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Techniques for Improving Credit Risk Management in Commercial Banks

Urinov Komil
Karshi engineering and Economics Institute
Student of the Faculty of Economics

Abstract. The main idea of the article is to recognize, reduce, prevent and improve credit/debit risks allocated by commercial banks to their customers, individuals and businesses. There are many types of risks facing banks and the most common of them is credit risk. Commercial banks study the financial situation of their customers by analyzing their place in society, but still expected and unexpectedly the financial situation of their customers becomes difficult, even aggravated. The article deals with forecasting, scoring, and working closely with the financial condition of banking clients, finding ways to repay their loans. One of these ways is to teach their clients the basics of entrepreneurship and business and how to apply them in practice before lending.

Keywords: banking system, digital transformation, digital technologies, financial institutions, digital economy, digital strategy.

Introduction. While the globe has been dealing with the Global Financial and Economic Crisis for more than a decade, the difficulties associated with the Coronacrisis are still occurring and are influencing many nations. We are all observing the macroeconomic crisis and the financial difficulties that individuals are experiencing. Living circumstances in low-income nations, in particular, have deteriorated, unemployment has increased, people have been left without money, and the future remains uncertain. New sorts of businesses have evolved, some types of enterprises are no longer required, and the status of individuals participating in this sector has deteriorated dramatically. While some people were able to earn a living throughout the crisis, others were forced to declare bankruptcy. "Your customer is rich - you are rich," says a commercial banker. If the consumer has a lot of practice, the banks will make a lot of money.

During the epidemic, banks expanded their online services while most of their assets, including disbursed loans, were put in danger. Regulators in many nations have granted commercial banks credit vacations for their clients, allowing them time to guarantee that their assigned loans do not become a problem. While some customers have requested a longer debt payback period, there have also been occasions where consumers have refused to repay even if they had the cash. We can see that the scoring system for entrepreneurs and individuals before lending, micro, small and medium business, and private entrepreneurship is weaker than that of large enterprises because they have limited financial knowledge in doing business, a lack of financial resources, staff, and a need for tax and tax advice.

Many Uzbek scholars' articles focus on updating the legal framework based on foreign practice, government incentives, benefits, and preferences, the ability of banks in some districts and remote cities to issue loans, problems with opening bank accounts, and business registration, and a lack of collateral. Commercial banks' percentage of bad loans is increasing. In this respect, the regulator advises that banks must slow and regulate the rate of rising in the percentage of NPLs (Non-Performing Loans).

In practice, commercial banks have offered "door-to-door" loans and sponsored initiatives aimed at encouraging entrepreneurship, eliminating poverty, and increasing the population's quality of life based on the theoretical understanding. On the one hand, if the population's demand for commercial bank loans is met, the risk of loans allocated based on credit criteria is high and falls into the category of problem loans. Although old firms have been in operation for decades, growth rates are slow, and they must be aware that they may not be able to repay their bank debts, potentially leading to a debt swamp.

Uzbekistan, like many other nations, lacks faith in women's entrepreneurial ability, pays little attention to the development of their entrepreneurial impulses, and gender obstacles limit the number of women who enter major companies. Commercial banks commonly employ micro, small, and medium business organizations for short-term financing or lending operations; nonetheless, banks consider venture and start-up business funding to be a high-risk activity based on their analysis. Most non-bank financial institutions do not employ their financial instruments at the national level since interest rates on financing and lending to enterprises are significantly higher than in the international experience.

Because of a lack of expertise and cash, as well as a reluctance to start a business, our countrymen who have worked in other countries turn to bank and tax professionals, even if they invest in continuing or implementing the learned business in the nation.

Banks, for their part, consider hedging and decreasing their risks, knowing that it is the appropriate approach not to finance dangerous projects as a result of the Markov chain effect, or the creation of connected hazards.

Commercial banks anticipate consumer creditworthiness by assessing previous performance metrics such as NPV, IRR, and PP. Given the uncertainty of what may happen next, the Kovid-19 Pandemic recommends that, first, corporate governance should serve the interests of not only shareholders but also employees, customers, and society as a whole. It is advantageous to increase accountability. Similar levels of social responsibility may be found in the largest and most capitalized banks in the United States, as well as banks in developed nations. Second, when bank clients start a new firm, the banks offer business advice and coaching, and commercial banks establish separate business development funds to mitigate credit risks.

