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Study on Banks' Risk Assessment of Financing Small-Medium Enterprises' Project: the findings and experience from Uzbekistan Banking Sectors

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Abstract: Small-Medium Enterprises (SME) fulfill important tasks in an economy. They play main role to create jobs opportunities and generating profit for low income nation, also support social stability and significant effect to development of a private sector dynamically. Banks have played a major role in financing and helping SMEs, work to grow up access of them to provide loan. Bank lending is the most common source of external finance for SMEs. However, no comprehensive investigation has yet been focused in banks to examine risk assessment of SMEs project. They have limited access to credit resources comparing to big companies (Al-Tamimi & Al-Mazrooei, 2007). Therefore, most of SMEs do not use annual reports, annual file accounting or main statistics figures. So, it makes challenges for banks to identify risks and deciding to finance SMEs' project. This paper focus on analyze risk assessment of financing SMEs' projects in banking of Uzbekistan and investigate on identify risks, examine strong risk assessment for SMEs, try to find out various tools and techniques deal with bank financing projects. Carrying out the research, both qualitative and quantitative methods were used. Questionnaires distributed to the 100 lending managers and credit specialists, consisted three parts which two parts include 29 questions and final part include 5 open questions. We used Cronbach's alpha to estimate reliability variables and subject regression analysis conducted on research objectives. Research found that credit managers have still challenges in understanding uses techniques and tools for assessing risks. It seems to be lacking understanding and unsophisticated approach to fully identify and manage risks. According to questionnaires' results and case study analysis, data indicated the key indicator signals to finance SMEs' project are financial standing, past performance of SMEs, leverage ratio and evaluated project concern significantly. Data showed an optimization of lending process lead to additional interest incomes and assessing risks in early stage. The model postulates that factors in the external, operating and internal environments of individual banks can influence risk assessment decisions for financing SMEs.

Keywords: *SMEs, Bank financing project, credit managers, risk assessment, Uzbekistan*

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INTRODUCTION

In the past decade, banks have played a significant role in supporting and helping SMEs around world gain great access to financing their projects. Banks work to grow up access of SMEs to financial resources in developing countries by provide loan for projects, also SMEs are always an important of any economy during development. Most times

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small enterprises are the supply chain for bigger corporates and hence adequate resource of SMEs in economy is the main key impact on economic growth. SMEs play major role to create jobs opportunities and generating profit for low income nation, they support social stability and effect to the development of a private sector dynamically. Loan from banks represent an important funding source for entrepreneurs in business development. Bank lending is the most common source of external finance for many SMEs and entrepreneurs, which are often heavily reliant on straight debt to fulfill their start-up, cash flow and investment needs. Findings indicated that bank has dominated characteristic in most of countries' economy, they are the key resources of financing for SMEs' project. Most SMEs are concerned with obtaining debt funding from banks because this is a more attractive, realistic and obtainable source than external equity (Bruns & Fletcher, 2008). So, need to mention that access to financial source is main task in the economy for developing SMEs sector. In economy of Uzbekistan, development of SMEs' areas are becoming huge increasing and have effect factors to stimulate domestic demand and industry sector, push economic growth and support employment. Nowadays, the main obstacle to development of SMEs' sector is lack of financing. Indeed, result showed there are many risks to bank finance, identifies, measures, and allows managing main risk factors that could compromise the success of SME development projects. Also, to identify the main risk factors of SME project in order to improve their success rates and facilitate financing (Delisle & St-Pierre, 2003; Munandar & Firmansyah, 2018; Ripain, Amirul, & Mail, 2017).

Creating productive jobs is very important to economic growth and improvement in living standards. The two key factors contributing to growth in GDP per capita in Uzbekistan are growth in labor productivity and growth in employment. These factors highly related to SMEs. According to official data, SMEs' produced as a share of GDP reaching 59.4 percent and total employment shared about 78 percent (both formal and informal) in economy of Uzbekistan, in 2018. World Bank data showed that total lending by the country's commercial banks rose by 51 percent in the same period. Mainly, the dynamic development of SMEs segment increased demand of loan to financing SMEs' project. SMEs credit which amounted to 46.9 percent of total banks loan during this time. Therefore, new start up small-medium enterprises met issues increased difficulty in obtaining credit because of a lack credit history that leading to them being perceived as high risks by the banks for financing projects (Saputro, Suef, & Sukmono, 2018; Sudarmiatin, 2019). In fact, banking environment nowadays has increased huge challenges of SMEs with their different services and innovations. Twenty-nine commercial banks operate in Uzbekistan, including five state-owned banks, 13 partly state-owned joint-stock banks, five banks with foreign capital, and six private banks. Reported financial sector indicators suggest that the banking system is sound, despite challenges related to deteriorating asset quality. Nonetheless, the dominant state-owned banks with 85 percent of system-wide assets and 89 percent of total loans and a large amount of directed lending distort competition and weigh on the creditworthiness of private banks (World Bank, 2018). The sector has grown rapidly. In April 2019, the value of total bank assets was equivalent to $27.6 bn. World Bank noted that banking sector of the country appears to be well capitalized, with a Capital Adequacy Ratio (CAR) of 15.4 percent, in the first quarter of 2019. Uzbekistan's banking system has been rated 'stable' by Moody's since 2010. Banks in new financing SMEs' project get result income or lose investment. Many research papers showed that bank loan prudent for SME projects, also need to say it is historically loan process and activities are mostly interested from banks (Jensen & Meckling, 1998). Furthermore, there are many challenges and problems for financing SMSs' projects to assess risks and use tools and techniques deal with risk assessment, quality of management, with the model of the preliminary rating, others (Cipovová & Belás, 2012).

