THE IMPACT OF CREDIT RISKS ON AN EFFECTIVE ORGANIZATION IN THE FINANCIAL SERVICES OF COMMERCIAL BANKS

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Abstract. *In this article, the implementation of a clear mechanism for the implementation of multi-factor analysis in the management of bank risks, the formation of reserves, the improvement of monitoring of the quality of bank assets, taking into account the diversification of the loan portfolio, as well as warning measures to prevent the emergence of problematic debt, are discussed. Sufficient importance is given to the scientific improvement of admission methods.*

Key words*: crediting process, credit practices, forms, volume, and measurements of loans.*

ВЛИЯНИЕ КРЕДИТНЫХ РИСКОВ НА ЭФФЕКТИВНУЮ ОРГАНИЗАЦИЮ ФИНАНСОВЫХ СЛУЖБ КОММЕРЧЕСКИХ БАНКОВ

Аннотация. *В статье реализован четкий механизм реализации многофакторного анализа в управлении банковскими рисками, формировании резервов, совершенствовании мониторинга качества банковских активов с учетом диверсификации. обсуждаются кредитный портфель, а также предупредительные меры по предотвращению возникновения проблемной задолженности. Достаточное значение уделяется научному совершенствованию методов приема.*

Ключевые слова: *процесс кредитования, кредитная практика, формы, объемы и измерения кредитов.*

Introduction. In the current era of globalization, integration processes are rapidly developing, and the relations of states in all their economic, political, and social aspects are changing day by day, so we cannot ignore the banking system as a precursor to economic development.

Today, in the context of comprehensive economic modernization, the high-quality implementation of banking services is of primary importance in the economies of each country.

Credit operations, as one of the operations carried out by banks, can have a significant impact on their income. While they provide interest income that constitutes the majority of a bank's revenue, they can also contribute to reduced profitability. Therefore, it is essential for banks to improve the quality of their credit relationships.

Successful completion of these relationships is not only beneficial for the financial institution, but it also leads to increased efficiency and profitability.

By establishing strong connections with customers, the service network is strengthened, contributing to economic growth and ensuring the bank's strong position in the market.

This can lead to increased customer coverage and provide high-quality services that contribute to the success of the institution.

This factor depends on how seriously the bank's staff approach their duties, the level of experience and education of the staff, as well as the borrower's responsibility towards the loan.

Proper organization of the loan process, which has a positive impact on the performance of banks, is seen as the main factor contributing to increasing the profitability of banks and attracting additional resources.

We cannot imagine banking without risk. There is no doubt that any economic service involves risk. However, if it is caused by the nature of the service, we can say that risk exists in banking as well.

Thus, good banking is not about avoiding risk but about anticipating and minimizing it.

The risk is that in other multifaceted decisions, the bank consolidates its funds, fails to generate income, or, as a consequence, takes on additional liabilities as a result of absorbing uncertainty, whereas it is possible to talk about good results with prostitution.

Bank risk: the risk of loss characteristic of banking services as a result of circumstances affecting economic, financial, judicial, political, and technological affairs and (or) depending on external risk takers; and (or) the presence of the risk of complete or total loss of the bank's liquidity (the bank's ability to cover its expenses in a timely manner) associated with the risk that the future of the bank may be realized as a result of a lack of opportunities.

Methods. We will analyse bank credit and credit risk solutions with using international bibliographic issues and use methods graphs and tables for compares data.

The word "risk" exists in many European languages. For example, in Greek there is the word "ridsikon" which means stone, stick. In Italian there is the word "riso" which means "something beyond ability"[1].

Economic dictionaries use the word "risk" to mean "danger, loss, possibility of loss". B. T. Sevryuk defined risk as a decision, a situational situation of the seller, and A. Olshansky's Russian method defined risk as risk not tolerating or measuring the benefits associated with manual production[2].

A. Smith attempted to determine the proportional relationship between risk and gain. He noted that “ target drug doses increase in areas without risk conditions, which is associated with an increase in the proportion and number of plants exceeding the drug levels” reported in his article[3].

