# THE ROLE AND SIGNIFICANCE OF FACTORING AGREEMENTS IN INTERNATIONAL SALES CONTRACTS: NATIONAL AND FOREIGN EXPERIENCE

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**Abstract:** This article examines the role and significance of factoring in international sales contracts. The research is based primarily on two legal sources: the 1988 UNIDROIT Convention on International Factoring and the 2023 Model Law on Factoring. These documents describe factoring as a financial mechanism that combines receivables assignment, financing, and debt collection. The Convention clearly regulates key issues such as the assignment of receivables, notification to the debtor, and the invalidity of contractual clauses restricting assignment. Practical sources show that factoring helps exporters accelerate payments, reduce risks, and simplify trade procedures. The article also evaluates the advantages and potential challenges of this mechanism, along with the opportunities for its application in Uzbekistan.

**Keywords:** Factoring, international sales, UNIDROIT Convention (1988), Model Law (2023), receivables assignment, financing, export factoring, credit risk, accounts receivable, anti-assignment, cross-border contracts, SME financing, supply chain, exporter, financial services, international trade law.

**Introduction:** In today's global trade environment, the volume of goods and services exchanged between businesses is constantly increasing. Under these conditions, timely payment in sales contracts becomes extremely important. However, in practice, delays or non-payment by the buyer remain common issues that create financial risks for exporters.

For this reason, companies use various financial instruments to reduce risk and improve cash flow. One of the most effective tools is the factoring agreement. Through factoring, the exporter transfers its receivables to a financial institution (a factor) and receives immediate financing. This helps enhance payment discipline, reduce risks, and make international sales transactions more stable.

This article analyzes the role of factoring in international trade, its main advantages, its practical applications, and its impact on contractual relations within the IMRaD structure.

**Material and method:** One of the most widely used international sources on factoring is the statistical and practical data published by FCI (Factors Chain International). According to FCI, global factoring volume has exceeded USD 3 trillion in recent years, with around 20% attributed to international factoring. Literature also shows that the most commonly used model in cross-border trade is the two-factor model, which involves:

1. the export factor — financing the exporter;
2. the import factor — assessing the buyer and collecting payment

This model is considered the safest option, especially when importing countries have different legal systems, currency regulations, or payment cultures.

The single-factor model is also mentioned in the literature but is mainly used when trading with neighboring or low-risk markets. International experts describe the single-factor model as "cheaper but riskier."

In Uzbekistan, academic papers primarily examine factoring in the context of banking activities. According to Central Bank data, factoring volumes have grown by an average of 25–30% per year. In local practice, recourse factoring remains the most common form, largely because late payments are frequent in many sectors. Local researchers highlight that factoring is most widely used in:

A) construction materials trade,
B) wholesale food distribution,
C) mall exporting enterprises.
Delectronics and technical goods distributors.

Two key factors are driving the development of factoring in Uzbekistan:

1. the introduction of electronic invoicing,
2. increased competition among banks, which is lowering factoring rates.

This article relies on two sources – international FCI practice and Uzbekistan's banking experience. A comparative method was applied to evaluate international factoring models against domestic practices. A second method — case analysis — was used to examine real situations, such as export factoring, domestic factoring, payment delays, and financing rates. For example, in Uzbekistan factoring usually finances 70–90% of the invoice value, while international practice typically ranges from 80–95%.

International analysis shows that the two-factor model reduces risks more effectively, but in Uzbekistan single-factor and recourse factoring are still more common. Using generalization, the study identifies elements of international models that can be effectively adapted to local conditions.

**RESULTS:** The results show clear differences between international factoring practices and those in Uzbekistan. Internationally, the two-factor model is seen as the most effective because the import factor evaluates the buyer, collects payments under local law, and significantly reduces the exporter's risk. In Uzbekistan, however, single-factor and recourse factoring dominate, leaving most of the risk with the seller.

The analysis indicates that demand for factoring in Uzbekistan is rapidly growing among small and medium-sized enterprises because it provides quick financing without traditional loans. According to banking data, 70–90% of invoice value is typically paid in advance, which helps businesses overcome cash-flow gaps. International practice shows slightly higher rates — around 80–95%.

Another important finding is that the growth of factoring in Uzbekistan is strongly influenced by electronic invoicing, bank competition, and export-support measures. Electronic documents accelerate procedures, while competition among banks gradually lowers service costs. Exporters increasingly use factoring to avoid long waiting periods for payment and to receive early financing.

International evidence also suggests that the two-factor model is highly suitable for Uzbekistan, especially for exporters trading with Russia, Turkey, Kazakhstan, and European countries. In these markets, having a local factor to collect payments significantly reduces risk. In Uzbekistan, the most problematic issues remain buyer risk assessment and payment collection — challenges that the two-factor model directly solves.

**DISCUSSION:** The study concludes that factoring plays an essential role in international sales by enabling exporters to receive faster payments, reduce risks, and stabilize their financial flows. Internationally, the two-factor model remains the most effective, while in Uzbekistan factoring still requires broader development. Expanding knowledge among businesses, increasing competition among banks, and improving legal frameworks will significantly support its future growth.

In general, factoring is a reliable financial mechanism that supports international trade, encourages export activity, and ensures a safer and more efficient trading process. In Uzbekistan, its wider implementation will contribute to export growth and provide meaningful support to businesses.

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