Rational for Research

We found during research that the most of SMEs do not use annual reports, annual file accounting or main statistics figures. So, it makes challenges to banks during deciding to finance project and to identify risks, also to push risk assessment for project because they really do not abut capable of small enterprises. On the other hand, SMEs have different financial behavior, but it is a little easy to identify risks and manage them if we compare with customers loan (Falkner & Hiebl, 2015). According to collected data, facing problems include identify main risks, managing project risks; avoid huge operational costs, lending decision quality and difficulty controlling SME's bad loans and other. Paper indicated that before deciding loan for financing SMEs, banks need to focus on the most important balance risks and may happen involve reward. Lending managers investigated on every aspect of the SMEs during gathered information. Sometimes business plan of SME is not appropriate, so much risky. The evidence that business plan or project concern of SMEs, epically comprehensiveness is the main significant direct effect variable which investigation particular.

Many banks are facing huge problems within financing SMEs' project for establishing a strong risk assessment framework in order to maximize their main goal what to get profit, improvements repay loan, optimization and gain competitive advantage over their partners. Hence, relationship between banks and SMEs segment are particularly complicated, also need to mention give the lack of diversified financial segment, undefined methods and procedures, badly small enterprises' insufficient experience. Researches argue that SMEs credit analysis always require a specific approach different than bigger company within large scale. Bank's risk assessment of financing SMEs' project is harder for credit managers because of some key reasons a) many SMEs establish unstructured data in term of accounting and bookkeeping, b) importantly lack of adequate reports by management, c) lack of adequate management reporting, d) also, they have lack of collateral offering, e) considerable high default rate for the SMEs. There are many prior researches done relate to risk assessment of financing SMEs' project in banking opportunities, mainly effect to the bank and measuring the risk management of banks, in Uzbekistan. Moreover, we are hoped that this research paper could partially provide some important and valuable recommendations, also paper focused initially in risk assessment for financing project of SMEs and creating a stronger relationship between banks and SMEs, could help also to recognize the role of analyzing risk management strategy in banks and condition of SME's recovery are major priority for achieving banks' financing target.

Research Objectives and Scopes of the Paper

The paper investigate on identify risks and risk assessment of bank financing SMEs' project in Uzbekistan Banking sector, analyze and discuss the extent of an effective risk strategy based on SMEs' project and recommend for implementation an effective risk assessment. All the theoretical knowledge combined with previous researches and consultations with the loan specialists from the banks, also extensively and deeply research into to assess risks of bank financing SMEs' projects, and to examine strong risk assessment, following objectives would be achieved: 1) To identify type of risks in financing small-medium enterprises' project in the banks, and 2) To find out efficient and effective techniques and tools which available for the risk assessment of financing SMEs' project.

Our research addressed properly the objectives, it is important to approach specific methods to analyze and discuss these methods widely, in adequate way. During conducting research when considering to what extent banks identifying risks for financing SMEs' project, and also mainly determine implementation of risk assessment process, understanding risks and its occurring during holding project, it is significant to approach proper the literature and examine bank financing SMEs to consider the potential definitions for the meaning of risk assessment for financing SMEs' project. To explore risk assessment measures and tools in SME's project by project manager, a single case study format was applied studying the project of QUNDIS as a bank financing SMEs' project, and credit managers faced risks during financing and also holding project. We need to say that results of a single case study in the research should be generalized cautiously, as they are perceived as less robust compared to empirical methods or multiple case studies. Apart from the introduction of the research study, this paper is organized as follows: the next section two presents literature findings in terms of type of risks and banks' risk assessment analyzed in various papers. Section 3 presents the methodology used to assess risk SMEs' project, and investigate on risk assessment. Section 4 analyses and discusses the questionnaires' results and case study analysis, final Section 5 presents the conclusions of the paper together with the authors' suggestions for future work.

