressing issues in the economy of the country today is the financing of real sector enterprises, the wider involvement in their activities of loans from commercial banks, in particular, funds from foreign financial institutions. It is well known that any economically active enterprise may not always be able to finance an investment project with its own financial resources. In such cases, loans from commercial banks are the main source of financing for real sector enterprises.

Commercial bank loans are a source of financing that plays an important role in the development of any country's economy. Bank loans are used to finance investment costs associated with the modernization, technical and technological re-equipment of enterprises in the real sector of the economy, which plays an important role in financing industrial projects.

Lending activities of commercial banks, in particular, lending operations of real sector enterprises, play an important role in today's increasingly competitive environment. In addition to being the main source of income for banks, these operations are becoming increasingly important in the development of banking strategy. A number of foreign and local scholars and economists have conducted research on the organization and improvement of the practice of commercial banks lending to real sector enterprises.

Achieving sustainable economic growth through the balanced development of the country's economy and its effective structure is an important condition for the development of our country and the well-being of the people. To achieve this goal, first of all, it is necessary to accelerate the development of the industrial sector of the economy.

The economic literature gives different descriptions of the real sector of the economy, and we can see some of them below. Here are some definitions:

1. the real sector of the economy is an economic and non-legally defined economic term and is a branch of the economy that unites small, medium and large (industrial) enterprises whose activities are focused on the production of goods in a particular area;

2. The real sector of the economy is a sector in the economy that produces material goods, creates material wealth and includes services. The real sector does not include financial and credit and exchange activities;
3. The real sector of the economy - is an important sector of the economy, which provides direct production, income and budget revenues. Manufacturing, the field of production of products is synonymous with its economic term.

In our opinion, the real sector of the economy is the economic sector, which consists of enterprises producing goods, services, inseparable from raw materials, labour and capital. The financial sector plays an important role in the effective functioning of the real sector of the economy.

Financing of investment activities of industrial enterprises is carried out through external or internal sources. The most common sources of external financing of investment activities are bank loans, syndicated loans, raising funds through the issuance of shares and bonds. Internal resources are significantly scarce, often insufficient to finance the investment activities of enterprises, which increases the need for external sources of financing.

The deepening of integration and globalization in the world poses a number of new challenges to the national economy. In order for the national economy to gain a foothold in the world market, it is necessary to constantly address the problem of financing investment projects of real sector enterprises. These problems can be solved primarily through loans from commercial banks.

The stability and development of the economy of the Republic are inextricably linked with the activities of commercial banks. This is because many businesses need funds to start their own businesses. Businesses that want to change or expand their operations need investment. In our country, commercial banks are the main investment institution that provides financing to enterprises.

In 2021, commercial banks will allocate 276,975 billion sums to finance investment projects for the modernization, technical and technological re-equipment and diversification of production in the economy. UZS loans were allocated. The distribution of loans by sector is as follows:

- 102162 billion sums (36.9%) to industry;
- 28081 billion sums (10.1%) to the agricultural sector;
- 26626 billion sums (9.6%) for transport and communications,
- 7380 billion. sums (2.6%) for construction;
- 54888 billion. sums (19.8%) to individuals;
- 57838 billion. sums (21 percent) to other sectors.

Today, the role of commercial banks in financing investment projects of real sector enterprises in the economy of the country is high. As the main financing of the economy in developing countries are commercial banks, they allocate their investment loans to upgrade the fixed assets of the real sector, increase production capacity and create capital investment. Reforms in the banking system in recent years have played an important role in increasing the role of credit in the economy. Such reforms have further developed the lending system in the banking system and led to an increase in investment lending by banks.

In recent years, the share of bank loans in the financial support of investment activities has been growing, while the share of sources based on other market mechanisms has been very low.

One of the key issues in the proper organization of credit activities of commercial banks is to identify credit risks, assess and analyse their level of impact. Credit risk is defined as the non-fulfilment of the terms of the loan agreement by the borrower, non-payment of the loan amount (partially or in full) and interest on it within the period specified in the agreement. Therefore, identifying and managing credit risks is an integral part of the coping methods used to achieve the growth and development goal of any commercial bank.

The two main parameters of credit risk depend on the extent to which the lender and the borrower perform their duties. Real sector enterprises also play an important role in financing investment projects through commercial bank loans, primarily assessing the credit risk that may arise from commercial banks.

The high credit risk makes the bank cautious in financing investment projects in the real sector. Credit risk analysis allows not only to study the financial condition of the borrower, but also to gather the necessary information to improve the internal operations of the bank.

The changes taking place in the economic and social spheres of the country, the achievements in various spheres of production and services testify to the growing attention paid to the development of the real sector at the regional level. Today, we have the opportunity to increase the share of industry in the economy by focusing on financing the investment activities of enterprises in the real sector of the economy. To this end, increasing the share of real sector enterprises in financing investment projects through loans from commercial banks will provide a number of positive results:

- Real sector enterprises will have the opportunity to increase production and increase investment activity of enterprises;
- The needs of real sector enterprises in financial resources will be met and the efficient allocation of financial resources will be ensured.

It is advisable for banking institutions to allocate funds to finance investment projects, to analyse the borrower's creditworthiness from the time of lending, to monitor the targeted use of credit to monitor the financing of the project.

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