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IMPROVING THE INVESTMENT EFFICIENCY AND MORTGAGE LENDING IN HOUSING CONSTRUCTION

Abstract: This article is devoted to the urgent problem of attracting investment in housing, also discusses current practice for assessing the effectiveness of investments and mortgage lending in housing.

Key words: housing, real estate market, real estate, affordable housing, investment, investment and construction complex, investment climate, consumer lending, mortgage, mortgage lending, securitization of mortgage assets, housing value.

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Introduction

The provision of housing and its availability for the population is an important factor in the socio-economic development of the country. This has a direct impact on the standard of living is reflected in the demographic situation in the country, also affects the economic culture of the population, since the purchase of housing requires significant financial investments [3].

According to the State Statistics Committee, the resident population in Uzbekistan as of July 1, 2020 was 34.19 million people, of which the rural population - 16.89 million people (49.4%), and the urban population - 17.3 million people (50.6%) [9].

URGENCY

The current stage of development of domestic housing construction was characterized by a rapid increase in large-scale volumes of residential buildings, as well as the emergence of new financial services that provide the population with the opportunity to purchase housing in newly constructed and constructed buildings. In terms of development rates, the construction industry over the past three years has been one of the fastest growing sectors of the economy of the Republic of Uzbekistan, defining one of the most priority areas of its development. On the other hand, the growth in the volume of housing

construction projects under construction makes it possible to provide the population with new high-quality and modern housing, which contributes to the implementation of the most important task - improving the status of the socio-economic situation of society, set by the President of the Republic of Uzbekistan.

But, unfortunately, there are some nuances regarding the rate of growth in the cost of housing make it inaccessible for everyone to purchase it for the majority of the country's population. This is not only a problem for the republic, but also a typical situation for many countries with a developed market economy system, characterized by an incomparably higher standard of living of the population than in Uzbekistan. The importance of solving the housing problem is not only socially important, but also the most important economic underpinnings, which consists in creating conditions and a mechanism for further financing the activities of the country's investment and construction complex and, as a result, gaining a sustainable development of the domestic economy, creating new jobs, positive development of others. factors in the national economy.

The study of the time series - the growth rates of the commissioning of residential buildings in the state and non-state sectors shows that the construction of housing by individual developers is proceeding at a

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higher pace than in the public sector. This, in turn, entails the need for a dynamic development of the wholesale building materials market. In addition, the question arises about the need to develop mortgage lending and the allocation of soft loans for the population. And if we develop the thought further, then we are talking about changes in the entire legal sphere, namely, legislation in the field of housing construction.

THEORETICAL APPROCHES

As noted in the Decrees of the President of the Republic of Uzbekistan dated 13 May 2019, N5715 “On additional measures for the development and expansion of the mortgage lending market” and dated 28 November 2019, N5886 “On additional measures to improve the mechanisms of mortgage lending”, the expansion of the practice of mortgage lending in 2016-2018 ensured the commissioning of more than 82 000 houses. As a result, about 400 000 citizens across the country have improved their living conditions [1;2]. The decree also approved the “Road Map” for the development of the mortgage lending system in the Republic of Uzbekistan for 2019-2021.

At the same time, the need to develop the country's housing sector necessitates the adoption of additional measures to improve the mechanisms of

mortgage lending and expand access to mortgage loans for all segments of the population based on market principles.

If we consider the size of investments in housing construction, we can say about its growth from 3243 billion soums in 2011 to 17 695.8 billion soums in 2018, or 5.5 times [6.7]. At the same time, the share of investments in housing construction is stable at the level of 9.2-16.2%, which indicates that the state pays great attention to this important socio-economic sphere.

ANALYTICAL PART

In Uzbekistan, the indicators of the commissioning of fixed assets are dynamically growing, including due to housing construction. The commissioning of residential buildings increased from 9 203.3 thousand sq. m. in 2011, up to 14 483.5 thousand sq. m. in 2019, or almost 1.6 times (Diagram 1.).

All the data presented indicate the high practical significance of issues related to the development of housing construction, since it should provide a tangible increase in the housing stock with different rates of this increase in certain regions, regions, cities and rural areas.