LITERATURE REVIEW

Different Type of Risks in Bank Financing SMEs' Project

Many researchers' paper approached to examine the relationship between banks and financing SMEs' project. Reviewed papers placed significant focus on identify and discuss variety types risks in SMEs, because mainly, risk identification is always an important prerequisite for the later risk assessment, analyze the risk assessment practice for bank financing SMEs' project. There is growing literature relating to types of the risks and risk assessment of the SMEs, most papers made great contributions to the literature for financing SMEs' project. Gama and Geraldes (2012) found that the importance of the interest rate risk for financing SMEs. Also, they argued SMEs are highly dependent on bank loan which external finance, loan is the main source of financing SMEs' project. Thun, Drüke, and Hoenig (2011) study analyzed 68 German SMEs' activities and his research found that supply chain risks in SMEs' project. Thun et al. (2011) suggests that SMEs need to offer an increasingly range of products to meet needs by customers. On the other hand, this event widely dependence with the SMEs on their supply chains due to grow complexity. In fact, most SMEs are limited with single supplier in the products' procurement. Moore, Culver, and Masterman (2000), paper found raw material risks for financing SMEs' project. Mainly, they found deregulation and abolition subsidies in agriculture and on energy market, also increasing number of SMEs are looking for approach to manage raw material costs volatility. The evidence from Moore et al. (2000) research is that the volatility of raw materials cost in these sectors confronted with new SMEs' difficulties. The main reason in terms of increase competitive market, commodity cost rising could not passed on routinely to customers as usual.

Therefore, Gilmore, Carson, and O'Donnell (2004) focused on management and employees risks for bank financing SMEs' project. The paper analyzed that 40 British project managers interviewed by researcher and suggested that every business sector is exposed to avoid or loss knowledge, with skilled and experienced employees in valuable and reliable information. Mainly, knowledge management may constitute problems for financing SMEs. Also, Gilmore et al. (2004) study found that loss skilled and experienced managers during long term period, it become risky for the bank and SMEs, because new employees or managers can not possess similar skills and knowledge in short time. Wilson and Altanlar (2014), research study did with 16 qualitative interviews and quantitative survey of 124 SMEs in the UK, and paper found e-business and technological risks for SMEs' project, his research identified online safety is more dangerous risk if SMEs' project deal with e-business. Wilson and Altanlar (2014) noted that currently SMEs are exposed to various online threats which credit card fraud, cyber-attacks during holding project, also e-mail abuse identifying theft and others.

Furthermore, Forlani, Parthasarathy, and Keaveney (2008) pointed out that financing SMEs' project is facing credit risk, operational cost and exchange rate risk during implementing SMEs' project. It is important to note that these risks become from lender side within project, credit managers need to investigate on all risks during deciding loan. We can say that SMEs sector has also significant risks which influence to the project targets, and its success. According to Marcelino-Sádaba, Pérez-Ezcurdia, Lazcano, and Villanueva (2014), SMEs growth is accomplished in every project of the SMEs, on the other hand, all these pose significant risks due to SEMs do not approach or use techniques and know-how required which enable to run project growth efficiently and effectively. Ellegaard (2008) claimed SMEs often approach to use single sourcing for the procurement strategy. He found that total purchase size or volume did not divide among several suppliers. So, we can add that SMEs' project difficulties across the suppliers may become production interruptions and it will lead to significant supply chain risks for the SMEs.

Risk Assessment of Bank Financing SMEs' Project

In fact that small business is growing so fast and it has impacts hugely on the society, so banks' risk assessment equally calls for attentions and specific strategies for the financing SMEs' project. According to findings, many papers showed that banks' credit managers are facing more challenges and difficulties due to a small decline financing in loan quality. Kim and Vonortas (2014) sited that the roots of bad debts or poor loan quality deal with managers' skills and the mechanism of data processing when to decide loan for the existing SMEs. Kim and Vonortas (2014) stated the main problems start from beginning the stage which application for loans and expand issues at every next stages, during loan approval, monitoring, identify risks, control project when for the managers does not have existence of guidelines in risk assessment strategy. Ghauri and Gronhaug (2010) found that banks' risk assessment is specific approaches and process which approach comprehensive and methodical, investigate on risks identification and analyses project events, process of the activities to achieve strategic goals, sustain profit within all activity and across financial operations. Furthermore, risk assessment of bank financing SMES' project attach where report with inconsistency, insufficient evaluation project and poor quality assessment, it becomes unsophisticated and ineffective because of improper analysis risks factors, also lack of the pertinent information and inadequate data.