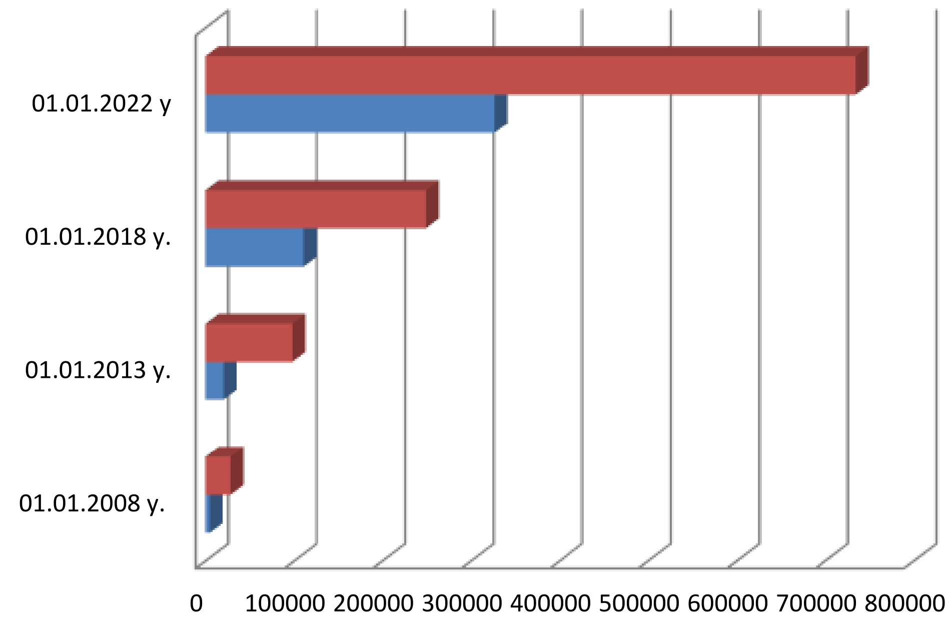
Bank risk management—the identification, prevention, solution, and reduction of risks that may arise in the course of the bank's activities and the provision of services to it, as well as coverage of possible losses through other insurance instruments—consists of a set of actions performed by the bank.

Results. If we determine the share of loans relative to total output, we analyse the share of loans in total output divided by the 5-year period from 2008 to 2022.

The table shows that at the beginning of 2022, the share of loans in total output will decrease to 44.4%, which means that the share of loans, which increased from 16% to 44.4% over the next 15 years, will progressively increase over the next 15 years

1-table

Loans in Gross domestic product in Uzbekistan for 4 periods



	01.01.2008 y.	01.01.2013 y.	01.01.2018 y.	01.01.2022 y
gross domestic product (billions of sum)	28190	97929,3	249136,4	734 587,70
Credit assets (billions of sum)	4757	20392	110572	326 385,60

Improving the efficiency of loan operations contributes to the study of problems that arise within loan systems and the reduction of their negative impact on banking operations.

At present, the development of practical measures aimed at reducing the impact of negative factors in the lending process and improving the efficiency of credit relationships is the primary objective of banks.

The sector involved in working with government programs. Factors that have a negative impact on the efficiency of the lending process include improving the scientific expertise and skills of the bank's staff in applying appropriate forms and lending methods, depending on cross-industry customer specifics, including in assessing the creditworthiness of borrowers (1-graph).

The following cases, shown in the 1-graph, can be attributed to undesirable factors that may arise during the lending process. In order to minimize the factors that can negatively impact credit efficiency, banks should take the following measures:

- practical application of various lending forms and methods while also developing a comprehensive assessment of borrowers' creditworthiness;

- improving the quality of decisions made by bank credit committees. attentive consideration of clients' interests in credit relationships and ensuring full adherence to contractual terms;

- adequate monitoring of debtors.

The globalization of economic processes and the development of information technologies have a significant impact on the banking business.

Computerization in the world and the expansion of the network of Internet technologies made it possible to create effective systems for the provision of accounting services to clients, to accelerate the payment of accounting books, and to increase the flow of money.

The largest collection of new bank names at the same time, more and more changes have brought different types of risks to the banking business.

Discussion. In such a situation, banking institutions need to analyze the financial situation as well as the new board. Necessary changes have occurred in the assessment of the financial stability of banks in various countries.

