
Credit Risks and Their Characteristics in Commercial Banks

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Abstract: This article presents the importance of credit activities of commercial banks, the risks that may arise in this activity and their characteristics. At the end of the article, recommendations for achieving timely and full repayment of loans by commercial banks are formulated.

Key words: commercial banks, credit, credit risks, banking system.

INTRODUCTION

Commercial banks are central to the financial market. It is through commercial banks that various financial services are provided to legal entities and residents. Therefore, it is important to build confidence in the banking system.

In his speeches, the President of our country emphasized the development of the banking system as one of the important issues. "We need to take drastic measures this year to develop the banking system... From 2020, a large-scale transformation program will be implemented in every bank. In this regard, increasing the capital, resource base and income of our banks will be in the center of our special attention" [1].

After the independence of the Republic of Uzbekistan, great opportunities were created for the development of the banking sector. The performance of commercial banks has improved more productively than expected in this short period. The reason for the improvement of commercial banks is that the weight of the participation of the Republic of Uzbekistan in the world economy is increasing, and the scope of international economic relations is expanding. Everyone knows the role of banks in this regard. Therefore, identifying risks in banking activities, analyzing and evaluating them, and applying methods of reducing them has become one of the main tasks of commercial banks.

Analysis and results

As any economic activity is aimed at making a profit, the intended result in the activity of commercial banks is to make a profit first. And it will certainly be associated with risk. Risk is considered one of the main elements of business activity, and it is a multifaceted concept with a wide meaning. Therefore, in order to achieve the efficiency of the bank's activity, to ensure its financial stability, it is necessary to thoroughly study the existing risks in the economy and their impact on the bank's activity.

Risk categories occupy a very high place in the theory and practice of economics, creating a general theory of these categories and applying it to practical results requires a lot of scientific research in the world of science. To date, many concepts of risk brought to the world of science by world scientists, methods of prevention, assessment and management of the factors that cause them have not yet been fully developed. This requires a more complete study of risk objectively and subjectively, and further generalization of their function, laws and regulations.

The history of the occurrence of risk can be associated with the emergence of a person or can

be interpreted as a certain part of a person's life. Russian scientist A.P. Algin explains the emergence of risk in this way: "Risk is such a generalized phenomenon that it is closely related to the development of human civilization" [2]. This sentence seems controversial to many, but in reality it is justified in the simplest way from a practical point of view. It is very difficult to define the process of risk theoretically, because this process, firstly, the concepts of risk are being generalized, and secondly, there is very little scientific research on the study of risk separately. This means that risk theory should be taught and studied as a separate "risk theory" subject, not as a specific part or department of economic theory or other sciences.

The development of economic relations plays an important role in the occurrence of risks as an economic category and entity. The concept of risk is summarized in multifaceted words, and each sentence defines certain directions. This has led to different interpretations of the risk. Creating a synonym for risk interpretation is interpreted differently in different literatures. The word "risk" is derived from a Spanish-Portuguese word meaning "underwater rock". Famous lexicographer S. N. Ojegov's dictionary of the Russian language says that "risk" means "desire for success, hope for a happy event", while the famous Webster's dictionary defines risk as "the possibility of danger, harm or loss". V.T. If Sevruk defined "risk is a situation, a situational state of a producer" [3], Russian scientist A. Olshanny defines "risk is a measure of probability of loss or loss of benefit" [4]. Professor V.M. Usoskin explains that "Risk is always accompanied by uncertainty, which in turn is associated with unforeseeable or improbable events" [5]. E.S. Stoyanova defines that "Risk is the probability of failure to earn or loss in relation to the planned option" [6].

Analyzing the main meaning of risks when using them with different synonyms, prof. In Sh.3.Abdullaeva's case, it is considered that "defining risk as error, uncertainty, uncertainty, abstraction and randomness does not correspond to international practice, and approaching this situation, it is appropriate to use the words "risk", "bank risk", "credit risk" [7]. There can be hesitation or risk in doing every activity.

Russian scientists E. F. Zhukova, S. I. Lukash and M. Glaria tried to explain the risk as danger, loss. M. Glaria tried to justify the concept of risk in a more complex way. According to him, risk is a concept related to whether the investor will make money or lose money. Many scientists refer to risk as "probability of loss". For example, Ya. S. Melkumov emphasizes risk as "the probability of bad situations arising from financial transactions", V. A. Chelnokov interprets "probability of loss of asset turnover" in connection with operations of commercial banks. G. B. Polyakova emphasizes that the risk is the expected income, the probability of a possible loss from the profit. P. Mikhaylova explains that risk is a phenomenon that occurs in unexpected situations, and in many cases it can be manifested in the assessment of assets or in cases of calculating the percentage of income.