Baas and Schrooten (2006) think that risk assessment of bank financing SMEs emphasize on the capabilities of the business project to anticipate different changes, he stated not only avoid project's risks. We can say risk avoidance shows that waiting for the bad things, events to happen then approach it. Indeed, result showed that most credit managers choose to avoid SMEs' project risks in the banks. According to Render (2012), risk factors concern the assessment process. He claimed that risk assessment involves the "risk estimation" and "evaluation" phases. This is true that all risks initially estimated at beginning of the project which in planning stage, after that specific time to develop mitigate risks, this is also significant another plan and then give a attention to preventive actions. Berger and Udell (1995) claim that good risk assessment strategy for SMEs' project is set of policies to control, manage and monitor SMEs' project, transactions and SMEs' activities which huge impacts banking financial project, also enable and enact proactive signals and measures to identify, analyze, control and evaluate existing risks. According to Uzbek scientist in banking, risk assessment for the bank financing projects enable avoiding loses, profit maximization; help to find ways of restrictions in risks of SMEs' project. Also, mentioned that risk assessment of bank financing SMEs' project is an approaching and main measure of uncertainties during holding project schedule and an estimation of the project's cost, income, loan quality.

Furthermore, according to findings from literatures, risk assessment is accomplished with aid of different comprehensive methods, tools and techniques. So, these significant methods include risk maps, simulations, probability trees, and analysis by Monte Carlo way, Critical path and others. According to Carey (2001), the risk assessment process involves decision making process. Culp suggested that banks' risk assessment consist of three main parts which firstly identification risks, secondly analysis risks and finally evaluation risks. Southern Cross University found that risk assessment for SMEs defined application of management procedures, practice and policies systematical to approach main steps which include consultation and communication, in the next step is context establishing, later on identification risks, after that analysis these risks, in the phase, mainly assessing risks, also treatment for the risks, in final step review and monitor all risks of projects. In fact, we found during reviewing to previous researches, it is important to note that no comprehensive investigation has yet been focused in Uzbekistan banking sectors, mainly to identify risks of financing SMEs and to define risk assessment of SMEs project.

RESEARCH DATA AND METHODOLOGY

Data Collection

The aim of this article is to define risks of bank financing SME and to assess risks of the projects, and also examine the possibilities of improvements in the loan process of commercial banks by using significant methods. In this context, data collected from two main different sources which these are internal and external to the subject of research. We used to collect information primary and secondary data for conducting this paper. All secondary data sources are gathered figures, statistics and tables collected to get information, such our secondary data gathered from various literature, it may include electronic sites, books, different journal, the papers which done by other researchers and others, bank annual reports, SMEs management reports, published internal papers and country banks' policies. During conducting research, mainly primary data collected from distributing various questionnaires. All the questionnaires were consisted three key parts which two parts include 29 questions and final part consist of 5 open questions, designed to know more details from credit managers, across the managers' attitude towards specifically and understanding of risks and implementing risk assessment. Also, questionnaires distributed to the 100 credit managers who decided loan for SME sector, in the end only from 81 managers, respondents answered and returned filled questions, need to mention that a response rate of yielding is 81 percent. Therefore, questions investigated on identify risks, risk assessment goals for SMEs, techniques and process emphasize on implementing and understanding risk assessment of financing SMEs' project by lending managers and their approach that the managers take towards risks and risk control of SMEs' project.

Data Analysis Method

Data analysis were designed in term of the data accepted, received and also showed the participants' demographic diagrams, figures, tables using to demonstrate bank's risk assessment for bank financing SMEs' project. Calculated Cronbach's alpha for every sectors where investigated by using questionnaire and then for the data as a whole. Cronbach's alpha measured the consistency with the managers approach questions across their knowledge, experience and specification. It helped us during analysis data the reliability various research variables. Alpha composes of estimates of the rate for variation in different variables is because of random chance or maybe errors. Also, Subject regression analysis conducted on Research objectives. It is a main way of analysis relating variables to each other by regression analysis. The research study uses a single case project to analyze properly; in fact, advantage of analysis case project is what researchers focus on one case to provide an in-depth, holistic view on a specific topic.

Research Limitations

The research paper performance statistics are limited. Nevertheless, the research paper can obtain financial reports and related data of the banks, credit manager's reports, Central Bank's annual reports and other significant information. So, it was some limitations during conducting current research, such as to find specific historical information, data, time limitation, some cost issues, the size of subject area as well as some data confident.

