BASICS OF CREDIT RISK MANAGEMENT IN COMMERCIAL BANKS

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Abstract. Commercial banks cannot achieve the intended profit without reducing the level of risks affecting their activities and effectively managing them. Bank risk management is related to how to identify the risks that arise in the implementation of banking activities. In this article, the essence of the concept of "bank risk" has been studied, methods of bank risk management have been studied, and special proposals have been made to reduce their impact.

Keywords: Commercial banking, risk, banking risks, risk management, credit risk, risk diversification.

INTRODUCTION

As any economic activity is aimed at making a profit, the intended result of the activity of commercial tanks is primarily to make a profit. It is associated with risk. Because of this, the first issue facing commercial banks is to achieve the optimal level between risk and profitability.

The implementation of the principles of market relations in Uzbekistan requires commercial banks to study the risks associated with their activities more than other economic entities. Because commercial banks, on the one hand, have obligations to their shareholders, customers who have entrusted their funds and are using banking services. In the effective operation of the banking system, commercial banks, which are important sectors of the economy, serve to further develop and improve our economy. However, as a result of the pursuit of a large amount of profit and the widespread use of speculative practices, it can have a negative impact not only on the stability of commercial banks, but also on the entire banking system. Because the activities of banks are always associated with risks, the correct assessment of risks is one of the urgent tasks.

MATERIALS AND METHODS

A number of foreign and domestic scientists and economists have conducted scientific research on such topical issues as optimization of the use of insurance tools in risk management, formation of a risk management system in accordance with modern requirements, and further deepening of reform and modernization.

Economists such as P. Rose, J. Sinki from foreign countries, E. F. Zhukov, G. G. Korobova, O. I. Lavrushin from Russian economists have expressed their scientific views on the risks of commercial banks in textbooks and training manuals. In particular, according to O. Afanaseva, one of the foreign scientists, short-term loans

for banks in developing countries are preferable to long-term investment loans, characterized by high profitability and low risk level [1]. O.I.Lavrushin defined bank risks as follows: "Bank risk is a measure of the value of a possible event that leads to losses" [2].

RESULTS AND DISCUSSION

P. Rose, the author of the "Bank Management" textbook, gives a broader understanding of risks, and he divides banking risks into the following six main types [3]:

- credit risk;
- currency risk;
- liquidity risk;
- interest rate risk;
- operational risk;
- market risk.

Risk management in commercial banks is mainly carried out according to 6 types of risk proposed by P.S. Rose. Among these types of risks, credit risk creates other types of risks. Therefore, credit risk is considered the biggest risk in commercial banks, and commercial banks pay great attention to its management.

In general, commercial banks should do the following to reduce credit risk:

- the credit department should regularly systematize and summarize information on the allocation and return of loans. Information on the given loans should be classified according to the size of the given loans, according to the customers who received the loan (individuals, state bodies, enterprises, other banks, etc.);
- specific powers for granting loans should be defined, the higher the level of knowledge of the employee of the credit organization, the greater the amount of the loan he can sign;
- when issuing large and dangerous loans, several banks unite and jointly issue this loan;
- it is necessary to use the services of insurance companies that insure that the loan will not be returned;
- determination of external restrictions on granting loans. Let's say that it is desirable not to allow a very large amount of credit to be given to one customer.

CONCLUSION

The lending process is associated with many and various risks, which creates the problem of not repaying loans on time. For this reason, when credit organizations give loans to their customers, analysis of the customer's creditworthiness is important in preventing credit risk.

Also, the use of modern financial technologies in credit risk management is one of the effective ways to prevent credit risk. In recent years, in this regard, new

technologies were brought to commercial banks from foreign countries in our republic and the "Scoring" system was established. This system determines the creditworthiness of the customer, and the human factor is not involved. This helps to make the right decision in the lending process.

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