

WAYS TO MINIMIZE CREDIT RISK MANAGEMENT IN COMMERCIAL BANKS

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Recently, there is a growing demand among commercial banks to develop specific approaches to the concept of "Risk Culture" in internal systems. Risk culture in banks is that all employees of the bank contribute to the management of risks in order to increase profits and minimize losses, to be cautious about risk.

Risk culture is a set of values, beliefs, concepts and knowledge in risk management that are shared by employees at all levels of the bank.

Each employee contributes to the formation of risk management culture in the banking system, and in order to further develop and improve it, it is necessary to organize trainings such as Risk Management by the structural structures of the banking business working with risk-related practices for new employees of the bank.

The training will be conducted by experienced employees who have been working in the structures of the bank for a long time and have a perfect knowledge of banking activities. During the training, it would be appropriate to form a KPI, that is, a motivation system for each department.

As a result, employees recruited to the bank will have an understanding of risk, will be motivated in the formation of minimum knowledge, employees will have a rational approach to the risks listed in the work process, they will try to make minimal losses on them, the potential risk and losses of the bank will decrease.

At the same time, our next suggestion is to form the principle of self-assessment (Risk and Control Self-Assessment) in the implementation of risk and control and to create and improve the skills of the bank's employees at all levels with risk-related knowledge, to find solutions to various risk-related triggers and cases. It is an offer to provide knowledge such as identifying, evaluating, and choosing the ways of minimum profit.

Reducing, preventing and improving the management of credit/debt risks allocated by the bank to customers, individuals and business entities is a rational way.

Banks analyze the financial situation of customers, their position in society, but still, expectedly and unexpectedly, their financial situation becomes difficult, even worse. It consists of forecasting, scoring and working closely with the customers' cash flows and financial situation by the banks, looking for ways to repay their loans. One of these ways is to act as a "business incubator" or "business accelerator" in customer service offices and branches, to teach our customers about entrepreneurship and business fundamentals and how to apply it in practice before issuance loans.

In the bank, raising, improving the financial literacy of clients as our social duty to society is beneficial for both our client and our bank. Many of our compatriots, including women, cannot

get a loan from the bank in order to do something due to unemployment, or those who intend to work abroad and open their own business, return to the country to continue the business they have learned abroad or invest in their hands, do not have the knowledge of entrepreneurship and business, or the necessary funds, and are hesitant to start a business. Because of this, they turn to bank and tax experts. At the same time, it is possible to see cases of not using it based on the profession, knowledge, science and experience of parents or relatives. Banks predict the customer's creditworthiness based on past performance and analyze NPV, IRR and PP indicators. However, it can be seen that the NPL ratio increases with the weight of problem assets.

In order to prevent credit risk in the banking system, in business units (branches), firstly, to establish "business incubators" or "accelerators" consisting of their employees, providing them with knowledge about business and entrepreneurship, then they organize short-term trainings for clients and provide loans, secondly option, training of clients using ready-made TOT - Training of trainers outsourcing service.

What do "business incubators" or "business accelerators" do:

as a social duty to the society (Corporate social responsibility) employees are trained in business and entrepreneurship development courses. And trained specialists organize trainings in conducting business and entrepreneurship for both clients and non-clients;

on the basis of theoretical knowledge, life experience and received information among clients, while encouraging them to continue the life activity or work experience of their parents, it begins with the identification and selection of those who are inclined to evaluate, manage a business or entrepreneurship;

bank specialists inform the population about profitable areas, including how to increase their income through bank deposits, form and maintain a family budget, start a family business, engage in activities they know, how to get income from government and corporate securities and currency trading;

they motivate to acquire knowledge, to learn trade and profession and to further improve it; improve the fundamentals of business or entrepreneurship management, financial management system, risk assessment and management, enterprise balance sheet and accounting, work with national and foreign clients;

bank specialists as mentors and coaches give their clients an idea of how to continue the business of their parents, how to pass the family business to the next generation, methods of transfer, time of giving and experiences, give advice and instructions to future entrepreneurs on how to pay for their work first, B2B and Secrets of successful P2Ps, negotiation in business and their practical application;

after the training, state registration of ready-made entrepreneurship and business entity, communication with stakeholders and reporting, the priority of studying the market

conjunction in the field of business and entrepreneurship, methods of conducting marketing research, secrets of conducting research will be taught;

types of market analysis, drawing up a business plan based on them, giving an understanding of how important and correct it is for clients to write a business plan themselves;

the importance of naming, creating and choosing a business name for business and entrepreneurship, the concept of entrepreneurship and business life, the principles of avoiding losses or achieving stability in business, creating "win-win" situations and creating a brand; have an understanding of tax and tax-related issues, budget revenues, benefits and preferences, subsidies and grants;

share detailed knowledge on financing methods of selected business from own funds, cooperation and bank loans, letters of credit, leasing, project financing, securities, partnership, cluster, joining other segments and associations;

finding a solution in problematic situation, working under stress and preventing it from occurring, giving emotional feelings such as instilling self-confidence;

promote business created on the basis of competition and rivals, partnership and trust;

learn ways to expand export potential, expand currency transactions through banks;

banking professionals can even involve their existing large clients up to the stages of IPO, SPO, M&A (mergers and acquisitions).

The bank supports candidates selected and approved by "business incubators" or "business accelerators" as project initiators, step by step, until they reach income (profit) and possibly enter the category of large business.

If the project is put into practice, as a result, the bank will minimize the credit risk, prevent the termination of good debtors, improve the quality of banking services, and improve the quality of customer segmentation and portfolio management.