DATA ANALYSIS AND RESULTS

Analysis of the Respondents' Results

According to data analysis that sample showed wide range credit managers in Uzbekistan. Result Data indicated that 86 percent credit managers are male in the banking sector. Mainly, managers have different education background, 38.8 percent manager's graduate bachelor degree, 20.2 percent of lending managers have senior high school background, and 12.9 percent credit manager got master degree. The average age of the managers is 35.8 years old; also they have different range of experience in deciding loan and assessing credit request for SMEs' project, from 1 to 22 years work experiences.

We used Cronbach's alpha to estimate reliability variables. As mentioned, we used three part questionnaires, questions from 1 to 29 were evaluated Cronbach's alpha. It is important to mention that Cronbach's alpha shows average covariance items and variance score. The test results (see Table 1) demonstrate that the measure has a Cronbach's alpha amount exceeds the standard cut-off point 0.700. Therefore, scales achieved strong reliability, in fact indicating good internal consistency. We can see from questionnaires' results that indicate collecting data is reliable for the research. We got result the value of alpha is 0.726, according to Nunnally (1978), results generally accept and also all collected information reliable and acceptable for the research paper. All research data include and provide specific tools and techniques for the credit managers during financing and also holding SME's project.

Table 1 *THE RESULTS OF THE CRONBACH'S ALPHA-RELIABILITY STATISTICS*

Key Questions	Reliability statistics	
	Cronbach's Alpha	*N* of Items (questions)
To identify risks, evaluate understanding and implementing risk assessment of bank financing SMEs' project to what extent done by credit managers?	0.719	15
To determine which methods, techniques and tools available in the banks and how many of them used by the managers for risks assessment of financing SMEs' project?	0.848	14
Overall	0.726	29

It is evidence that lending managers are facing different risks, especially ten of them more common and necessary to address during bank financing SMEs' projects. Also, banks are aware of the risks, significantly investigated on credit risk, exchange rate risk and project risks. So, according to data analysis, we found that the most common risks are facing by banks are credit risks, with mean 4.35 and 31.25 percent of respondents linked to this variable. The second significant is operational risk, and exchange rate risk, the next are supply chain risks, took significant focusing for bank financing SMEs' project. It is important to mention that eleven out of the eighty respondents see management and employee risks; with mean 1.25 and 6.25 percent credit managers faced this risk in SMEs' project.

According to data analysis, we can say the most important variables are avoiding any loses during financing projects, and credit managers focused on reduce credit risks of SMEs' project. It is important to note that 31.25 percent managers support to avoid loses in any condition. In fact, the main aim of assessing risk process should be maximize SMEs' profit, in this case for managers maximize profit is not significant variable. They support to this action in last priority, 22.5 percent credit managers think that increasing income main goals of risk assessment. Managers approached to identification risks as main method to assessing risks, on the other hand, transferring risks to partners help manager to avoid loses during implementing project, second significant method, but most of banks do not approach to transfer risks to other partners, to SMEs. In fact, some research papers suggested that manager need to approach hedging or diversification risks during giving loan and control project events. Results showed that it looks like unsophisticated approach to risks assessment and lack of understanding methods which available fort the credit managers. Mainly, the appropriation and application of more effective risk assessment methods represent an excellent solution to financing SMEs' problems. This could allow banks to manage more strategically the various components of risk. Indeed, lenders, especially banks could more precisely assess the real risks involved in funding SME projects.

There is evidence that paper found the three most important and effective risk identification methods which risk audit and inspections, judgments of the banks' managers, process analysis. The data indicated that 25 percent of lending managers approach to risks audit and inspections during risk identification. We know that risk identification is the first step for assessing risks, so if managers approach properly, it help them to assess risks comprehensively. The second significant method is SWOT analysis, with mean 4.10 and 23 responses by lending managers, it include 23.75 percent of total respondents. The next important variable for the risk identification cited as a judgments of the banks' risk managers, with mean 2.59 and 22 responses by the credit managers. It is important to note according to findings that internal communications and consulting with employee are a lower important for the manager as a method. Because data indicated that 12 respondents approach to this method, it consists of 15 percent of the managers who decide loan and assess risks for the SMEs' sector.

