

Improving the Credit Risks Management in Commercial Banks of the Republic of Uzbekistan with Global Pandemic Crisis and His Influence

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ABSTRACT

The article discusses issues related to improving credit risk management in the activities of commercial banks of the Republic of Uzbekistan, as well as developed scientific proposals aimed at solving these problems. And also studied further ways to improve monetary policy using the tools used in international best practice in the strategy of the President of the Republic of Uzbekistan. And talked about the global pandemic crisis and his influence.

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The coronavirus Covid-19 has now spread around the world, and the pandemic has spread to all continents except Antarctica. Analysts at Bloomberg estimate that the damage caused by the coronavirus to the world economy is about \$ 5.5 trillion. dollars. Wall Street analysts warn that the world is facing the deepest crisis since the Great Depression of the 1930s. At least by 2022, global GDP will not return to pre-crisis levels, experts say. In mid-March 2020, the first patient infected with the coronavirus in our country was identified. This negative development has led the government to take measures to combat the coronavirus pandemic. Today, unprecedented measures are being taken to combat the spread of coronavirus infection worldwide, including by restricting human movement and shutting down businesses. This has led to a sharp decline in production and consumption in the largest economies, the disruption of global production chains and trade relations, falling commodity prices in world financial markets and deteriorating conditions. The deposit policy, which is one of the most economically important areas of business for commercial banks, should be balanced as a single strategic system to ensure balanced financial flows and maximize profits from these financial instruments.

The main objective of the banking system of the Republic of Uzbekistan is to provide banks with access to liquidity and profitability by improving their operations. Further improvement of monetary policy using the tools used in international best practice in the strategy of the President of the Republic of Uzbekistan, as well as the gradual introduction of modern market-based mechanisms of currency regulation that ensure the stability of the national currency; The deposit policy also defines the goals

of deepening and ensuring the stability of the banking system, increasing the level of capitalization and the deposit base of banks, strengthening their financial stability and reliability, further expanding investment lending and lending to small businesses and private entrepreneurship as an important fund.

Due to the fact that loans occupy a high place in the structure of assets of commercial banks, the expansion of credit risk has a strong negative impact on the financial position and liquidity of banks. In this regard, special attention is paid to credit risk management in international banking practice. The action strategy in the five priority areas of the Republic of Uzbekistan for 2017-2021 defines as necessary conditions, in particular, ensuring the sustainability of macroeconomic growth, ensuring the financial stability of commercial banks, expanding lending to small and private entrepreneurship through promising investment projects and commercial banks [1]. This requires improving the risks of banks and, ultimately, greatly affects the practical aspects in managing credit risks.

Strengthening the resource base of commercial banks is one of the most pressing problems facing banks today. The Association of Banks of Uzbekistan on the implementation of the Program of Activities was approved, approved by Decree of the President of the Republic of Uzbekistan dated September 12, 2017 No. PP-3270 "On measures for the further development and stability of the banking system of the republic." tariffs for existing banking services in commercial banks. At the same time, commercial banks focus on optimizing the policies of commercial banks, ensuring the profitability of the bank, thereby increasing the attractiveness of banking services and attracting new customers, and most importantly, establishing close business relationships with customers. The range of banking services and products offered to customers is expanding. Credit risk management was

scientifically investigated by foreign and Uzbek scientists, and relevant findings and recommendations were identified.

According to H. Wang and D. Wang, the content of credit risk management is to create a mechanism to balance the level of profitability and the risk level of loans [2].

However, the authors did not take into account the impact of credit risk on bank liquidity. From the point of view of J. Sinking, commercial banks should regularly analyze loans in order to avoid the expansion of credit risk. This allows you to determine the required amount of reserve capital provided for covering losses on loans [3].

This opinion of J. Sinking is of great practical importance for banks in Uzbekistan. This is due to the fact that commercial banks in our country do not conduct regular credit checks. According to V. Ushakov, credit risk can be assessed as a negative change in the loan portfolio or a loss in the initial quality of assets or a default on obligations on the part of counterparties, pledge holders to pay the main debt and interest on the loan [4].