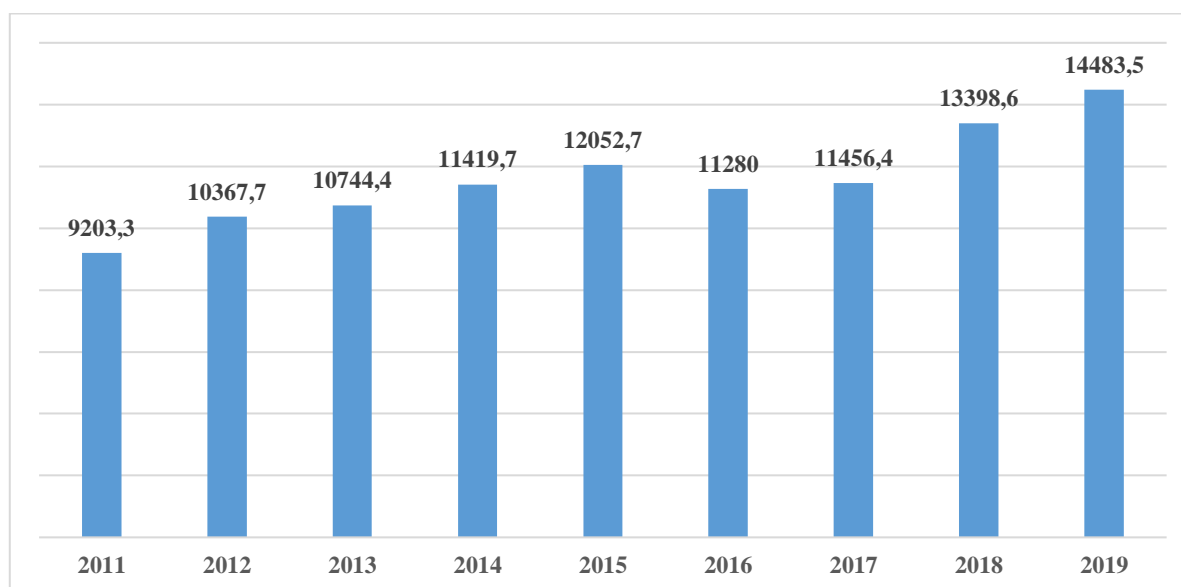


Diagram 1. Dynamics of commissioning residential buildings (thnd. sq. m) [8]

According to the State Statistics Committee, the housing stock of Uzbekistan is 521.2 million sq. m. (as of 01.01.2019), of which private housing stock - 517.9 million sq. m. (99.3%), public housing stock - 3.3 million sq. m. (0.7%). Housing provision per inhabitant averaged 15.8 sq. m. [8].

The methods of classical consumer lending of the population for the purchase of housing indicate that it cannot be massive, because consumer loans are

expensive for a number of objective reasons, and their use significantly increases the already prohibitively high cost of real estate for the majority of the country's population. In addition, it is necessary to take into account that, in comparison with many other sectors of the economy, the payback period of investments in the construction industry is sometimes much longer, and this circumstance is an unfavorable factor in the struggle for investment resources in the competitive

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financial borrowing market. Moreover, the payback period of a particular investment and construction project directly affects the availability of investment resources and their cost.

Nevertheless, in the world economy, to solve the housing problem as a whole, a mechanism has been developed for financing the purchase of real estate by the population, which is known as mortgage lending. The funds received on the mortgage are used to finance the activities of the construction complex and

ensure the functioning of the investment process in the construction industry. By its economic essence, a mortgage is a type of lending against real estate guarantees with more favorable indicators than direct consumer loans. Of course, such a financial mechanism in the housing investment market is promising.

An example is the state of investment and construction activities in the republic for 2011-2019 (Table 1.).

Table 1. Main socio-economic indicators of investment and construction activities (in actual prices, billion soums)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fixed capital investments - total	19500	24455,3	30490,1	37646,2	44810,4	51232	72155,2	124231,3	189924,3
Fixed capital investment as a percentage of GDP	20,1	20,3	21,1	21,3	21,3	21,1	23,9	30,6	37,1
Commissioning of housing and social and cultural facilities due to new construction and reconstruction: resi-dential buildings, thousand sq. m. of total area	9203,3	10367,7	10744,4	11419,7	12052,7	11280,0	11456,4	13398,6	14483,5
secondary schools, thousand student places	46,9	68,9	61,7	61,5	57,9	88,9	94,6	80,4	111,4
professional colleges, thousands of student places	1,8	10,2	8,9	3,6	3,2	3,3	0,2	-	-
lyceums, thousands of student places	2,4	1,3	0,2	0,3	1,5	1,5	-	-	-
academic, one thousand student places	1,1	0,9	0,2	-	0,8	1,2	-	-	-
specialized, thousands of student places	1,3	0,4	-	0,3	0,7	0,3	-	-	-

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hospitals, thousands of beds	4,8	6,1	9,5	10	10,3	10,1	4,3	6,1	6,6
polyclinics, including rural medical posts, number of visits per shift	5,6	8,9	10,1	10,1	7,3	9,9	7,7	20	18,7
Construction work, billion soums	9504,8	11753,9	15219,3	20060,4	25423,1	29413,9	34698,0	51129,3	68854,4

Source: <https://stat.uz/ru/164-ofytsyalnaia-statystyka-ru/6584-investitsii>

In this regard, the problem of analyzing investments in housing construction and assessing their effectiveness is currently very relevant for the construction industry of the Republic of Uzbekistan. This problem is interconnected with the tasks of forming a promising investment policy and ensuring a favorable investment climate in the domestic economy.

