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WAYS TO IMPROVE THE PRACTICE OF ASSESSING THE CREDITWORTHINESS OF CUSTOMERS IN COMMERCIAL BANKS

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Abstract: For commercial banks in our country, it is important to correctly assess the creditworthiness of customers. This is necessary to ensure the financial stability and profitability of the bank. For this reason, this article also reveals the creditworthiness of customers in commercial banks and the reasons for the occurrence of problematic loans and ways to eliminate them.

Keywords: commercial banks, credit, profitability, financial stability, blockchain technology, cloud technologies, loan portfolio, creditworthiness, reserve funds.

Introduction.

By evaluating customer creditworthiness for commercial banks, it can achieve a reduction in the risk of lending to banks and ensuring financial stability. When assessing creditworthiness, a number of factors are taken into account in commercial banks, the general economic conditions in the country, the level of inflation, the level of unemployment and other macroeconomic indicators also play a role in assessing creditworthiness. Assessing the creditworthiness of customers is a complex process, taking into account various factors. Banks use various methods and technologies in this process. Proper assessment of creditworthiness helps banks manage risks and ensure financial stability. For customers, however, keeping their credit history well and strengthening their financial condition increases the chances of getting a loan.

The main activity of commercial banks consists in providing the funds attracted as loans. In this case, the purpose of banks is not only to make a profit, but also to ensure the full and timely repayment of loans issued. Banks themselves, as owners of investments, sell the right to use funds not directly, but to customers for a certain period, in exchange for established conditions and interest. That is, the borrower takes a loan from the bank and undertakes to repay it with interest within the agreed period.

Literature review.

Currently, the issue of "problem loans" in Uzbekistan is widely discussed in scientific and practical circles. This is not for nothing, because the balance of problematic loans in the commercial banks of our country, despite the measures taken, remains significantly higher. Problem loans are those in which the terms of the contract are violated by the borrower, payments are delayed or stopped altogether. Such loans negatively affect the financial stability of banks and prevent the development of the economy. Therefore, the issue of reducing and preventing the share of problematic loans remains relevant. This entails improving lending mechanisms, making the credit risk assessment system more efficient, as well as increasing the financial discipline of borrowers.

"In addition to credit risks, there are other risks, such as foreign exchange risk, interest rate risk, legal risks associated with regulatory documents this situation is more indicative of the ability to qualify for credit" (Ko'makov Sh.N., 2024).

American economists Chris J. Barlton and Diana Mac Noton define the concept of a loan portfolio as: "a loan portfolio involves the categorization of loans" (Chris J. Barlton and Diana Mac Noton, 2008). The authors expressed their views by categorizing the loan portfolio.

"The main focus in the management of assets of commercial banks should be on grouping and structural analysis, so that a real assessment of the level and stability of profit received from the operations of each group can be made" (O.I. Lavrushin, 2022).

"The main factor that prevents the improvement of long-term lending practices of commercial banks is the lack of long-term resources in banks. As an effective way to solve this problem, obtaining a loan from the central bank with the foreclosure of liquid assets is indicated" (M. Matovnikov, 2013).

"It is important to ensure the adequacy of the deposit base to increase the lending capabilities of banks" (G.S. Panova, 1997).

"Another of the pressing problems in the practice of lending to business entities is that the interest rates of loans from commercial banks are high for business entities. We can point

out the main two reasons why the interest rates of loans allocated by commercial banks of our country in the national currency are high, they are the high refinancing rate of the Central Bank and the expensive resources attracted by commercial banks" (Norova N.N., 2023).

In recent years, economists in some countries have expressed various opinions and opinions on improving the practice of assessing the creditworthiness of customers in commercial banks. Their main focus is on the following aspects:

1. Limitations of traditional valuation methods: most economists argue that traditional valuation methods, which are based on financial statements and credit history, are inadequate in today's dynamic market conditions. They believe that these methods do not fully reflect the client's future solvency.

2. The role of modern technology: economists emphasize the importance of applying modern technologies such as artificial intelligence, machine learning, and big data analysis to creditworthiness assessments. These technologies make it possible to analyze large amounts of data, identify hidden trends and make more accurate predictions.

3. Using alternative data sources: some economists suggest using social media, mobile payment history, online shopping, and other alternative data sources, along with credit bureau data. This can be especially useful when evaluating clients whose credit history is insufficient or not at all.

4. The importance of behavioral scoring: economists argue that it is possible to more accurately assess a customer's creditworthiness by analyzing their financial behavior. For example, factors such as timely payment, rational use of credit limits indicate that the client is responsible.

5. Prospects for Psychometric Assessment: some economists suggest using psychometric tests to assess the client's personal characteristics, values and motivation. This method can help determine the customer's enthusiasm for repaying the loan.

6. The role of a regulatory environment: economists emphasize the importance of an effective regulatory environment in improving the practice of assessing creditworthiness. In

this area, it is necessary to introduce international standards, improve information exchange and protect consumer rights.