Methods. Because the bank's client is wealthy, commercial banks will have to either organize training for its personnel in business or entrepreneurship or instruct clients using a ready-made outsourced service. Banks will be required to appoint independent observers from the banking industry and entrepreneurs to their boards of directors, as well as support the growth of entrepreneurship and business as their primary role. Loans supplied by the state from the Entrepreneurship Development Fund are preferential, long-term, venture, and start-up loans; thus, they should not be included in the category of problem assets in the bank loan portfolio and should be covered by the state.

State statistics should preserve a record of businesses that have declared bankruptcy or default. Because it is useful to preserve a record of persons who have transformed bank assets into issue assets in today's commercial and entrepreneurial environment. Collector actions should be permitted. Increasing the number of competing financial

institutions in banks; the number of non-bank institutions offering financial services today is restricted; the regulator should enable them.
Banks are still supporting entrepreneurship in the regions by dividing qualified, business-savvy persons into clusters and segments, but this is insufficient. Simultaneously, financial literacy can be achieved by teaching people how to increase their income in lucrative industries, such as bank deposits, how they and their families can start their businesses, pursue what they know, and earn income from government and corporate securities, as well as foreign exchange trading.
-As part of their social obligation, banks should train business professionals at their own expense. Retraining of commercial bank professionals in business and entrepreneurship, as well as promotion of diverse business and entrepreneurship initiatives to clients and non-clients;
-Encourage clients to continue their parents' company or entrepreneurship based on knowledge and life experience; -Motivation to gain knowledge, study, and advance in the profession;
-Improving the fundamentals of company or entrepreneurship management, including financial management systems, risk assessment and management, enterprise balance and accounting, and training to work with national and international covenants.
-To provide bank clients with an understanding of how they can continue their parent's business, how to pass on the family business to the next generation and when, how easy it will be for them to continue their business, and how to pay future entrepreneurs for their work, advice and guidance, mentor, successfully run B2B, the secrets of business negotiation and their application in practice;
-State registration of ready businesses and commercial entities, engagement with stakeholders, market research, and analysis in the sphere of business and entrepreneurship;
-Teach the many methods of market analysis, build a business plan based on the analysis, and demonstrate the significance and correctness of drafting a business plan.
-The significance of establishing and selecting a name (company name) for business and entrepreneurship, the notion of entrepreneurship and business life, the concepts of overcoming losses or attaining "win-win" business stability, and brand creation;
-Methods of putting advantages into practice, such as taxes and tax concerns, budget revenues, perks and preferences, subsidies, and grants; Share in-depth knowledge of financing techniques such as the acquisition of working capital and fixed assets, letters of credit, leasing, project financing, securities, partnerships, clusters, segments, and associations in the financing of chosen businesses using own cash and bank loans.
-To find a solution in tough situations, alleviate tension, and impart emotional sentiments such as self-confidence;
-Business promotion based on competitiveness and rivalry, partnership, and trust;
They will learn how to increase the export potential and increase foreign exchange transactions through banks. It focuses on critical procedures including launching a family business, passing on and passing on the firm to the next generation, teaching the fundamentals of entrepreneurship and practical principles, and ending a business. Candidates chosen and authorized by banks will assist entrepreneurs as project initiators, guiding them from the fundamentals of entrepreneurial activity to the business step by step, until they reach a profit (profit) and maybe move into a larger business category.

Results. The article we picked focuses on lending or financing covenants that result in minimum losses, such as credit scoring, Loss Given Default, Probability of Default, and Exposure at Default. It is computed using procedures for forecasting the bank's prospective losses owing to the covenant's or its customers' financial issues. In addition, we recommend that commercial banks conduct and organize training for entrepreneurs, business owners, and employees, which will reduce their risks by showing them the right way by increasing their knowledge, banks' risk will be significantly reduced, and banks will be more like-minded to their customers, and entrepreneurship will be financially and morally encouraged in every way. Banks will employ specialists who will penetrate not only the banking industry but also other sectors of the present corporate structure.

Calculation. Based on the principles offered in this essay, banks and the Board of Directors, shareholders, and stakeholders can develop a knowledge of social responsibility. Many company strategies are built around risk management. A reputation built up over time may be lost in an instant by events such as corruption scandals or natural calamities. Risks can be mitigated by fostering a company culture of "proper conduct." As a consequence of such steps, banks will improve their reputation, attract more clients, and defend themselves from threats.

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