

Reliable Risk Management is a Factor for Ensuring the Stability of the Banking System

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Introduction. Stability and sustainability are the two factors that play an influential role on the strategic development of social and political life. Especially sustainability, as an integral part of economic development, predetermines the reliability and regularity of the banking and financial sector. Because in the overall management plan of the banking system the issue of ensuring the stability of the banking system in any conditions of economic development takes a priority place. In general, risk management is considered the most important attribute of banking activities. Because it ensures stable and sustainable functioning of banking system. However, sustainability and stability in the period of fluctuations in economic development can become relative. This is primarily due to the interconnectedness and integration processes of the economic life of the world community.

In today's world, economic emergencies that generate all sorts of fluctuations in economic indicators can affect the stable course of economic life around the world. Nevertheless, in our opinion, there are certain parameters that, despite exorbitant situations, can ensure relatively absolute stability of economic progress. This is stability and consistency in risk management in banking and financial institutions, since financial resources will serve as the locomotive of any economic stability, or relative economic stability.

Research methodology. When studying issues as scientific problems, regarding our topic, we considered the available popular science publications, scientific publications, and also by studying the results of the survey conducted in some banks of the republic, summarized the measures to organize the risk management process in the banking system. As a result of comparing the applied scoring methods of the credit risk management system to prevent and prevent adverse factors in financial transactions, it was possible to outline the overall picture of the challenges ahead in solving risk management problems in banking and financial institutions.

The severity of the issue under consideration comes precisely from the progressing state of the lending process in the economic life of society. Indeed, today the financial services provided to the population around the world have expanded so much that without organizing a scientific approach, without an analytical analysis of financial transactions, and, accordingly, without the use of information technology, it is impossible to insure against risks. Scoring systems, which are used to some extent in lending today, can claim to be the main means of improving the quality of risk management. However, in the current conditions of economic instability, the risk management process needs to be modernized, which implies the lending procedure itself with the least elements of risk. In Uzbekistan, on the example of credit scoring, which is increasingly used by banks when lending to individuals, there is a tendency to accelerate the updating of scoring models, the latest technologies are being developed and more flexible forms of analytical data are being applied. And the question of improving the mechanisms of application, so far, remains to be desired.

In this regard, this article attempts to highlight the problem from the standpoint of the need to further improve the mechanisms for using scoring models as an important tool for managing the level of risks.

Research results. Today, in the renewed Uzbekistan, despite the instability of the world economic system, the issue of improving risk management systems in the banking and financial sectors is in the focus of monetary policy. The concept of development and implementation of the monetary policy of the Central Bank of the Republic of Uzbekistan notes that the reform courses launched in 2017 with the aim of further developing the country's economy, in fact, were aimed at economic liberalization,

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which set the vector for the development of the banking system in the field of monetary politics in the coming years.

Decree of the President of the Republic of Uzbekistan No. PP-3272 “On measures to further improve monetary policy” turned out to be very important [2]. This document approved a set of measures to further improve monetary policy for the next five years. In terms of legal support of the mentioned document, the next important step was the Decree of the President of the Republic of Uzbekistan No. UP-5296 “On measures to radically improve the activities of the Central Bank of the Republic of Uzbekistan” [1]. A study of the experience of leading central banks in developed and developing countries, as well as analytical results of international financial institutions confirm the unconditional priority of improving the risk management process in the conduct of monetary policy. At the same time, the sequence, timing and methods of conducting monetary policy may be different due to the distinctive properties and structure of the economy [3].

Studying the issue of risk management as a factor in ensuring the stability of banking and financial organizations, in order to concretize the approach, we decided to consider the process of applying scoring methods in the banking system. As you know, banking services, in general, cover all operations performed by the bank to serve the client, and which are aimed at ensuring its satisfaction for certain needs. Recently, the stability of the formation of both monetary and capital markets has not always been observed. Practice shows that the development of the capital market is impossible without an interconnected process of attracting savings and investing funds. Here the concept of saving means the difference between income and costs. And investment means the process of investing funds, the purpose of which is to make a profit. In this case, we are interested in the approach to the definition of risk management methods, which determine the difference between income and costs, and which should prevent unforeseen circumstances associated with risks.

