

**ISSUES OF IMPROVING THE RISK OF BANKS AND METHODS OF THEIR
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Annotation: this article analyzes the main types of risks in the banking system, their economic nature and impact on banking. There are also available approaches to managing bank risks, modern mechanisms for solving problems and them, as well as scientific and practical recommendations for their improvement in the conditions of Uzbekistan.

Keywords: bank risks, financial stability, risk management, credit risk, liquidity risk, internal control.

Introduction

In a market economy, the banking system is an integral component of the economic infrastructure of any country. Banks not only perform financial mediation functions, but also take the field as important institutional entities that ensure the investment activity of the real economy. Therefore, the stability and reliability of the banking system directly affects the pace of the country's overall economic development. However, in its activities, banks face risks that arise due to the influence of various internal and external factors. In particular, factors such as global financial crises, economic instability, changes in interest rates, the quality of the loan portfolio, a decrease in customer solvency increase the risk level of banks.

LITERATURE ANALYSIS

A feature of banking activity is that this sector has a high risk, and any mismanagement can lead to financial losses and even bankruptcy. Effective management of the risks arising in the modern banking system and the reduction of their negative consequences are seen as an important strategic task. In particular, the risks associated with changes in credit risk, liquidity risk, operational risk, foreign exchange risk and interest rates in the market are among the factors that directly affect the financial situation of banks. Modern mechanisms and approaches to risk management, on the other hand, lay the groundwork for the long-term sustainable development of banks. In recent years, the Republic of Uzbekistan has implemented large-scale reforms on the modernization of the banking system, the introduction of management and control mechanisms that comply with international standards. In particular, the gradual introduction of Basel III

standards, credit rating systems, stress-tests and internal risk management systems serve to bring banking activities to a qualitatively new level. Nevertheless, in existing practice, systematic approaches to identifying, evaluating and reducing risks have not yet formed sufficiently.

The issue of bank risk management has always been one of the most relevant topics in the development of the international financial system. Various approaches have been developed and theoretical and applied research conducted by many foreign and domestic scientists. First of all, the Basel I, II and III standards developed by international financial organizations are among the most important documents on bank risk management. In particular, Basel III defines a comprehensive system of determining, evaluating and managing bank capital, liquidity levels and risks[1]. Based on these standards, banks are obliged to ensure financial strength, develop internal control systems and apply stress tests.

F.S. In his work “Financial Markets and Institutions”, Mishkin cited bank risks as an important factor affecting financial stability and singled out diversification, the credit assessment system, and regulatory oversight as one of the most important methods of risk reduction[2].

J. C. Hull, on the other hand, considers derivatives, modeling, “Value at Risk (VaR)”, and other contemporary risk management styles important in his work on quantitative risk analysis[3]. He has proven through these approaches that banks can accurately assess the level of risk in their portfolios.

Several scientific works on the assessment and management of risks in the banking system have also been carried out in recent years by scientists from Uzbekistan. Including:

- A. Islamov justified the need to introduce modern methods in assessing credit risks in the banking system[4].
- S. Zhurayev focused on liquidity problems and mechanisms of their management in commercial banks of Uzbekistan[5].
- M. Tursunov, on the other hand, argued that the risk management system is inextricably linked with internal control systems and made recommendations to improve them on the basis of digital technologies[6].

Regulatory documents and statistical reports developed by the central bank can also provide the basis for analysis. Through them, it is possible to track the risk resistance of commercial banks, the quality of the loan portfolio and liquidity indicators. In general, the existing literature shows that not only theoretical knowledge, but also practical experience, technological approaches and adaptability to international standards are important for the effective management of banking risks.

At the same time, in the conditions of Uzbekistan, these approaches should be applied taking into account the National Economic and institutional characteristics.

RESULTS AND DISCUSSION

During the study, the main types of risks in the banking system, the reasons for their origin and the mechanisms of management were studied in detail. Analysis shows that despite the reforms in the banking system of Uzbekistan in recent years, risk assessment and effective management systems have not been sufficiently formed in some banks. First of all, credit risks remain one of the main types of risks of commercial banks. This indicates that customers' solvency is not being adequately assessed, with little attention to the reliability of collateral. Also, many banks have not developed a Reserve policy clearly enough to reduce liquidity risk. The literature and statistics studied confirm that the effective risk management system is closely related to the following factors:

1. Strong internal control and audit system-through which operational errors and fraud can be detected.
2. Personnel potential and qualifications – low level of knowledge in identifying and analyzing risks-are leading to practical mistakes.
3. The use of technological solutions and digital tools – the absence or insufficient introduction of modern risk assessment tools-is one of the existing problems.
4. Effective cooperation with regulatory bodies – the level of compliance with regulatory documents developed by the central bank is not always high.

Based on the discussions, the following practical proposals were developed:

- * Strengthening the activities of risk management departments in banks, ensuring their independence;
- To make it possible to make a more specific decision in lending by improving the unified credit information system;
- Use of artificial intelligence (AI) and data analysis (data analytics) tools in Risk assessment;
- * Introduction and implementation of stress tests in accordance with Basel III requirements;
- * Organization of training courses in risk management for Bank employees.

Also important is the use of international experience. In particular, the advanced methods used to identify bank risks in EU countries, real-time monitoring systems used in the US are practical mechanisms that can be implemented in the banking system of Uzbekistan. In general, an effective banking risk management system can be improved not only by internal resources and policies, but

also by harmonizing the external regulatory environment, technological approaches and international practice[7].

Conclusion

Based on scientific research and analysis, it is determined that the main risks faced in the activities of banks today are the risks associated with credit risk, liquidity risk, operational risk, interest rates and exchange rate fluctuations, the effective management of which is an important factor in ensuring the stability and competitiveness of the banking system. The analysis showed that although certain achievements have been made in the field of identification, assessment and management of bank risks in Uzbekistan, it is necessary to strengthen work on the following priority areas in order to further improve this system:

- * Development of independent and professional risk management system in banks;
- * Reduce credit risk by diversifying loan portfolios;
- * Real-time risk monitoring based on modern technologies and Information Systems;
- * Reduce risks associated with the human factor by improving employee skills and continuing training;
- Constant monitoring of stress-testing and capital adequacy based on Basel III international standards.

The risk management system can also operate more efficiently by studying international experience and integrating it in accordance with the national context. This, in turn, serves the stability of the banking system, customer confidence and the overall development of the financial system. On this basis, consistent work should be carried out on in-depth research and implementation of advanced approaches to banking risk management.

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