Factors that have a negative impact on the efficiency of the lending process

include improving the scientific expertise and skills of the bank's staff in applying appropriate forms and lending methods, depending on cross-industry customer specifics, including in assessing the creditworthiness of borrowers. Branch manager:

improving the quality of credit committee decisions of the bank; front office:

improving the scientific expertise and skills of employees in implementing the principle of credit security; back office:

actual implementation of the terms of the agreement in credit relationships that do not align with the interests of the customer; the first deputy manager (Corporate Services Manager):

Lack of Initial Monitoring of Borrowers. Legal Entities Service Department

Fulfilling the requirements of national standards necessary to ensure the administration of credit customers.

A significant decline in interest income. Deputy Manager (Responsible for retail operations)

Absence or insufficient effectiveness of risk assessment and management, as well as credit risks in the bank. Retail operations department

Improving the Quality of Bank management. Department of lending to individuals

A poorly established system for managing revolving loan accounts. The sector involved in working with governent programs

Graph №1.Factors that have negative impact on effiency of lending process[1]

[1] Prepared by authors

They have the following changes:

1. At the present time, the reputation of bankers is focused on the risks of banking. In all the systems of the regulatory agencies, the management takes action in a standardized manner, regardless of the business regulations. At the same time, it is possible that such factors will not give effective results through intermediate (distance) inhibition. Therefore, in many countries, they pay attention to the inspections. Transactions with the heads of commercial banks will remain in operation.

2. The rules of the game are based on statistical models of "speed-moving systems." The purpose of this model was to clearly identify the possible problems in the business of commercial banks and, thus, establish an effective ban.

In the United States and in the countries of Europe, by comparing with each other, commercial banks have developed an operational system based on the current state of the art. The aim of the system of regulation is to be aware of the fact that it is necessary. It gives the opportunity to effectively prevent the impact on the parties involved in the joint banking business. The special system started the process of determining the period of business of commercial banks, starting with the implementation of the program, and determining the efficiency of the operation.

Commercial banks of different countries have similar requirements in their business valuation systems, which include the following:

-it is possible to carry out inspections in places;

- they should be carried out as soon as possible;

- intermediate prohibition systems; the composition of the types of reports of the use of the product in the framework of the ban;

-the possibility of using information from other sources;

-and ease of use with technology. Risk assessment and operative movement systems began to be reduced in various countries in 1980[6], as shown in the table below.

2-table

Risks in different countries are expensive and operative business.

The state is also an organ of prohibition	The systems are also underpowered	System type
French Banking Commission	ORAP (risk-based risk assessment) 1997 SAABAA (Statistical Method for	Intermediate Rating System. The operating system is expected damage

	Aggregate Analysis), 1997	
Germany:	BAKIS (Information System), 1997	Financial coefficients analysis system of individual bank groups
Italy: Bank of Italy	PATROL, 1993 Operative business system is an intermediate rating system	The operational business system should be modernized.
The Netherlands: Bank of the Netherlands	RAST (Resources for Repayments), 1999 Bank Repayments	Comprehensive system in bank repayments. Financial coefficients are the analytical system of different banking groups.
Great Britain: Financial policy,	RATE, 1998 The monitoring model of some banks, 1980,	The complex system of bank loans and advances. Analysis of financial coefficients
USA: Federal Reserve	SEER Rating, 1993 SEER Risk Rank, SEER Risk Rank,	Operational action system ratings. Operative action system is the cost of updating the system
USA: Federal Deposit	Insurance Corporation CAEL, 1985 (1999) (reprinted in vol.) SCORE (CAMELS rating, which is statistically calculated as an intermediate restriction),1995	Intermediary system of banking. The operating system has progressive dynamics.
USA: Tightening of money circulation	Bank Calibrator (in progress)	Operative transaction system is in progress.
United States: US law enforcement agencies	CAMELS, 1998	A rating system for on-site inspections.

A rating system for on-site inspections As can be seen from the table, the systems of bankruptcy risk assessment of banks in developed countries can be classified as follows:

-rating systems of commercial banks;

-analysis of bank groups and interval markets (calculation of financial ratios);

-statistical systems for bank failure risk assessment systems;

-statistical models of operational movement systems.

