BANK RISKS AND THEIR MANAGEMENT

Mengliyev Dilshod Shodiyor ugli
student, Samarkand Institute of Economics and Service
Scientific advisor: ***Abduvakhobov Shakhzod***
assistant, Samarkand Institute of Economics and Service

Abstract: Bank activity cannot be imagined without risk. Of course, there is risk in any business. But if it is determined by the nature of the activity, the risk for the banking business is considered to be a process that occurs immediately. Because of this, it is not about avoiding risk at all in banking, but about predicting it and reducing it to a minimum level. Risk management aims to complete the process with a positive result, even if in most cases the "risk" of losing a part of the bank's own funds, not being able to earn income or incurring additional costs as a result of carrying out financial operations yadi

Key words: Bank, risks, fund, fund, resource value, salary, bank service.

Bank (Italian: banco - table) is a credit-financial institution; It is mainly engaged in collecting temporary free funds, providing credit and loans to enterprises and people in need of money, making cashless settlements, issuing money and various valuable securities, carrying out operations related to gold and foreign currencies, and other activities. Its main directions are deposit acceptance, lending, and providing credit and account services to customers. The bank also provides paid services such as storage of valuable securities, current management of securities transferred to safekeeping, execution of stock exchange orders, safe deposit box rental. According to the implementation of various economic services, the following main types of banks are currently operating: central (issue) bank and commercial bank.[1]

The commercial bank, in turn, is divided into universal and specialized banks. A specialized bank consists of an investment bank, a savings bank, a special bank, a cooperative bank, and others. The commercial bank is a universal bank that provides a variety of banking services to individuals and legal entities (attracting deposits, promissory notes, lending, sale and purchase of securities). This bank is the core of the banking and credit system. Universal Bank performs all types of basic banking activities. A specialized bank provides services for any activity, sector and network. The investment bank mainly deals with underwriting operations and trades in securities. A special bank serves a certain group of customers or specializes in certain areas (savings, trade, foreign trade, mortgages, etc.). The cooperative bank is established by the producers of goods on the basis of shares, it meets the needs of the founders for credit and banking services. It is organized according to network and regional principles, it is a type of commercial bank.[2]

Bank activity is directly related to interest payments to depositors, payments to credit resources purchased from other financial and credit institutions, allocation of funds for bank employees' wages and other operational costs. Here, the risk appears when the increase in interest on savings, the value of credit resources, and wages becomes important.[3]

The risk of not getting full income or spending more than expected, resulting from the failure to identify and manage risks, insufficient analysis of future operations, reports, incorrect assessment of the situation, or unforeseen circumstances. Currently, the existence of specialized, network and universal banks diversifies the scope of banking risk for banks. Adaptation of specialized banks to lending to one sector and one sector can lead to higher risks in their activity. This situation requires the main methods of bank risk management, including obtaining a government guarantee, introducing the right of lien, etc.

The bank's risk management system includes a set of measures and methods to prevent the occurrence of risk in advance, to prevent situations caused by risk or to reduce their impact. The bank's risk management system consists of two main sub-systems: management object and management subject.[4]

The object of management in the risk management system is the risk in the bank's activity, the economic relationship between the bank and the client or between the creditor and the borrower, if there are risks arising in operations related to the attraction of the bank's funds and their placement , the subject of the risk management system is the group that can influence this risk, entrepreneur, bank, risk managers.

Bank risk management is an in-depth knowledge of the activities of banks, the ability to determine the effectiveness of their operations, to achieve optimal decision-making on the bank's credit, investment, foreign exchange policy and other types of activities, the economic activities of customers and their financial situation, including the characteristics of the activities of the branches.

Risk management in banking activities is organized for the following main purposes:[5]

 protection of interests of bank depositors and creditors, shareholders;

 reduction, elimination and prevention of banking risks;

 ensuring a sufficient level of stability of banking activity.

The main task of the bank manager in bank risk management is to find the optimal option between the income and the risks that arise in the course of banking activities.

When developing a risk management strategy in commercial banks, it is necessary to take into account the size of the average network risk in order to assess unused reserves in enterprises and determine the main direction of banking services. Currently, commercial banks do not take into account network risks in the lending process.

