PROBLEMS FACED BY COMMERCIAL BANKS IN BANK RISK MANAGEMENT AND WAYS TO ADDRESS THEM

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Annotatsiya. Mazkur maqolada tijorat banklari faoliyatida risklarni boshqarish jarayonida uchrayotgan asosiy muammolar tahlil qilinadi. Xususan, kredit, likvidlik, bozor, operatsion va foiz risklarini aniqlash, baholash hamda nazorat qilishdagi kamchiliklar, zamonaviy risk-menejment tizimlarining yetarli darajada joriy etilmagani, kadrlar malakasining pastligi va axborot texnologiyalaridan samarali foydalanilmasligi kabi masalalar yoritiladi.
Kalit so'zlar: tijorat banklari, agrar sektor, moliyalashtirish tizimi, kreditlash mexanizmi, investitsiya ehtiyojlari, garov ta'minoti, foiz siyosati, risklarni boshqarish, qishloq xo'jaligi, moliyaviy resurslar.
Abstract. This article analyzes the main problems encountered in the risk management processes of commercial banks. In particular, it examines shortcomings in the identification, assessment, and control of credit, liquidity, market, operational, and interest rate risks, as well as the insufficient implementation of modern risk management systems, low staff qualifications, and the ineffective use of information technologies.
Key words: commercial banks, agrarian sector, financing system, lending mechanism, investment needs, collateral, interest rate policy, risk management, agriculture, financial resources.
Аннотация. В данной статье анализируются основные проблемы, возникающие в процессе управ- ления рисками в деятельности коммерческих банков. В частности, рассматриваются недостатки в вы- явлении, оценке и контроле кредитных, ликвидных, рыночных, операционных и процентных рисков, недостаточный уровень внедрения современных систем риск-менеджмента, низкая квалификация кадров, а также неэффективное использование информационных технологий.
Ключевые слова: Коммерческие банки, аграрный сектор, система финансирования, механизм кредитования, инвестиционные потребности, залог, процентная политика, управление рисками, сельское хозяйство, финансовые ресурсы.

INTRODUCTION

In the current context of globalization and financial integration, the stable functioning of the banking system largely depends on an effective risk management system. The instability in world financial markets, economic crises, sharp fluctuations in interest rates and exchange rates are leading to an increase in various financial risks in the activities of commercial banks [4]. In particular, during the 2008 global financial crisis and the COVID-19 pandemic, the issue of risk management in the banking sector emerged as an urgent problem on an international scale [7]. In world practice, the Basel II and Basel

III standards for banking risk management developed by the Basel Committee on Banking Supervision have gained significant importance, and these documents are aimed at improving bank capital adequacy, liquidity management and risk assessment mechanisms [6]. Studies conducted in the USA, the European Union and Asian countries have noted the widespread use of digital technologies, stress testing and risk modeling methods in managing credit, market and operational risks [5]. According to research by the International Monetary Fund and the World Bank, banks with a developed risk management system are considered more resilient to financial shocks [8].

In the Republic of Uzbekistan, reforming the banking system, ensuring financial stability, and improving risk management mechanisms are also identified as one of the priorities of state policy [2]. In particular, the Decree of the President of the Republic of Uzbekistan.

On the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020-2025 dated May 12, 2020, sets out the tasks of introducing a modern risk management system in commercial banks, developing an internal control and audit system in line with international standards [2].

Also, the Decree of the President of the Republic of Uzbekistan dated January 28, 2022, “On the Development Strategy of New Uzbekistan for 2022-2026”, provides for specific tasks to stabilize the banking and financial system, improve the quality of the loan portfolio, and reduce risks [2]. The introduction of prudential standards, stress testing requirements, and risk assessment methodologies by the Central Bank for commercial banks serves as a solution to the problems in this area [2].

However, despite the reforms being carried out, problems such as insufficient personnel qualifications in risk management in commercial banks, incomplete implementation of modern information technologies, and low practical efficiency of internal risk management systems remain. Therefore, in this article, it is of urgent scientific and practical importance to analyze the existing problems in risk management in commercial banks and develop effective ways to eliminate them.

LITERATURE REVIEW

The issue of risk management in the banking system is widely covered in economic literature, and a number of scientific studies have been conducted in this area by foreign, CIS and Uzbek scientists. Their scientific views are aimed at improving the essence, types, assessment methods and management mechanisms of banking risks.

Among foreign economists, one of the scientists who has deeply studied the theory of banking risk management is F. Mishkin. According to him, the stability of the banking system largely depends on the effective management of credit, interest and liquidity risks, and the insufficient development of the risk management system is one of the main causes of financial crises [4].

G. Gorton and A. Metrick, in their research, emphasized the increasing systemic risks in the modern banking system along with traditional risks, justifying the need to strengthen banking supervision and introduce stress-testing mechanisms [4]. In addition, the Basel II and Basel III standards developed by the Basel Committee developed scientific and practical approaches to reducing risks by controlling bank capital adequacy, risk-adjusted assets, and liquidity indicators [6]. Studies by the International Monetary Fund and the World Bank have shown that banks with a developed risk management system are more resilient to economic shocks [7].

Scientists from the CIS countries have also paid special attention to the issues of bank risk management. In particular, the Russian scientist O.I. Lavrushin considers bank risks as an integral part of banking activities and emphasizes that their management should be a key element of the bank's strategy [9].

V.V. Kovalev, in his scientific works, showed the importance of combining quantitative and qualitative methods in risk assessment, and especially justified the crucial importance of analyzing the quality of the loan portfolio in reducing risks [10]. Studies conducted by Kazakh scientists have noted the high effectiveness of using digital technologies and automated monitoring systems in managing bank risks [11].