The most widespread among rating discussion systems is the CAMEL system, introduced in the USA in 1979[5]. Its influencing components depend on capital adequacy (C), asset quality (A), management quality (M), profitability (E), and liquidity (L). Since 1997, this system has taken market risk (S) into account in determining the rating prices of banks. Each component of the rating system evaluates a bank's performance by analysing several factors that influence that component. Some actors are subdivided into several components of the system. This means that there is a relationship between the components that serve as criteria for discussing a bank's unique fear map.

For example, asset efficiency is used in both the discussion of bank capital adequacy (C) and asset quality (A). The overall rating determines the rating of each component based on a standard 5-point rating scale. In addition, it may rate the bank much lower than the control rules.

The lowest rating of 5 indicates a crisis situation in the bank, poor quality of management, and the need for urgent intervention and termination of actions compared to control regulations. Many countries have temporary control systems that monitor the uncertainty of commercial banks.

We know that the uncertain conditions of commercial banks are related to bank performance and other factors related to external competition in the market. A significant decrease in the efficiency of credit operations may lead to credit risks, which in turn may result in a reduction in income and pose a high level of risk to the bank's performance, such as reduced solvency.

Depending on the result of the inventory, it is necessary to develop measures to mitigate risk, identifying the group of customers that may be unable to make interest payments on time, as well as credit risks and the risk of inability to generate income. Due to the above-mentioned measures, it has become necessary at this time to protect regional banks from various risks and improve their management systems. By addressing these issues that affect the profitability of banking activities, it will be possible to increase profitability and attract additional funds from private entities.

These measures will help to protect banks from any risks that could negatively impact the efficiency of their operations and, most significantly, from credit risks. One of the primary services provided by commercial banks is credit transactions. The widespread use of various forms of lending in banking practice in our country leads to the full satisfaction of customer needs for loans, an expansion of the volume of bank credit operations, the minimization of credit risks to a certain extent, and, ultimately, an increase in bank income from credit activities.

In the financial market, loans maintain the status of an asset with the highest potential for profit, despite their high level of risk.The primary risk associated with credit risks is the possibility that the loan obtained from a bank may not be fully repaid by the third party.

This includes factors such as the provision of the loan (debt), the poor financial situation of the borrower, delayed repayment by the debtor, diversification of the loan portfolio, the amount of the loan granted, and the degree of security. Credit risk factors can be categorized into internal and external factors.

External factors include the prospects for the economic development of the country, changes in foreign policy, and monetary policy due to government control. External credit risks include political, macroeconomic, social, regional, and intersectional risks, as well as the risk of changes in legislation (e.g., the adoption of new legal acts regarding the use of certain types of loans, which may create additional benefits or limitations). Additionally, there is a risk associated with changes in interest rates.

If internal factors are related to the effectiveness of the loan, as previously mentioned, the risks associated with the lender's activities are grouped separately. These include the conditions of the lender's commercial efficiency, the level of management, creditworthiness, and risk factors related to the object of lending. Factors that depend on the level of credit risk include: the economic and political situation in the country, including the impact of macroeconomic and microeconomic indicators; the creditworthiness of the debtor, their assets, and the types of assets they own;

Potential bankruptcy of the debtor and the risk of a financial crisis; theft of credit by debtors; diversification of the loan portfolio; frequent changes in credit institution policies and changes to loan portfolio structures; The forms, amounts, and sizes of loans made, as well as the level of security associated with them [7].

In turn, the Resolution of the First President of the Republic of Uzbekistan dated November 26, 2010, No. PP-1438, "on reforming and strengthening the stability of the banking and financial system in the Republic of Uzbekistan for the period 2011–2015, with a focus on achieving international rating benchmarks," as outlined in paragraph 5 of this set of measures, states: "to increase the assets of commercial banks and ensure further expansion and enhancement of the quality of their loan portfolios, while also improving the risk assessment systems" [4].

Conclusion. Based on the above, it is proposed to introduce a clear process for conducting a multifactorial risk analysis in the bank's risk management framework, the formation of reserves, and improved monitoring of asset quality, considering the diversification of the loan portfolio and taking measures to prevent problematic debt. The implementation of this process, taking into consideration the above factors, will be essential to reducing credit risks and ensuring the effective operation of the bank.

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