As you know, in the banking and financial sector, risk means non-fulfillment or untimely fulfillment by the client of his credit obligations. Experts note that the most common credit risk is the default of the borrower. This means that the counterparty does not fulfill the obligation to return the funds under the terms of the agreement due to economic inability or unwillingness. Credit risk factors are both external and internal. External factors are related to the possibility of realizing credit risk due to the inability of the borrower to repay the debt. While internal factors are associated with the mistakes of credit managers, the risk analysis department or other employees that were made during the application process or the assessment of the borrower [4, 286].

That is why the current situation in the banking and financial sector of the economy, due to the instability of the world economic situation, is subject to very frequent modifications. However, despite the expansion of banking and financial services, according to the results of analytical data, profits in the banking and financial sector as a whole decreased. In such difficult situations, banks are forced to demonstrate the desire and readiness for change by developing the latest programs of comprehensive transformation, with the aim of successfully integrating with all the challenges of the current economy.

In reality, in conditions of tough economic struggle, it will be impossible to imagine a bank that would not use scoring systems and other methods of credit risk management. From here and now, the increased demand of borrowers for loans obliges banks to use an effective credit risk management policy [5].

The concept of risk management and the risk management process cover certain successive stages in banking and financial organizations. These are, such as, consideration and analysis of applications, authorization of the process, progress control, ensuring the profitability of credit operations, as well as monitoring, management, control of general credit risks, etc. Here, each stage is associated with data analysis, with the collection of the most transparent information, and the activities of the Credit Information Analytical Center (CIAC) of the Credit Bureau deserve special attention. Numerous data sources are involved in the calculations of "Scoring CIAC", which have the necessary information for analytics.



A credit scoring technique may allow, with sufficient probability, to establish the level of credit risk when providing a consumer loan to a client. The advantage of the scoring method is the potential for the use of specially developed formulas and corrective coefficients in them. These factors can simplify the work of credit departments of banks when calculating the creditworthiness of a potential client.

According to the results of the study, the main task of the risk management process is the maximum reduction in the level of risks to the extent that current market conditions allow. But an even more urgent task is determined by the need to at least maintain the positions of banking and financial organizations in the lending services market, if this meets the goals of a long-term credit strategy.

The main components of the risk management process include risk sharing, acceptance of collateral, acceptance of financial collateral, risk transfer to higher interest rates on a loan, venture lending risk acceptance, and the formation of funds to write off loan losses. An equally important condition for the credit risk management process is that it must be carried out at all stages of the lending process - from the initial consideration of the application to the completion of settlements, and consideration of the issue of resuming (continuing) lending.

Discussions. It can be said that risk management issues represent a fairly wide range of measures for the implementation of monetary policy. Thanks to these measures, mechanisms are applied that strengthen the basic part of society as a whole. Here the question arises, “how to be, in the conditions of the dynamic development of the world economy, increasing competition in different areas where economic interests are expressed, so as not to end up in positions of dependence?” The answer to this question leads many researchers and practical economists to a logical conclusion: systematically find innovative approaches, take into account the needs for digitalization, and actively introduce the latest technologies. This means that the constant updating of existing paradigms of economic development must be carried out in parallel with innovative methods.

Conclusion and suggestions. Thus, today, in the conditions of serious competition of modern economic development, the problem of effective risk management in banking and financial organizations, as a decisive factor in the sustainability of activities, is of great importance. In this case, innovative approaches to solving problems related to improving the quality of banking risk management should be aimed at modernizing the process, mainly through continuous improvement of banking operations technologies and services.

At the same time, it is necessary to diversify the activities of the bank and optimize the process of providing services to them. The process of improvement should cover the latest technologies for data analysis, including artificial intelligence. The proposal for the introduction of new technologies has in mind the acceleration of customer service procedures, while reducing the risks of operations and the cost of services and improving their quality. After all, with the development and expansion of the use of information technology, as well as with the advent of automated systems of scoring models, the process of determining risk has become much more convenient, safer and faster.