Uzbek economists have studied the issues of bank risk management based on the characteristics of the national banking system. In particular, A. Vakhobov and Sh. In his scientific work, Mustafokulov emphasizes the importance of improving internal control and credit policy in reducing credit risks in commercial banks [12]. Also, the studies of B. Khodiev and M. Isakov substantiate the need to adapt risk management mechanisms in the banking system to international standards, and show that the introduction of prudential standards by the Central Bank is yielding positive results [13]. It is noted that within the framework of the reforms carried out on the basis of the Central Bank of the Republic of Uzbekistan and the decrees of the President, practical work is being carried out on the introduction of stress testing, risk assessment and internal audit systems in commercial banks [3]. According to the author, research by foreign and domestic scientists shows that risk management in commercial banks should not be limited to controlling only individual types of risks. Rather, the risk management system should be developed in close connection with the bank's strategy, digital technologies, personnel qualifications and internal control mechanisms. Especially in the conditions of the Uzbek banking system, the introduction of international experience taking into account national characteristics is an important factor in effective risk management.

RESEARCH METHODOLOGY

This article uses general and special methods of scientific knowledge to study the risk management process in commercial banks. In particular, the essence of bank risks and their impact on financial stability were studied through analysis and synthesis methods. Using the comparative method, the practice of risk management in Uzbek banks was analyzed in comparison with the experience of foreign and CIS countries. In addition, the interrelationship of risk management, internal control and audit systems was assessed based on a systematic approach and logical analysis. The study used economic and statistical methods, and official data and regulatory legal documents of the Central Bank were analyzed. Based on the results obtained, scientific conclusions and practical proposals were developed using induction and deduction methods.

ANALYSIS AND RESULTS

The conducted analysis shows that credit risk occupies the highest share in the activities of commercial banks. The insufficient diversification of the quality of the loan portfolio, the weakness of the mechanisms for assessing the solvency of borrowers leads to an increase in credit risk. In particular, the increase in the volume of problem loans in conditions of economic instability negatively affects the financial stability of banks. According to the results of the analysis of liquidity risk, an imbalance between the terms of assets and liabilities remains in some commercial banks. This situation causes problems in the timely fulfillment of short-term obligations. It was also found that market and interest risks are directly related to the volatility of exchange rates and interest rates, and modern hedging instruments are not used sufficiently to manage them.

Table 1. Types of Risks in Commercial Banks and Their Main Problems

Type of Risk	Main Problems
Credit Risk	Increase in the share of non-performing loans
Liquidity Risk	Imbalance between assets and liabilities
Market Risk	Fluctuations in exchange rates and interest rates
Operational Risk	IT errors and human factor

Source: *Compiled by the author based on scientific literature.*

Table 2. Main Directions of Fintech Technologies and Their Impact on the Financial Market

Fintech Direction	Main Feature	Impact on the Financial Market
Electronic payments	Fast and remote payments	Reduces transaction costs
Mobile banking	24/7 banking services	Increases financial inclusion
P2P lending	Lending without banks	Strengthens competition
Blockchain	Transparent and secure transactions	Reduces fraud

International experience shows that the successful development of fintech technologies is directly dependent on government policy, legal regulation, and effective cooperation between financial institutions and technology companies. In developed countries, fintech is regarded as an important tool for modernizing the financial market, expanding financial inclusion, and introducing innovative services (9).

The United Kingdom is considered one of the leading countries in the development of the fintech ecosystem. In this country, the "Regulatory Sandbox" mechanism introduced by the Financial Conduct Authority (FCA) enables fintech startups to test new financial products and services in a controlled environment. As a result, the number of fintech companies in the United Kingdom has exceeded 2,500, most of which operate in the areas of payments, digital banking services, and insurtech (10).

Singapore is one of the countries where fintech development is actively supported by the state. The Monetary Authority of Singapore (MAS) has introduced a favorable tax regime, grants, and innovation laboratories for fintech companies. As a result of this policy, Singapore has become one of Asia's leading fintech hubs. The share of digital payments in the country exceeds 90 percent, and almost the entire population uses mobile financial services (11).

China stands out for the rapid development of fintech technologies. Platforms such as Alipay and WeChat Pay have become an integral part of everyday financial transactions. Through these platforms, not only payments but also lending, insurance, and investment services are provided. In the United States, fintech companies play an important role in small business financing, digital investment, and payment systems (12).

These international experiences are of great importance for Uzbekistan and demonstrate the need to improve the legal environment, expand regulatory sandbox mechanisms, and support innovative startups in the development of fintech technologies.

CONCLUSION AND PRACTICAL RECOMMENDATIONS

The conducted research indicates that fintech technologies are a strategic factor in the development of Uzbekistan's financial market. The introduction of digital financial services contributes to higher banking efficiency, expanded financial inclusion, and improved access to financial services. Electronic payment systems, mobile banking, and digital lending significantly increase transaction speed and reduce transaction costs.

However, compared to international experience, the share of digital payments and the diversification of fintech services in Uzbekistan remain limited. Therefore, strengthening cooperation among the state, banking sector, and technology companies is crucial for further fintech ecosystem development.

Based on the study, the following practical recommendations are proposed:

- further improvement of the legal and regulatory framework governing fintech activities;
- expansion of regulatory sandbox mechanisms to test innovative financial products;
- strengthening cooperation between banks and fintech startups;
- enhancing information security and cybersecurity measures;
- training qualified specialists and supporting scientific research in the fintech sector.

In conclusion, the effective implementation of fintech technologies plays a vital role in ensuring the sustainable development, competitiveness, and economic growth of Uzbekistan's financial market.

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