Network risk is related to and directly affects credit risk. Based on this, a bank should have extensive information about not only customers, but also sectors when creating a network policy, and should take into account the following when assessing network risk:[6]

activity of this branch and additional areas during a specific period;[7]

their stability in relation to the country's economy;

the presence of significant inconsistencies in the results of the activities of different companies in one or another field, etc.

One of the network risk assessment indicators is the change in the result of the sector activity compared to the results of an economic activity. This type of risk is denoted by the letter "beta" in international practice. A beta of one is the norm for a market economy. If the indicator is less than one, it is a relatively stable area and there will be no major changes. When the beta indicator is greater than one, it is observed that there are large changes in the network. Therefore, the higher the "beta" indicator, the stronger the risk of the network. A lot of information is needed to calculate the "Beta" indicator. Usually, in the analysis of network risk, the calculation of this indicator is compared with the regression analysis of the future work of the industry carried out by special agencies.

In international practice, information for network risk is obtained from organizations that have this information. However, if there is no analytical approach considered, then as an alternative:

industry life cycle stage;

special factors such as the internal competitive environment in the industry are considered.

If we consider the industry, then the life cycle is divided into several stages. It is important to determine the position of the risks inherent in the future and current plan.

The internal environment of competition is an additional source of information about the stability of a firm belonging to a particular industry. The level of price and non-price competition, the ease or complexity of entering the network, the lack or presence of price competitors, the buyer's market ability, and the political and social environment are used to assess the competitive environment.

The structure of the bank's customers can determine the method of calculating the bank's risk and its level. The activity of a small debtor is more dependent on the unforeseen circumstances of the market economy than that of a large debtor. At the same time, large loans given to one customer or a group of related debtors are often the cause of bank crises. When managing the bank's risk level, it is necessary to take into account the occurrence of full, medium and low risks, depending on whether the bank's operations are guaranteed, insured and use other regulatory methods. In the conditions of the market economy, the distribution of risks over time serves as an important factor. Banks' main operations are exposed to past and present risks, and others to future risks. Current risks include guarantee transactions, documented letter of credit transactions, sale of assets with right of recourse, etc. However, the possibility of paying off the guarantee itself after a certain period of time, making a letter of credit at the expense of a bank loan makes these operations more risky. An important area in the process of bank risk management is the division of risks into balance sheet operations and off-balance sheet operations based on the accounting nature of risks.

When developing a bank's risk management strategy, it is necessary to draw attention to the following main types of risks:

Risk of formation of deposits;

New type of activity risk;

Lease Agreement Risk;

Failure of the debtor to fulfill his financial obligations

credit risk associated with;

Interest risks associated with the possibility of fluctuations in market interest rates;

Market risk associated with the possibility of depreciation of securities;

Currency risks associated with exchange rate fluctuations. The bank faces such a risk as a result of conducting various transactions in foreign currency and foreign currency trading, giving foreign currency loans. The bank's risk management strategy determines the full use of all the bank's opportunities, the bank's development prospects, and the effectiveness of the banks' activities by preventing bank risks. makes it possible to increase. The goals and objectives of the risk management strategy largely depend on the external economic environment in which the bank operates. In recent years, the external economic environment affecting the banking activity is the presence of quality inflation, the quality performance of banks and their branches, the coordination of the activities of banks by the Central Bank, the emergence of new services of banks, the emergence of competition between banks and due to the increase in demand for credit resources of the bank as a result of the increase in the need for working capital as a result of the coverage of small credit institutions by large banks, changes in the activities of economic entities, adaptation to market relations, only bank risks are considered. It is possible to achieve positivity of the bank's activity by sensing and managing it at the right time. In order to develop a bank's risk management strategy, it is necessary to have a deep knowledge of the bank's activities, to be able to determine the effectiveness of the bank's operations, to make optimal decisions regarding the bank's credit, investment, currency policy and other activities. it is necessary to know the economic activity of clients and their financial situation, the characteristics of network activity, etc.

Conclusion:

Effective organization of bank risk management is related to their division into specific groups according to certain characteristics. Scientifically based classification of risks makes it possible to determine the place of each of them in the general system, to use effective methods of their management.

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