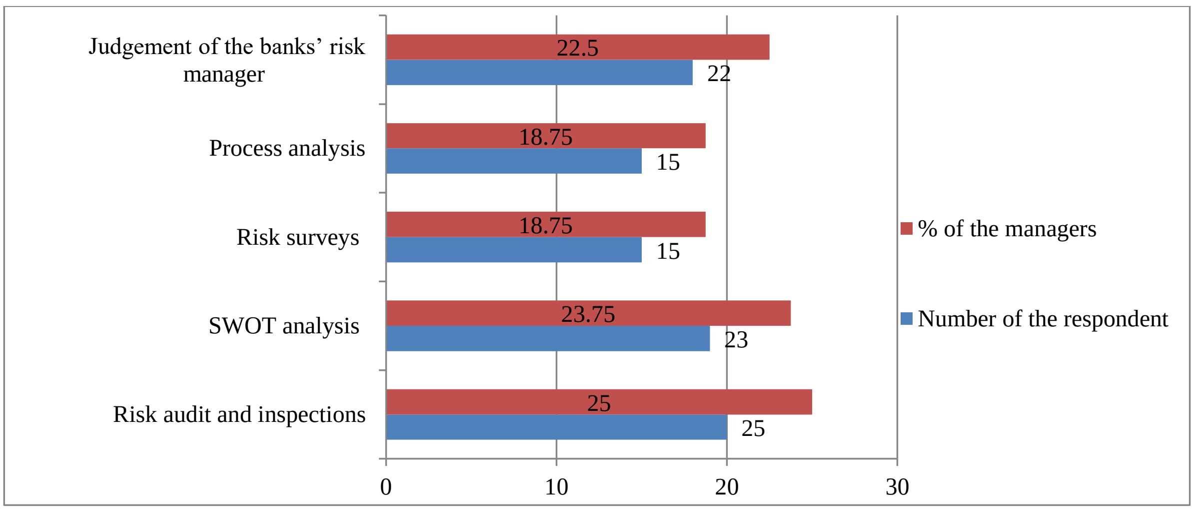

Figure 1 *The Result for Effective Risk Assessment Methods for Banks*

Data analysis indicated that the significant and effective tools for financing SMEs' projects are minimizing negative impacts and diversity cost, especially operation cost. The evidence that both tolls suggested by 25 percent of the lending managers, with means 4.22 and 4.20 respectively. Many managers stated that banks are not fully used and utilize all effective risks assessment operations. The second important variable is eliminating risks during financing SMEs' project, with a mean 4.10 and 23.75 percent of responses supported by the managers. Furthermore, ten of the respondents stated what their main method of risk assessment lead to business plan of the SMEs and project events, then lending manager make decision to finance and how combine risks to avoid loses. On the other hand, credit managers do not use more hedging as a specific tool which one main method for the European banks for assessing the risks, with mean 2.90 and 11 respondents used this tool during controlling risks of the bank financing SME's project.

Case Project Analysis

To investigate the research questions how credit managers access various factors in their risks assessment, also focus on which key factors are the main significant to the bank for financing SMEs' project, we analyze the case study of QUNDIS which bank financing project of the SME. To analyze how credit manager evaluated strategic improvement of QUNDIS project, the results of the questionnaire and interviews were used. In these, it was asked for strategic goals developed in the strategy process at project of the SME's QUNDIS. Data analysis confirmed that a focused growth by revenue growth and market entry to developing area by new products. The risk assessment of QUNDIS project included five major steps during holding activities (identify risks, analyze risks, and choose appropriate techniques, strategy implementation, final control) during implement SME's project.

Managers focused on the beginning step in the risk assessment approach and process, investigated continuously and systematically identified possible source of the risks in QUNDIS's project. They used to identify risks in QUNDIS three different methods: one lending manager stated firstly reviews of all data on QUNDIS project assets, management staff, activities of implement, and then they used financial statement to identify about specific financial sources of QUNDIS, finally they using flow charts to deeply analysis about all activities and operations of the SME's project. We need to say according our analysis QUNDIS's project risks can be practically identified in numerous environments;

indeed, the main difficult part is not only to manage and project risk also need to control them. So the primary goal of the risk identification is to identify threats and taking opportunities which may affect QUNDIS project objectives and consequently deliverables.

During risk assessment QUNDIS, the first step towards defining risk factors concerns the assessment process. Managers involved risk estimation and evaluation in this step. This is because risk is initially estimated at the planning stage of a project and consequently, there is time to develop a risk mitigation plan and take necessary preventive actions. Managers said that estimation facilitated project risks in terms of the probability of occurrence and impact numerically. According to our analysis managers identified those risks in QUNDIS project: 1) interest rate risk, 2) raw material prices risk, 3) supply chain risks, 4) management and employees' risks, 5) credit risks, and 6) operational cost risks.