The solution to these problems is due to the fact that in a market economy, an active role in the strategic development of the construction industry is played to a greater extent by investments, the formation of which takes place within the framework of a favorable investment climate.

The investment climate is, in turn, the financial environment in which investment processes take place, accompanied by various types of investment risks. Depending on the developing investment climate in a particular sector of the national economy, a certain investor policy is formed, which determines either the inflow or outflow of investment resources.

It is known that in a favorable investment climate within the framework of any industry there is an inflow of investment resources. On the other hand, an unfavorable investment climate reduces the efficiency of investment processes and increases the investment risk. This leads to a decrease in financial flows, an increase in negative consequences for the economy of the investment and construction sector. Thus, investment risks and, in particular, the risks of certain mortgage assets are one of the most important market regulators of the investment climate in the construction industry.

In the context of creating a favorable investment climate and determining a productive investment policy in the housing construction industry, the most important problem is the formation and refinement of the classification, as well as the development of methodological tools for managing mortgage lending risks, since they exist for both the investor and the borrower. The solution to this problem is carried out by methods of risk management known in science, first of all, such as diversification and hedging. [4].

One of the latest methods of hedging mortgage lending risks is the securitization of mortgage assets. This method of reducing mortgage risks consists in

corporatisation of mortgage assets, as well as the subsequent free circulation of these shares on stock exchanges. As in general, mortgage lending, and in particular the securitization of mortgage assets is a new direction for the national economy in the development of risk management within the construction industry and, of course, is an urgent problem [5].

In order to take into account in full and, most importantly, to solve these problems in practice, it is necessary to implement a program for the localization of the production of building materials, parts and structures in Uzbekistan. Further, it is necessary to fully implement the provisions of the legislation of the Republic of Uzbekistan, with the aim of a reasonable movement forward in the development of housing construction, on the basis of compliance with all building codes and regulations; development of a competitive environment in the housing construction market; fully implement the adopted investment programs.

The solution to the problem of housing provision is associated with the need to significantly increase the volume of construction and the development of all elements of the infrastructure of cities and towns in Uzbekistan, using progressive approaches.

Hence, these factors, which should be taken into account when solving the housing problem under consideration, undoubtedly include:

- the limited areas available for construction and the associated need for priority development of multi-storey housing construction;
- the need to take into account the objective process of social stratification of society and the associated expansion of the range of requirements for living conditions;
- an increase in the level of urbanization, as a result of the ongoing industrialization of agriculture, which entails the consolidation of existing rural settlements;
- low level of comfort of a part of the existing housing stock;
- an objective increase in requirements for the comfort of housing due to scientific and technological progress.

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CONCLUSION

It can be concluded that there are positive shifts and positive results in its solution, achieved through the rational use of the market mechanism. Nevertheless, a full-scale solution to this problem requires additional searches and studies, which should be based on a deeper assessment of the state of housing construction and the emerging housing market.

Thus, based on the analysis and comparison of domestic and international investment performance indicators, the following conclusions can be drawn:

- the indicator of net present value takes into account the entire life of the project, the time value of money, and also allows you to determine the most profitable project. The selection of construction projects based on the criterion of net present value is correct only for projects with the same life span. To compare projects with different lifespan, it is advisable to bring their lifespan to the same period;
- the indicator of the internal rate of return guarantees the lower level of profitability of the investment project, the independence and objectivity of the calculation results from the absolute size of the

investment. However, the criterion is not very suitable for ranking investment projects by the level of their profitability. Differs in high sensitivity from the accuracy of estimates of future cash flows;

- the profitability index allows to provide favorable opportunities for the formation of the most effective portfolio of investment projects. It characterizes the economic efficiency of projects in the best way. The disadvantages include the inability to take into account the factor of the scale of projects, the results may conflict with calculations using the net present value method;

- the discounted payback period of investments provides the ability to obtain a fairly quick assessment of the calculation results in the event of a lack of resources. However, it does not take into account cash flows outside the payback period of the investment. As a result, of using this indicator, it is possible to obtain an approximate assessment of the level of investment risk;

- the interests of the builder and the investor are combined in the case when the investment project meets the indicators of reliability, profitability and liquidity.

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