

THE IMPORTANCE OF CREDIT RISKS IN PROVIDING SERVICES TO INDIVIDUALS IN COMMERCIAL BANKS

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Abstract. The thesis deals with issues related to improving the management of credit risks in the activities of commercial banks of the Republic of Uzbekistan, as well as developed scientific proposals aimed at solving these problems. Also studied are further ways to improve monetary policy using the tools used in international best practice in the strategy of the President of the Republic of Uzbekistan.

Keywords: credit, overdue loans, classified loans, commercial bank, credit risk, central bank.

INTRODUCTION

Deposit policy, which is one of the most economically important activities of commercial banks, must be balanced as a single strategic system to ensure balanced financial flows and maximize profits from these financial instruments. The main goal of the banking system of the Republic of Uzbekistan is to provide banks with access to liquidity and profitability by improving their operations. Further improvement of monetary policy using the tools used in international best practices in the strategy of the President of the Republic of Uzbekistan, as well as the gradual introduction of modern market mechanisms for foreign exchange regulation that ensure the stability of the national currency; The deposit policy also defines the goals of deepening and ensuring the stability of the banking system, increasing the level of capitalization and deposit base of banks, strengthening their financial stability and reliability, further expanding

investment lending and lending to small businesses and private entrepreneurship with an important fund.

MATERIALS AND METHODS

Strengthening the resource base of commercial banks is one of the most urgent problems facing banks today. The Association of Banks of Uzbekistan for the implementation of the Program of Measures, approved by Decree of the President of the Republic of Uzbekistan dated September 12, 2017 No. PP-3270 “On measures for the further development and stability of the banking system of the republic”, has been revised tariffs for existing banking services in commercial banks. At the same time, commercial banks are focused on optimizing the policy of commercial banks, ensuring the profitability of the bank, thereby increasing the attractiveness of banking services and attracting new customers, and most importantly, establishing close business relationships with customers. The range of banking services and products offered to customers is expanding.

Credit risk management has been scientifically researched by foreign and Uzbek scientists, and relevant conclusions and recommendations have been identified.

According to Wang Xuefeng and Wang Lin, the content of credit risk management is to create a mechanism to balance the level of profitability and the level of risk on loans [2, p. 26].

However, the authors did not take into account the impact of credit risk on bank liquidity.

From the point of view of J. Sinki, commercial banks should regularly analyze loans in order to avoid the expansion of credit risk. This allows you to determine the required amount of reserve capital provided to cover losses on loans [3, p. 37]. This is of great practical importance for banks in Uzbekistan. This is due to the fact that commercial banks in our country do not conduct regular loan checks [3–4].

RESULTS AND DISCUSSION

The data presented in Figure 1 shows that over the past 3 years (2021-2023), the country's commercial banks have tended to increase the amount of overdue payments on loans provided by commercial banks. In addition, during the analyzed period, there was a high growth rate of overdue loans. In 2023, the growth rate of overdue loans compared to 2021 was 61.6%. Therefore, this is a negative point in terms of improving credit risk management practices.

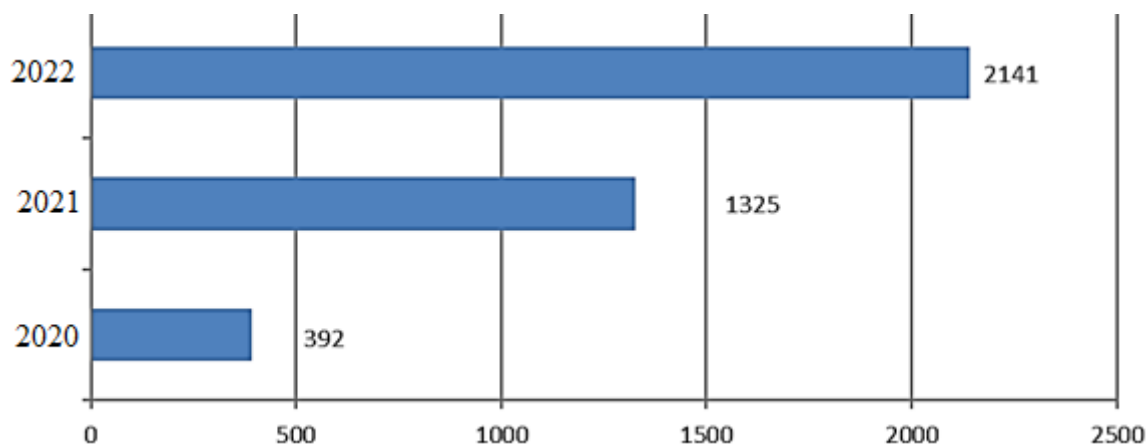


Figure 1. The amount of overdue payments on loans provided by commercial banks of the Republic of Uzbekistan, billion soums.

One of the indicators characterizing the credit risk management practice of commercial banks is the change in the structure of non-performing loans.

It is noteworthy that the distribution of reserves is made for all categories of loans classified by commercial banks of the Republic of Uzbekistan: standard loans - 1%; subprime loans - 10%; low-quality loans - 25%; doubtful loans - 50%; "bad loans" - 100%.

CONCLUSION

To improve the practice of credit risk management in commercial banks, the following measures should be taken:

1. An important element of the integrated credit risk management system is the creation of an effective system for managing the structure of the loan portfolio. The focus of this management system should be the implementation of a bank lending model that strikes a balance between the level of credit risk and profitability.

2. It is necessary to improve the methodology for determining credit limits based on the best international practices.

In the banking practice of the Republic of Uzbekistan, network credit limits are not applied. In addition, there are no regulatory requirements for the level of loan portfolio diversification.

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