According to J. Isakov, the low quality of decisions of bank credit committees is one of the main problems in improving the practice

of managing credit risk. The Credit Committee (commissions) still does not hold meetings in commercial banks, signs protocols only on paper and makes decisions on loans, even if the committee members do not have 100% participation. In particular, such cases lead to the emergence of bad loans and an ineffective termination of credit relations [5].

According to I. Alimardonov, to reduce the level of credit risk in the process of lending to small businesses, it is necessary to modernize the interest rate on loans. At the same time, a certain percentage of loans to small enterprises is paid with a guarantee from the state budget to a commercial bank [6].

In our opinion, Alimardonov's conclusion is based on the best international practices and is successfully applied in the banking sector of developed countries, in particular in the banking practice of Germany and France. In the banking practice of the Republic of Uzbekistan, credit risk management in the activities of commercial banks is carried out centrally (by setting economic standards by the Central Bank of the Republic of Uzbekistan) and decentralized (in connection with measures established by the credit policy of banks). Credit risk management of commercial banks is used for a number of indicators. One of these indicators is the indicator of the amount of overdue loans.

Table1: Central Bank Overview

billion soums	01.08.19	01.09.19	01.10.19	01.11.19	01.12.19	01.01.20
Net foreign assets1)						
Monetary gold	237 134	260 407	260 301	264 556	258 325	273 987
Requirements for non-residents	130 694	146 845	149 759	155 222	150 377	160 019
Liabilities to non-residents	109 620	116 983	113 969	112 814	111 424	117 474
Requirements for other depository organizations	-3 180	-3 422	-3 427	-3 480	-3 476	-3 506
Net requirements for central government 2)						
Central Government Requirements	1 193	1 426	1 529	1 805	2 055	2 982
Obligations to the central government						
of which: funds of the Fund for Reconstruction and Development	-111 368	-118 453	-117 399	-117 648	-117 987	-126 203
Requirements for other sectors (loans and other financial requirements)	69	293	61	61	61	0
Requirements for other financial institutions	-111 437	-118 746	-117 460	-117 709	-118 048	-126 203
Local Government Requirements	-94 578	-102 818	-103 634	-103 382	-103 340	-104 204
Requirements for Non-Financial Government Organizations						
Private Sector Requirements	84	2 343	134	95	81	163
Money base	0	0	0	0	0	0
Cash outside the Central Bank	0	0	0	0	0	0
Obligations to other depository organizations, including	84	2 343	134	95	81	163
Required reserves	0	0	0	0	0	0
Funds in correspondent accounts						
Obligations to other sectors	38 252	36 705	38 258	40 082	38 266	40 607
billion soums	27 029	27 413	27 287	27 619	26 427	26 310
Net foreign assets1)	11 054	9 127	10 784	12 278	11 631	14 005
Monetary gold	4 091	4 069	4 296	4 308	4 116	4 187
Requirements for non-residents	6 963	5 058	6 487	7 969	7 515	9 818
Liabilities to non-residents	169	165	188	186	208	292

As we saw, on this table-1, there Liabilities to non-residents was quickly throw up. Broad money supply (M2), calculated on the basis of data on liabilities in the sections for the central bank and other depository organizations (commercial banks), in accordance with the concepts and definitions of the “IMF 2016 Monetary and Financial Statistics Guidelines (RSDFS 2016). M2 includes cash in circulation (outside the banking system), transferable, savings and term deposits in national and foreign currencies of other financial organizations, state non-financial organizations, the private sector and individuals (except for deposits not included in the money supply according to the RSDFS 2016). M2 also includes debt securities issued by other depository organizations. Debt securities are savings and deposit certificates held by other other financial organizations, state non-financial organizations, the private sector and individuals. Money supply (M1) includes cash in circulation and transferable deposits in national currency [7,8].

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