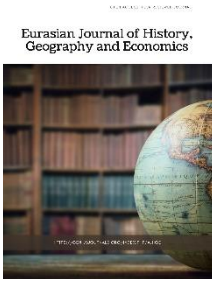

Improving Credit Risk Assessment Methods In Commercial Banks

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ABSTRACT

This article discusses ways to improve risk assessment methods in commercial banks. It also analyzes the most diverse risk positions to ensure maximum diversification, which is the process of collecting different loans, so that borrowers do not have changes in the external economic environment in which they operate. In addition, conclusions and recommendations were made on how to improve risk assessment in commercial banks.

Keywords: Risk, net risk, credit risk, diversification, hedging, deposit, risk zone, currency, loan portfolio.

Introduction

In today's era of globalization, we cannot ignore the fact that the integration process is gaining momentum, the economic, political and social relations between the countries are developing day by day, and the banking system is one of the reasons for economic development. Today, in the context of large-scale modernization of the economy, the quality of banking services, including the exemplary level of credit operations, which is a traditional type of service of major banks, is of great importance in the economy of any country. President Sh.M.Mirziyoyev in the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 further strengthen the banking system, increase liquidity, improve financial stability, ensure the stability of the national currency and prices, develop banking services, introduction of modern principles and mechanisms of banking regulation. Banking risks fall into four categories: financial, operational, business, and emergency. Banking risks fall into four categories: financial, operational, business, and emergency. Financial risks include two types of risks: net and speculative. Net risks (credit risk, liquidity and solvency risks) can lead to losses for a bank if not properly managed. Speculative risks based on financial arbitrage (interest, currency and market (or position) risks) may result in profit or loss in any other way if the arbitration is properly conducted.

Like any organization operating in a market environment, a bank is at risk of loss and bankruptcy. The bank's management seeks to maximize profits while minimizing the possibility of losses. Maintaining an optimal balance between profit and risk is one of the main and most difficult challenges of bank management.

Danger is associated with uncertainty about events that are difficult or impossible to predict. The loan portfolio of a commercial bank is exposed to all the main types of risks associated with financial activities: liquidity risk, interest rate risk, the risk of default. The latter type of risk is especially important because non-payment of loans by borrowers causes great damage to banks and is one of the most common causes of bankruptcy of credit institutions.

Credit risk depends on exogenous factors related to the state, economic environment, market conditions, endogenous factors caused by the bank's own misconduct. The ability to manage external factors is limited, although the bank can mitigate their impact to some extent and prevent losses by taking timely action. However, the main support for credit risk management lies in the bank's domestic policy.

By diversifying the loan portfolio, it is possible to minimize the credit risks of banks, the quality of which can be determined on the basis of assessing the risk level of each individual loan and the risk of the entire portfolio as a whole.

The degree of diversification of the loan portfolio is the presence of a negative correlation between loans or their independence from each other.

The degree of diversification is difficult to determine, so diversification refers to a set of rules that a lender must follow, such as: not lending to more than one enterprise in the same industry; non-lending to enterprises of different industries connected with the technological process, etc.

Striving for maximum diversification, which is the process of collecting different loans, is an attempt to form a loan portfolio with the most diverse types of risk so that borrowers do not have to change in the external economic environment in which they operate. negatively affects all loans. Changes in the economic environment should affect the condition of borrowing enterprises in different ways. This means that in the most stratified types of risks, lenders understand the most varied attitudes of loans to events in the economy. In this case, we can expect that the amount of income will not depend on the market situation and will be maintained.

In addition, different types of financial risks are closely related to each other, which can significantly increase the overall risk profile of banks. For example, a foreign exchange bank is usually exposed to currency risk, but if it has open positions or has a maturity to settle claims and liabilities in a pure futures position, it is also exposed to additional liquidity and interest rate risk. will be exposed.

Deposit risk is the risk associated with the possibility of non-return of deposits (non-return of certificates of deposit). This risk is very rare and is associated with the organization’s unsuccessful selection of a commercial bank for deposit operations.

Financial risks include two types of risks: pure and speculative.

Net risks (credit risk, liquidity and solvency risks) can be detrimental to a bank if not properly managed.

Speculative risks based on financial arbitrage (interest, currency and market (or position) risks) may result in profit or loss in any other way if the arbitration is properly conducted.

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Literature review

In economics, as in life, we can never know exactly what will happen in the future, and we will not have the opportunity to circumvent risk at all. However, through a number of tools we can minimize it. Lavrushin (2001) argues that “bank risk is a measure of the value of a probable event that leads to losses”. Risk may not always lead to losses. When any business entity or individual intends to engage in a risky activity, it always intends to make a high profit. Therefore, we do not fully agree with the idea that this will only lead to losses. Another Russian economist, Panova (1997), defines “risk is the risk or opportunity of loss in the event of an unforeseen event”. In her description, Panova substantiated two main directions. These are, firstly, similar to Lavrushin’s (2001) view of risk, which also states that risk represents losses, and secondly, that risk is an unexpected event. Foreign scientists prefer to see their isolated species rather than classifying risks. Rose (1992) gives a broader understanding of risks and says that banking risk consists of 6 main types of risk - credit risk, non-profit risk, liquidity risk, market risk, interest rate risk, insolvency risk, and these risks are the most significant risks in banking. Secondary risks for the bank include political risk, risk of abuse, currency risk. The risk-related nature of banking activities requires that costs, losses and losses are constant and that they are monitored on a daily basis. The presence of costs, losses or losses in banks are not a risk in themselves. Each of these concepts has its own meaning.

Research methodology

Scientific methods of studying the processes of economic reality - experimental research, generalization, grouping, logical and comparative methods of analysis, abstract-logical thinking, comparative analysis, statistical analysis, prospective forecasting and other methods were used in the research work.

Analysis and discussion of results

Table-1

Classification of banking risks

Criteria	Types of risk
According to the degree of impact on the results of banking activities	low, moderate and full risks
According to the forms of formation	Systemic risks, irregular risks
According to the reasons for its formation	pure and artificial risks
According to the time of exposure	Past, current or future risks
According to the method of management	Open and closed
According to the calculation method	Public and private
According to the field of origin	External and internal risks

The Bank's risks related to interest payments on deposits, savings and other borrowings, interest payments on borrowings from other financial institutions, salaries of bank employees and other operating expenses can be expressed in the following forms: changes in the market economy The increase in interest rates on savings is reflected in the lack of credit resources, the increase in the cost of purchasing credit resources, the increase in the cost of salaries of bank employees. Excessive bank expenses and inability to earn income cause damage to the bank (Table 1).

Conclusion

Therefore, banks should always try to provide small amounts of credit to a large number of customers who are independent of each other. In addition, in order to reduce the negative consequences of risk, it is necessary to increase the range of banking services and further improve the quality of customer service, adapt banking legislation to current conditions. In order to increase the capitalization and financial stability of banks, increase their resource base, it is necessary to consider specific measures to attract the population's savings and free funds of economic entities to time deposits in banks and to develop the financial market. We believe that taking measures to ensure the liquidity of commercial banks using modern methods of asset and liability management will also serve to reduce the level of risk in banks.

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