



CREDIT RISK MANAGEMENT IN COMMERCIAL BANKS OF UZBEKISTAN

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Abstract:

Ensuring the liquidity and financial stability of banks directly depends on the quality of the loan portfolio, since in the structure of the assets of commercial banks of Uzbekistan loans occupy the highest balance. In turn, improving the quality of the credit portfolio of banks creates the need to improve the practice of managing credit risk. The article identified current problems associated with improving the practice of managing credit risk in the activities of commercial banks and developed scientific proposals aimed at solving them.

Key words: loan, loan portfolio, commercial bank, Reserve, interest rate, credit risk, basic rate, devaluation, interest income, inflation.

In the conditions of further deepening economic reforms and liberalization of the banking system, credit operations occupy an important place. Since commercial banks credit operations are activities that shape bank income, ensuring the stability of the quality level of the loan portfolio is one of the main tasks of banks today. Lending is a type of activity of primary importance for commercial banks, since a decrease in the quality of the credit portfolio of commercial banks negatively affects their financial stability, that is, an increase in the balance in the volume of loan investments of expired loans leads to a sharp decrease in the bank's liquidity. Therefore, the effective management of the credit portfolio of commercial banks allows to meet the needs of economic entities for credit funds. In this regard, our President's appeal to the Supreme Assembly said that “at worst, serious mistakes were made in the design and implementation of promising large-scale projects, foreign loans spent on inefficient work interfere with the development of the economy.

We must, first of all, create an effective system for bringing loans and investments from abroad, learn to clearly use each loan. It is not for nothing that they point out



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that there has been a period of seven measures in this matter that cuts once, with a thorough work of consequence". The increase in the amount of bank loans directed to the development of the economy in our republic, the increase in the owner of various ownership and economic entities using them, the rational placement of loans issued by banks, their efficiency, the tasks of ensuring the timely collection of interest accrued on loans provided justify the fact that constant monitoring of banks over the credit portfolio is.

The development of modern technologies has been contributing to a significant reduction in the distance between banks and users of banking services, increasing interbank competition and, therefore, the quantitative and qualitative development of banking services. Increasing the efficiency of the banking system of the Republic of Uzbekistan is due to the active participation of banks in lending to the real sector of the economy. However, our country faces several difficulties and problems in conducting lending activities of commercial banks. Especially today, the presence of problematic assets among loans, which make up the bulk of the income-generating assets of commercial banks, is becoming noticeable. President Of The Republic Of Uzbekistan Sh.M. Mirziyoev noted,"it should be necessary that the repayment of problematic loans will further expand the capabilities of banks, that the leaders of banks, debtor enterprises, companies and associations, regions will work together to collect them." Ensuring the financial stability of the banking system by improving the quality of the loan portfolio and the quality of risk management, following a moderate level of growth in lending volumes, maintaining balanced macroeconomic policies, improving corporate governance and attracting managers with practical experience at the international level, implementing technological solutions for assessing financial risks is defined as one of the priorities for reforming the banking system of the Republic of Uzbekistan.

Effective management of a loan portfolio in commercial banks is one of the important tasks. During the activities of the bank's credit portfolio management system, four main principles stand: first, within the framework of the requirements of the Central Bank of the Republic of Uzbekistan "on the classification of the quality of assets in commercial banks and the formation of reserves and the procedure for their use in order to compensate for possible losses in assets", bank



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loans are regularly evaluated; Secondly, to exercise control over the provision of loans allocated by the bank. In this case, it is necessary to take into account that the provision is not considered the main source of its extinguishing when issuing a loan. The Bank uses the provision only in order to reduce the risks of loan reprieve. Thirdly, the implementation of credit monitoring.

Credit portfolio monitoring refers to: a) credit monitoring; B) credit portfolio monitoring. The bank, which is currently focused on the development of the economy, has an increase in the volume of loans, an increase in the amount of customers in the form of various ownership and Business Administration using bank loans, and the provision of rational placement of loans issued by banks and their efficiency, timely collection of loans issued and interest accrued on them, requires constant monitoring Fourth, credit portfolio auditing and credit risk management. The loan portfolio is audited by internal and external auditors. Commercial banks should immediately report to the central bank when recording cases of concentration growth in any type of risk that can lead to significant losses.

The effective structure of Bank risk management includes the following key elements: an organizational structure that clearly defines the role (functions), powers and responsibilities (responsibilities) of the bank's risk management body and individuals involved in risk acceptance and management, including the Supervisory Board, Risk Management Committee, bank management, and risk management structure in Bank Risk Management; Risk Management Culture, Code of ethics, as well; risk appetite and the resulting risk limits; clearly expressed regulatory documents, methods, instruments and processes of risk management, which include the risk management system – risk identification, measurement, preparation of reports, monitoring and control; policies for the introduction of new products; Information Risk Management System. Based on the above, as a conclusion, it should be noted that commercial banks may consist of those among whom the main tasks of managing the loan portfolio are important in managing the risks that arise in banking activities.

These are: determination of factors affecting the level of credit risk and their assessment; classification of loans by risk groups; approval of the loan portfolio by credit risk, customer composition and loan composition; determination of the degree



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of creditworthiness of the borrower in order to forecast the credit risk and the likelihood of changes in his financial situation; preliminary determination of problematic; diversification of loan investments, ensuring their liquidity and profitability; consists in developing the bank's credit policy and maintaining it based on a qualitative analysis of the loan portfolio. Following the above in the management of a credit portfolio of commercial banks will increase the effectiveness of the bank's credit activities, in turn, the bank's profit will also increase.

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