In recent years, the asset portfolio of commercial banks has been growing rapidly in our country. At the same time, the formation of bank assets is also taking place under the influence of various risks. In this case, the level of riskiness of assets, that is, the probability of loss, also increases.

The occurrence of risk is indecisiveness, lack of confidence, the inability to predict with one hundred percent certainty whether an event will occur or not. Admitting that there are risks in marriage, we try to reduce them and avoid them. At the same time, we also have the opportunity to go in an easier way. In order to choose such a path, it is necessary to know exactly the size, power, and type of each risk.

Credit risk is defined as the possibility that the organization implementing the project will not be able to fully or completely pay its obligations to the creditor bank under the loan agreement.

Sh.Abdullaeva, one of the local scientists, defines credit risk as the failure of the borrower to fulfill the terms of the loan agreement, that is, the loan amount (in part or in full) and the interest on it are not paid within the terms specified in the agreement [8].

A number of economists believe that credit risks include non-repayment of loans in full or in part, non-timely payment of interest due to the bank, delay in repayment of the principal amount, etc. they admit that it occurs in forms [9].

The following definition can be found in the legal documents: "credit risk is the risk of loss (damage) and/or failure to receive the planned income that may occur as a result of the debtor's non-fulfillment (inadequate fulfillment) of his obligations to the bank within the terms and conditions specified in the contract or legal documents."

When it comes to granting a loan, a commercial bank should make its decision after studying the borrower's financial indicators. A number of economists believe that there can be two types of risk in credit relations when deciding to allocate credit: good and bad credit risks [10]. An example of the first type of credit risk is that the applicant, who can repay the loan, refuses the loan, causing the bank to lose profit on the loan. The second type of credit risk can be shown to allocate a loan to an applicant who cannot repay the loan.

It is emphasized that the correct identification of "good" and "bad" customers in terms of credit risk serves to protect the bank from default, to optimize the indicators of the given loans and to ensure the efficiency of the effective allocation of financial resources [11].

Credit risk or the risk of default arises from the creditor's lack of confidence that the creditor will be able to repay the loan on time and meet the terms of the loan. Credit risk is the biggest risk in banking.

This condition can be caused by:

- a) as a result of unexpected changes in the business, economic or political environment, the debtor is unable to provide the necessary income;
- b) lack of confidence in the future value and quality of the loan collateral (price change, purchase of mortgaged property);
- c) becoming disreputable in the business world of the borrower.

The above-mentioned cases force banks to carry out continuous work for risk management and planning.

Banks should do more to limit the risk compared to other lenders. Because they provide loans not from their own funds, but from the funds of their creditors, that is, their depositors and other interested parties. Therefore, the timely performance of the bank's obligations to its creditors depends on how successful the risk assessment is. Some other economists are of the opinion that "lending activity is not the only form of credit risk". In this opinion, the credit risk is also manifested in transactions related to securities, when a guarantee is given by the bank.

In general, the origin of problem loans will not depend only on credit risk. After all, the presence of currency risk, market risk, risk of interest rate changes and other risks and the inability to assess them correctly affect the origin of problem loans. The role and impact of risks is involved in the study of the economic content of problematic loans.

The main part of the credit risk arising in commercial banks is inextricably linked with the possibility of a decrease in the demand and production of products in some sectors of the country. In addition to these, it would be safe to say that the following factors affect the level of bank credit risk:

- the degree of concentration of bank credit activity in a certain branch or circle that quickly adapts to changes in the economy, as well as has an elastic demand for its products. This is due to

the degree of concentration of bank customers in certain sectors or geographical areas, especially sensitive to market changes;

- level of formation of banking activity in new, unconventional branches and circles;
- the application of new types of services to the banking practice in large quantities for a short period of time, the bank may receive a negative result due to the low demand for new banking services;
- forming a large part of newly attracted customers in the near term;
- the fact that most of the credit and other bank contracts are for customers who are experiencing certain difficulties, etc.

Conclusion

In general, in order to achieve timely and full repayment of loans by commercial banks, it is desirable to carefully study various financial indicators of the borrower, to correctly and perfectly monitor loan applications, to determine the quality of loans in commercial banks, as well as to assess the quality of the management of the lending process. . On this basis, the basis for achieving financial stability in the activities of commercial banks is created.

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