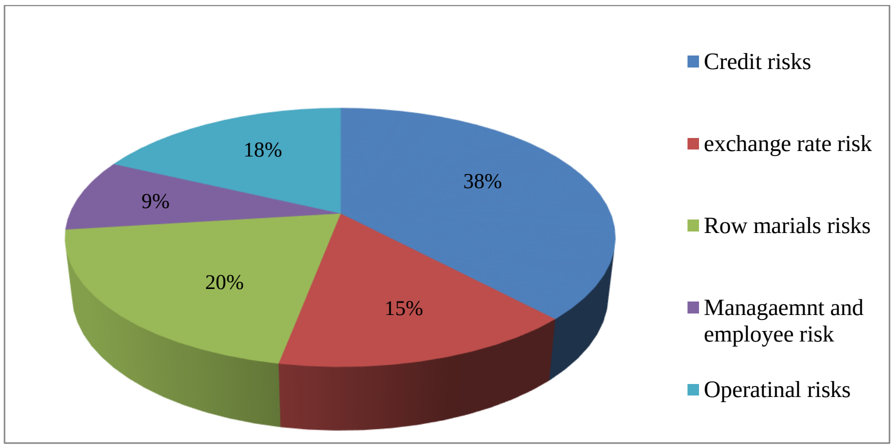

Figure 2 *The Type of Risks and its Size Facing by Managers in the Qundis Project*

According to data analysis, the evidence that the most important factor to decision making for supporting QUNDIS project is financial improvement, past performance. The data analyzes past performance and financial improvements using the leverage ratio as the indictor variable, one of the main measures to evaluate supporting a SME's credit request by lending manager. Leverage is defined as debt to equity ratio (total liabilities/total equity) at the transaction. At QUNDIS, a leverage ratio of 1.08 was used to finance the transaction. Also, interviews highlight that financial improvements, like financial status and past performance, played a primary role for decision in the project of QUNDIS. We need to say that due to QUNDIS' stable growing core business, a higher leverage ratio, proper financial condition to maximize loans return would have been possible. According to data analysis, we found that the three important factors increase during years positively. Data results indicated that these three factors supporting SMEs to repay loan for banks, also all data estimate indicators have helped to reduce loses and enable to lending managers control risks properly.

Questionnaire result showed that three significant reasons served as rationales for the loan decision for QUNDIS's project by the credit manager. First, the incumbent management of QUNDIS never handled uncommon high proportions of debt and covenant restrictions in term loan agreements before. Second, credit manager wanted to secure the availability of sufficient liquidity for growth of project. Third, the moderate leverage ratio should function as a key signaling effect to give loan for QUNDIS project. In fact, at QUNDIS a higher leverage ratio would have been possible due to constantly high free cash flows. Lending managers investigate on financial standing of the SME (past performance). It is significant to note that the current financial status of a SME is dependent, mainly on its past performance in term of the income and loses in the previous projects, also focused on increase or decreases the financial changing, strength of the SMEs.

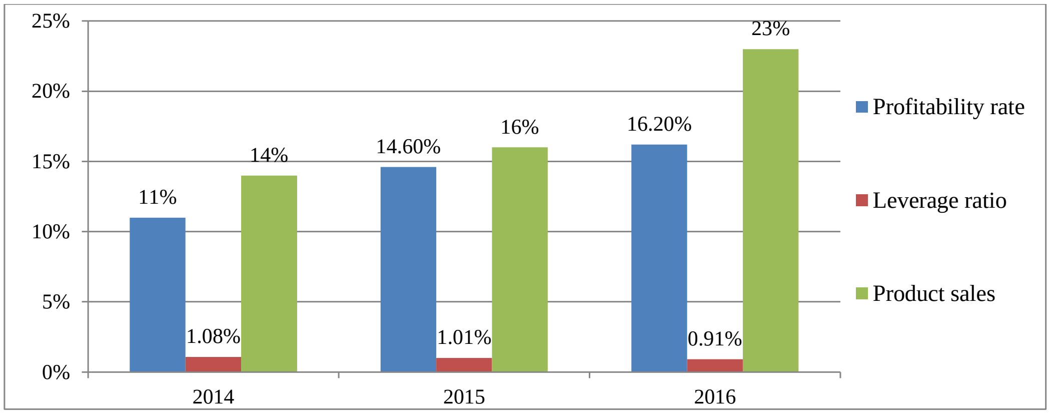

Figure 3 *The Significant Factors to Bank Financing "Qundis" Project*

RESEARCH CONCLUSION AND RECOMMENDATIONS

Research Discussion

Data analysis indicated that credit managers of banks to give loan for SMEs' project, has limited implemented capabilities and understanding risks of bank project relatively. As a result, they tend to be focused on the reducing risks and eliminate actual risks for SMEs' project. According to findings we need to say that a strategic approach for assessing SME's risks also including the use of controlling and diversification. This tells us that credit manager investigated on mostly operational approach during financing SME's project. They seldom used sophisticated strategic analyze risks during holding project. The evidence that banks' credit managers are not aware SME risks completely, which are associated with SME activities, within controlling loan and also project. But data showed that there is sometimes misunderstanding or disconnection between bank managers and SME's project managers. They have different understanding the importance of the risk assessment, financial stability both two sides, and also has similar the role of understanding risk assessment for bank financing project by credit managers.

