Review Article

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Improving the Commercial Banks and Its Risks

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ABSTRACT

The article considers the content of the systemic riskiness of the sustainable development of commercial banks and the need for risk assessment in the innovative vector of development of the banking sector in modern conditions. The growing importance of ensuring the sustainable development of commercial banks as a key asset of the innovative economy is noted. The thesis is substantiated that it is the implementation of measures to ensure effective risk management of a commercial bank that is the driver for the development of the country's banking system.

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Introduction

The relevance of the topic of this scientific article is determined by the fact that the riskiness of the market environment of the banking sector makes new demands on the sustainable development of credit institutions, increasing the transparency of financial and non-financial reporting, its openness and reliability, as well as strengthening the significance of the predictive component in the banking risk management system.

The market foundations of banking risks have changed qualitatively, in addition to traditional financial sources of their formation, non-financial sources have also been added - in the form of political, environmental and social factors, which puts forward new management requirements for procedures, methods and tools of banking monitoring. Thus, from the standpoint of the Basel Committee on Banking Supervision, the use by banks of their own methods for assessing and forecasting banking risks should help improve the quality of the risk management system and sustainable development of banks. However, in practice, predictive banking monitoring tools turned out to be especially in demand, capable of leveling overly optimistic expectations and assessments of the management of commercial banks regarding the level of risks and their consequences.

In this regard, to justify the adoption of effective management decisions in the activities of a commercial bank, it is necessary to develop and implement predictive monitoring, consistently including procedures for monitoring the current state, assessing the results of functioning and forecasting the sustainable development of credit institutions based on risk-oriented technologies and tools.

The systemic riskiness of the market environment for managing the banking sector actualizes the importance of forming a forecast components in the banking risk management system.

The use of banking monitoring as a management tool is implemented both by the banks themselves and by state supervisory authorities, taking into account international recommendations in the field of banking regulation.

In the modern scientific literature at the moment there is no unity of opinion and a unified methodological approach to the concepts of "sustainable development", "sustainability", "stability", "reliability" of the functioning of banks in the macroeconomic and microeconomic level.

Literature Review

"Sustainable development" of both the banking system and an individual bank is often understood in a meaningful aspect as simply "stability" and stability in its qualitative and quantitative certainty [1]. At the same time, it is also possible to distinguish between "stability" and "stability", the first is understood as a qualitative characteristic of the functioning of the banking sector, and the second is quantitative in the direction of progress, something that remains constant with changes in the dynamics of the banking sector.

In the microeconomic stability of a commercial bank A. Buryak emphasizes its "ability to recover acceptable performance after external impact". However, it is not entirely clear what are the acceptable characteristics of the functioning of a commercial bank in question. In D.G. Labskerd's definition of the stability of a commercial bank, he notes the temporal characteristics associated with the need to take into account the stability of a commercial bank "at the present time and in the forecast perspective". Under the stability of the banking system, E.A. Kulikova understands

"a dynamic balance based on self-regulation and adaptation to external and internal conditions of functioning" of the banking system in order to achieve a positive effect for the economy of the entire state. However, the sustainable development of the banking sector does not always provide for progress and the achievement of a positive effect of its functioning [2-4].

Methods and Methodology

The problem of ensuring the sustainable development of a commercial bank is directly related to the management of banking risks and factors contributing to their occurrence. In this regard, it is advisable to dwell on the main elements of risk-based approaches to the functioning of commercial banks.

The Latin word "reskum" means "risk at sea, danger or that which that destroys."

The economic activity of any economic entity assumes a certain level of risk in its external and internal environment as an integral property of reality, at the same time, on different objects, in different directions the action of risk factors is not uniform, which creates the need to form an effective risk management system.

In the presence of polygamy research on the issues of risk in business and banking, one at the moment there is no common understanding of the meaningful boundaries of risk as an economic category, its classification, main elements, functional certainty and species diversity.

In this regard, it becomes necessary to consider the systemic characteristics of the riskiness of banking activities, which will clarify the specific differences between banking risks and economic risks in particular.

In an extensive definition of banking risks of the Central Bank of the Republic of Uzbekistan, the main general and specific external and internal factors of the riskiness of banking risks are noted, the negative direction of the results of this phenomenon is emphasized, and the liquidity of a credit institution acts as an object of risk.

Most researchers of banking risks adhere to the views of the probabilistic nature of risks in general and banking in particular, which is reflected in the works of O.G. Semenyuta, I.V. Peshchanskaya, K.R. Tagirbekova, E.S. Stoyanova, A.G. Gryaznova, T.M. Kosterina, Yu.V. Mishalchenko and others.

Less often, a managerial sign of banking risks is indicated, associated with the deviation of real and predicted results of banks' activities - A.D. Sheremet, G.N. Shcherbakov, E.S. Stoyanova, N.N. Kunitsyn.

Most domestic authors recognize the initial negative orientation of risks and exclude the possibility of a positive effect of risks (with the exception of O.I. Lavrushin and the instructions contained in the FERMA risk management standards) [1].

As an object of risk among researchers, the bank's cash flows and income dominate, followed by liquidity, as well as profits and financial losses of a credit institution.

Monitoring of banking risks within the framework of the risk management system can be carried out at different stages:
- at the first stage, when identifying external and internal conditions and prerequisites for the probabilistic occurrence of banking risks and its risk factors
- at the second stage of the implementation of banking risk and the action of external and internal risk-realizing factors
- at the third stage, identifying the result of the risk and its external and internal risk-resulting factors
- at the fourth stage, connected with the consequences of realized banking risks.

At the same time, it should be noted that at different stages of the risk life cycle and for different types of banking risks, the effectiveness of preventive and predictive measures will be different. Besides, it is necessary to take into account the cumulative result of the action and interaction of external and internal factors on the object of monitoring, which imposes certain restrictions on the use of banking monitoring tools [5-16].

Conclusion

Summarizing the above, we can draw the following conclusions:
1. The sustainable development of a commercial bank should be considered as one of the fundamental aspects of sound business conduct. Commercial banks are one of the significant elements of the economy. The banking system ensures the continuity of production, the modernization of production, the rationalization and regulation of money circulation, as well as the solution of social and environmental problems.
2. The managerial content and functionality of banking monitoring is wider than banking control and banking supervision. In general terms, according to the author's position: banking monitoring is an organizational activity for conducting procedures for monitoring, evaluating, diagnosing, forecasting sustainable development and developing preventive measures for objects of external and internal banking monitoring based on regular measurements using analytical tools as part of an information system for making effective management decisions in accordance with the requirements of legal, management and information enforcement banks. The basic structural elements of banking monitoring include: 1) the object of monitoring; 2) monitoring procedures (observation, assessment, diagnosis, prognosis, warning); 3) monitoring tools; 4) monitoring enforcement (legal, managerial, informational). The variable elements of banking monitoring include various additional characteristics, the composition of which is determined within the framework of a specific type of banking monitoring (form, orientation, accessibility, etc.).
3. The need for a comprehensive classification of signs of banking monitoring is due to the financial and non-financial nature of banking risks, which requires the use of a wide range of various qualitative and quantitative parameters of banking monitoring, on the basis of which it is possible to adaptively predict the actions and consequences of various banking risks, depending on the nature of their action, banking specialization and taking into account national and international regulatory requirements for the activities of commercial banks.
4. Risk-oriented toolkit, which is based on the conceptual model of the formation of financial registers, which is method of financial management, based on the established set of aggregated sources of the basic components of the sustainable development of the studied commercial banks, performs the integration of financial and non-financial information in a commercial bank, which makes it possible to simplify choice of alternatives when taking risk-based short-term and operational management decisions.

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