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BANKS' LOAN PORTFOLIO QUALITY MANAGEMENT

Gaybullaev Rakhim Murodovich,
Professor of Samarkand Branch of Tashkent State University of Economics, Doctor of Economics, Uzbekistan,
rahimgaibullaev63@gmail.com Tel. +99899-0125078

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Abstract:

In this article, theoretical views on the credit portfolio of commercial banks, methods of increasing the efficiency of managing the quality of the credit portfolio of commercial banks, analysis of quality management methods and thus the development of the lending system are studied.

Keywords: commercial banks, credit, credit portfolio quality management , assessment , credit risk, liquidity.

Since lending is in demand by both legal entities and individuals, this service is provided by banks on a large scale. The interest earned by the bank from providing this banking service is a major part of the profit. However, when commercial banks carry out credit operations , they have high risks . Therefore, it is worth noting that credit portfolio and credit risk management is the main factor determining the effectiveness of banking activity . One of the ways to manage credit risk is to diversify the credit portfolio . Therefore, based on the characteristics of the credit policy of commercial banks competing in the consumer market of banking services, considerations aimed at managing the quality of the bank's credit portfolio are of urgent importance today .

Accordingly, increasing the lending capacity of commercial banks also depends on how formed their loan portfolio is. The quality of the credit portfolio of commercial banks is determined by the achievement of efficiency in bank management. It should be noted that economists express different opinions about the credit portfolio of commercial banks in the economic literature.

The word portfolio is A.B. Borisov interprets it as "the sum of forms and types of economic, financial activity, relevant documents, funds, orders, objects"[1]. At the same time, the total amount of loans given by banks is included in the concept of portfolio. In turn, practitioners understand the loan portfolio as a total set of loans given to borrowers, including problem loans[2]. Speaking about the approach to the word portfolio, it should be noted that it means quality management of bank assets and liabilities, striving to achieve an optimal ratio of profitability, liquidity and solvency of the credit organization [3].

The approaches of Western European economists in determining the loan portfolio are based on the international standards of financial reporting, as well as the recommendations of the Basel II agreement, which understands the loan portfolio as a "set of profitable assets" [4]. Or, the American economist D. M. Naughton describes the credit portfolio as including the classification of loans [5].

I.V. In her research, Larionova considered the single criterion of credit portfolio structure, i.e. credit risk [6], O.I. Lavrushin, N.I. Valentsev [7], M.Z. Sobirov [8] distinguishes three main criteria: risk (credit risk), profitability and liquidity.

In general, risk, profitability and liquidity are important characteristics of any asset portfolio formed by a bank. Therefore, their content should be determined in relation to his loan portfolio.

As can be seen from the above definitions, there is no unambiguous definition of the term "loan portfolio" of the bank. As the bank forms its loan portfolio by granting loans to individuals and legal entities, we can conclude that the composition of this portfolio is different for its participants. Therefore, in our opinion, the credit portfolio of a commercial bank is a set of loans given to borrowers (individuals and legal entities) with terms of term, payment and repayment.

Accordingly, we can define that the loan portfolio consists of several components and should be characterized not only by its size, but also by its structure. This is reflected in the interpretation of the concept of the credit portfolio of a commercial bank in the economic literature and the interpretation of its essence in accordance with our definitions. Especially O.I. Lavrushin and N.I. Valentseva distinguishes two aspects (categorical and practical), on the basis of which, according to them, it is necessary to study the nature of the loan portfolio [7]. The practical aspect is often used by different authors. Based on it, it was emphasized that attention should be paid not to the size of the bank's loan portfolio, but also to its quality.

A.M. According to Tavasiev's definition, if the loan portfolio is "not just a list of loans, but a collection compiled according to a certain criterion, then the loan portfolio will have a specific description according to the quality of the loans granted and credit activity" [9].

Here, "quality" is an approximate indicator of the actual achievement of the goals of forming a loan

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portfolio, and this is what G.V. According to Menyailo, "it is a set of loans that meet the bank's requirements for lending" [10]. And this is a loan portfolio.

Thus, when considering the concept of "loan portfolio", the concept of "loan portfolio quality" is in the main place, but it is also not interpreted more clearly. In this regard, the quality of the loan portfolio can be considered in two ways: on the one hand, it is an important indicator of the loan portfolio as a property, and on the other hand, as an opportunity to describe it in a positive way. Here, Professor O.I. We can consider that the most successful definition of loan portfolio quality was proposed by Lavrushin. That is, in the definition of the quality of the loan portfolio, it is explained that it will have the ability to provide the maximum level of profitability with an acceptable level of credit risk and balance liquidity. This definition is based on the assumption that the main characteristics of the credit portfolio are credit risk, liquidity and profitability, that is, the criteria for evaluating the quality of the credit portfolio are the level of credit risk, profitability and the level of liquidity of the credit portfolio [11].

According to this definition, the basis of credit portfolio quality management is continuous assessment of quality, and risk, liquidity and profitability management processes work as a single system. Such a definition eliminates the stereotypical view that the quality of the loan portfolio should be evaluated only by the share of problem assets, because in addition to credit risk, the quality of the loan portfolio is also evaluated by the levels of liquidity and profitability. .

As you can see, the concept of loan portfolio quality comes to the fore when it comes to loan portfolio management. It is evaluated according to the system of indicators, which includes absolute indicators describing the share of individual loans in the composition of the loan debt (the volume of loans issued by their types and the volume of overdue loans) and relative indicators.

Indicators used by credit organizations in the process of assessing the quality of the credit portfolio are mainly determined by market conditions. In accordance with international experience, the quality of the loan portfolio is evaluated based on a specially developed system of financial ratios. Five groups of such indicators are usually used:

• general indicator of credit portfolio quality;
• profitability of bank loan portfolio;
• quality of loan portfolio management;
• risk policy;
• adequacy of bank reserves to cover loan losses.

It should be noted that the quality of the loan portfolio is a real assessment based on the loans that have already been granted, and therefore, knowing the composition of the loan portfolio by credit quality categories and determining the average percentage of problematic, overdue and doubtful loans, the bank can reduce losses on bank credit operations for each category of loans. establishes a focused risk management system [3]. These approaches show a direct link between risk management and credit portfolio quality assessment.

According to some authors, credit portfolio management is part of the credit risk management system. In our opinion, the loan portfolio management system and the credit risk management system are two systems that are equally connected to each other. The credit policy of the bank is implemented in the management of the loan portfolio. The main requirement for the formation of a loan portfolio is that the portfolio should be balanced, that is, the increased risk of some loans should be compensated by the reliability and profitability of other loans, which is the main link between loan portfolio management and credit risk management. Their interdependence It is obvious that the size of the total credit risk is one of the main criteria for the analysis of the quality of the loan portfolio .

Banks have widely implemented a number of advanced bank management methods, such as the use of an integrated risk management system based on modern information technologies, aimed at improving the quality of their assets and loan portfolio, improving risks in banking activities, including credit risk management, timely identification, quality assessment and elimination of credit risks. are required to reach.

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