In fact, the country's business climate for small firms has improved. As a result, Uzbekistan's position in the World Bank's Doing Business ranking improved by nearly 80 positions in five years, to 76 of 190 economies in Doing Business 2019. But, paper found that banks do not have enough skilled lending managers, this is also effect to quality of assessing risks, because skilled managers need to do complex strategic implementation within assessing risks of SMEs, the manager has to ensure and concentrate on the simpler risk identification, analyzing, controlling, and also other specific approach. Also, we addressed to main efficient techniques and tools which managers used for the risks assessment, data analysis provided some relative effectiveness and some cost benefit for SMEs. Findings indicated that managers preferred like the key supporting indicator are management plans, development project plans, mitigation, elimination, diversification the most effective tools for risk management during implement bank financing SMEs' project to be successfully.

The evidence that business plan or project concern of SMEs, epically comprehensiveness is the main significant direct effect variable which investigation particular. So, writing of business plan is key part and also endorsed by literature, some universities, supporting agency and other. Business plan enable and suggest that it is one of the vital necessary to the success of SME's project, it will help also managers to manage and identify risks within investigate on business plan of the SME. Data analysis shows there are two important interactions in this research paper. So, SMEs with enough financial standing can enable their extensive sources, mostly financial resources to repay back loan of the bank and also fee regardless of the project outcome individually. We can say that if SMEs have strong financial resources, it can compensate for highly risk proclivity. In case of financing QUNDIS project, SME has the necessary funds to implement project and operate activities. On the other hand, SME's financial data is easy accessible because that information already audited, so for the bank is highly reliable and valid, as a result, the bank supported financing SME's project.

Research Paper Conclusion

World Bank data showed that Uzbekistan economy creates about 280,000 new jobs per year on average (on a net basis) compared to the 600,000 jobs demanded each year for demographic reasons alone. The economy needs to double the number of jobs created each year only to absorb new entrants. Research papers found most jobs opportunities will have to be created by the SMEs, and also establishing new start-up enterprises. These also carry significant economic and social risks will need to be carefully monitored and managed. Risk can be defined as "any potential problem that threatens the success of a project". A risk is measured by a combination of the probability of a perceived threat or opportunity occurring and the magnitude of its impact on objectives. SMEs' project risks can be assessed numerically and are prioritized. Several risk factors and related attributes were identified and categorized. We found that banks are facing a relatively risks for the SMEs' project, all these risks lead to project events and activities. Results indicated that mostly risks include such as credit risk, exchange rate risk, operational risks, row materials risks, management and employee risks, and other. But managers did not develop to pint where most complex risks managed and emerged on large scale. It seems to be lacking understanding and unsophisticated about various tools which available to identify and analyze risks of bank financing SMEs by credit managers. They focused on some blunt techniques and tools of risk assessment; in fact they should take a look advanced approach.

Research on risk assessment in bank financing SMEs' project has focused extensively on the objectives and analysis results of the questionnaires. Furthermore, the case of QUNDIS suggests that lending managers should create strong risk assessment within their investments. It was shown that the SME use financial, strategic and operational improvements measures to higher the performance of bank investments. The case of QUNDIS highlights are that risk assessment measures vary across different size-investigation of lending managers. Furthermore, the case provides in-depth insights into the risk assessment process in the SME's segment. Regarding QUNDIS project, the results indicate that credit manager analyzed and evaluated project concern significantly and investigated improve revenues and margins. Data analyzed showed that operational improvements seem to be an important source of repay loan even if the SMEs do not have comparable skills and capabilities, also showed a lower leverage ratio is more likely for the SME segment which might be attributed to a lower level of management competencies to handle liabilities. Indeed, an optimization of lending process makes additional interest incomes and assessing risks in early stage.

Recommendations

According to results and findings, paper suggests that the most effective project risk assessment processes are those whose team members facilitate innovation and learning as much as possible. Provided that the team works in a spirit of empowerment, this can be overall assistive in fostering greater motivation, thus leading to project success (Peterson, 2007). Moreover, the project team has an important role in the planning phase related to requirements, risk review and quality plans. Mainly, a project cannot run without team members. To execute a project and attempt to lead it successfully, conforming to project's requirements and realizing an expected outcome is main task of banks' managers. The development and establishment of strong risk assessment for SMEs' project, especially for risk assessment frameworks of lending managers are supported only simply good practice guidelines but also legal requirements in complex SME's project environments. The main strength of such frameworks lies in their comprehensive formality, narrative of collective experience and accuracy in describing specific processes for specific purposes of assessing the risks.

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