



WAYS TO IMPROVE RISK MANAGEMENT AND RISK CULTURE FORMATION IN COMMERCIAL BANKS

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Recently, it has become a trend among Commercial Banks to develop or try to develop specific approaches to the concept and concept of “Risk Culture” in internal systems. Risk Culture in banks means that all employees of the bank contribute to the management of risks in order to maximize profits and minimize losses.

Risk Culture is a set of values, beliefs, concepts and knowledge in Risk Management that are shared by employees at all levels of the Bank. In order for each employee to contribute to the formation of the Risk Culture in the Banking System and to further develop and improve it, it is suggested to organize trainings called as “Risk Culture” by the structures of the banking business working with risk-related practices. It shall provide at least the following risk knowledge and information:

- IT risks;
- Information security risk;
- Legal risk;
- Errors in project management;
- Errors related to management processes;
- Errors in the implementation of internal control;
- Modeling risk;
- Risk of loss of funds of customers, counterparties, employees and third parties;
- Errors in personnel management;
- Errors in the payment system;
- Business process interruptions;
- Credit risks;
- AML, sanctions and compliance;
- Risks associated with outsourcing are included.

This training is conducted by experienced staff who have been working in the structures of the bank for a long time and have a perfect knowledge of banking activities. It will be appropriate to form a motivation system for trainers.

As a result, employees who have just entered the banking business or who are considered worthy for this bank will have an understanding of risks, will be motivated in the formation of minimum knowledge, employees will have a rational approach to the risks listed in the work process, they will try to make minimal losses on them, the potential risk and losses of the bank will decrease.

At the same time, in order to formulate the principle of Self-Assessment (Risk and Control Self-Assessment) in the implementation of risk and control, and to create and improve the skills of the bank’s employees at all levels with risk-related knowledge, various triggers related to risk in the form of a quarterly test and Exams are conducted such as finding solutions to cases, identifying them, evaluating them, and choosing the least profitable ways.

In addition, it will be appropriate to create academic platforms in the bank, consisting of a collection of knowledge in each direction, which includes the activities of all areas of banking business.

As a result, employees working in this field improve their knowledge, and a motivation system is formed.



One of the other proposals is an event aimed at minimizing, preventing and improving the risk management of risky banking practices by the bank to clients, individuals and business entities.

Today, the reason why Uzbek banks conduct traditional banking activities is that the most common thing in them is credit risk. Clients and potential debtors are studied by analyzing their financial situation, their position in society, but still expected and unexpected, their financial situation becomes difficult, even worse. As a proposition, it is to forecast, score and work closely with bank customers to find ways to repay their loans. One of these ways is to act as a "business incubator" or "business accelerator" in customer service offices and branches, to teach bank customers the basics of entrepreneurship and business and how to apply it in practice before undertaking risky operations.

As a Corporate Social Responsibility of all banks to the society, raising, improving and improving the financial literacy of their clients is beneficial for both the client and the bank. Many of our compatriots, especially women, intend to do something out of unemployment or start a business. Those who intend to work abroad and open their own business return to the country to continue the business they have learned abroad or invest in their hands, due to the lack of entrepreneurship and business knowledge or the necessary funds, and hesitation in starting a business, bank or tax specialists are contacted. At the same time, it is possible to see cases of not using it based on the profession, knowledge, science and experience of parents or relatives.

At this point, banks study the customer's creditworthiness based on past entrepreneurship and business activities (NPV, IRR and PP indicators), analyze and predict. However, it can be seen from the performance indicators of banks that the weight of problem assets is increasing.

In order to prevent credit and other risks in the banking system, our proposal is to establish "business incubators" or "business accelerators" made up of their employees in business units (branches, banking service offices/centers) by providing knowledge about business and entrepreneurship to potential debtors, clients. or we believe that providing short-term training to applicants and then lending will reduce the risks in this area. What "Business Incubators" or "Business Accelerators" do:

- As a Corporate Social Responsibility, employees participate in Business and Entrepreneurship Development courses and are trained. And trained professional employees organize trainings in conducting Business and Entrepreneurship for both clients and non-clients;

- On the basis of theoretical knowledge, life experience and received information among customers, at the same time, they are encouraged to continue the life activity or work experience of their parents, in which it begins with the identification and selection of those who are inclined to evaluate and manage a Business or Entrepreneurship;

- Trained professional bank employees guide people to profitable areas, including how to increase their income through bank deposits, form and manage a family budget, start business and a family business, how to enjoy income using the activities they know, how to get income from government and corporate securities and currency trading provide information about;

- They mainly motivate women and school graduates to acquire knowledge, learn trades and professions and further improve them;

- Improve the basics of Business or Entrepreneurship Management, Financial Management System, Risk Assessment and Management, Enterprise balance sheet and Accounting, work with national and foreign clients;

- As Mentors and Advisors, bank specialists give their clients an idea of how to continue the business of their parents, how to pass the family business to the next generation, the methods of transfer, the time of giving and experiences, they give advice and instructions to future entrepreneurs that they should be paid for their work first, B2B the secrets of successful conduct, agreement and negotiation in business and their practical application;

- After the training, state registration of ready-made Entrepreneurship and Business entity, communication with stakeholders and reporting, the priority of studying the market conjuncture in the field of business and entrepreneurship, methods of conducting marketing research, secrets of conducting research will be taught;

- Types of market analysis, drawing up a business plan based on them, giving an understanding of how important and correct it is for customers to write a business plan themselves;

- The importance of naming, creating and choosing a business and entrepreneurship, the concept of entrepreneurship and business life, the principles of avoiding losses or achieving stability in business, creating win-win situations and creating a brand;

- To have an understanding of tax and tax-related issues, budget revenues, benefits and preferences, subsidies and grants;



- Sharing detailed knowledge on financing methods such as letters of credit, leasing, project financing, securities, partnership, cluster, joining other segments and associations in the financing of the selected business at the expense of own funds, cooperation and bank loans;
- To find a solution in problematic times, to act in a stressful situation and to prevent its occurrence, to give emotional feelings such as instilling self-confidence;
- Promotion of business created on the basis of competition and rivals, partnership and trust;
- Learn ways to expand export potential, expand currency transactions through banks;
- Banking professionals can even participate in the stages of IPO, SPO, M&A (mergers and acquisitions) of their existing large clients.

The bank supports candidates selected and approved by “Business Incubators” or “Business Accelerators” as project initiators, step by step, until they reach income (profit) and possibly enter the category of large business.

If this measure is used in practice, as a result, the Bank will minimize the Credit Risk, prevent the exhaustion of good debtors, improve the quality of banking services, and improve the quality of Customer Segmentation and Portfolio Management.