From the feedback of economists, I found that an integrated approach is necessary to improve the practice of assessing creditworthiness. I believe that through the use of modern technologies, alternative data sources and behavioral scoring, banks can reduce credit risks and ensure financial stability. At the same time, it is important to consider both moral and legal aspects in this area.

Research methodology.

In the course of the study, cases and theoretical foundations related to problem loans in commercial banks were studied in Uzbekistan, the impact of loans on the shares of problem loans in commercial banks, financial stability and profitability coefficients were analyzed, as well as analysis of the obtained statistical and practical data through methodological methods such as grouping, logical thinking, induction, deduction and systematic approach.

Analysis and results.

The main goal of the reforms carried out in the banking system is to create a robust banking system in accordance with the requirements of the time, increase competition in the banking services market and establish effective cooperation between banks and entrepreneurs.

The fact that loans make up a large part of the Bank's assets, while being the main source of income for the bank, can also lead to a number of negative consequences. Having a very large share of loans as the main asset can distort the balance in banking activities and create the following risks:

Increased credit risk: if loans make up the bulk of the Bank's assets, the risk of non-repayment of the loan increases. If borrowers have difficulty repaying or not repaying loans, the bank may suffer significant losses.

The decline in asset diversification: the fact that Bank assets consist mainly of loans limits diversification. Diversification helps to reduce risk by distributing assets to different

sectors and instruments. If the bank's assets depend only on one type of asset, that is, loans, then problems in one area can negatively affect the entire activity of the bank.

An increase in dependence on one area: the orientation of the loan portfolio in a particular area, economic difficulties in this area can seriously harm the bank. For example, if the bank has basically given a loan to the construction sector and there is a decline in the construction market, the bank may face problematic loans.

Consequences of inefficient credit policy: an improperly adjusted credit policy increases the bank's risk of loss and reduces profitability. Failure to properly assess the solvency of customers when issuing loans, insufficient security of collateral, and other deficiencies can cause major problems for the bank.

Decrease in competitiveness: the negative circumstances listed above undermine the financial stability of the bank and, as a result, reduce its competitiveness. In the context of interbank competition, customers prefer to place their funds in reliable and stable banks.

In addition to the fact that the share of loans in the Bank's assets is high, it also includes the risks noted above, as well as providing income to the bank. Therefore, banks should conduct credit policy wisely, diversify risks and act carefully in the management of their assets.

Table 1.

Information on problem loans of commercial banks (NPL) as of November 1, 2024

№	Bank name	Credit potfeli	Troubled loans (NPL)	Share of problem loans in total loans
	Total	**521,025**	**22,014**	**4.2%**
	Banks with state share	**362,005**	**14,961**	**4.1%**
1	O'zmilliybank	106,721	3,351	3.1%
2	O'zsanoatqurilishbank	63,041	1,892	3.0%
3	Agrobank	60,190	2,168	3.6%
4	Asaka bank	38,108	1,805	4.7%
5	Xalq banki	29,568	1,523	5.1%
6	Biznesni rivojlantirish banki	22,668	2,389	10.5%
7	Mikrokreditbank	17,527	1,154	6.6%
8	Turon bank	12,405	359	2.9%
9	Aloqa bank	11,776	320	2.7%
	Other banks	**159,020**	**7,053**	**4.4%**
10	Ipoteka bank	34,580	3,868	11.2%
11	Kapital bank	30,441	1,276	4.2%
12	Hamkorbank	18,695	364	1.9%
13	Ipak yo'li bank	13,899	191	1.4%
14	Orient Financ bank	11,935	155	1.3%
15	Invest Financ bank	7,470	111	1.5%
16	Davr bank	6,629	94	1.4%
17	Anor bank	6,443	155	2.4%
18	TBC bank	6,408	191	3.0%
19	Trast bank	5,615	155	2.8%
20	Tenge bank	3,696	122	3.3%
21	Ziraat bank	2,000	61	3.1%

Source: the official website of the Central Bank of the Republic of Uzbekistan is compiled by the author on the basis of the data – ww.cbu.uz.

The table shows the status of credit portfolio and problematic loans in the banking system of Uzbekistan. The share of problem loans in the banking system is on average 4.2%, which is a relatively stable indicator. The share of troubled loans in existing banks (4.1%) is slightly lower than in other banks (4.4%). This may be related to the conservative credit policy of state banks. "Business Development Bank" (10.5%) and "Microkreditbank" (6.6%) have the highest share of troubled loans among state banks. This can be explained by the fact that banks mainly lend to small and medium-sized businesses, and the risks in this segment are higher. Large state-owned banks such as" uznylybank"," Uzsanoatqurilishbank"," Agrobank " have a relatively low share of problematic loans (3.0-3.6%). "Mortgage bank" (11.2%) has the highest share of troubled loans among other banks. This can be due to the fact that mortgages are long-term and are more sensitive to changes in market conjuncture. Banks such as" partnerbank "(1.9%)," Silk Road bank "(1.4%)," Orient Finance bank "(1.3%)," Invest Finance bank "(1.5%)," period bank " (1.4%) have the lowest share of problem loans. This may be due to their cautious credit policy and high demands on customer selection.

According to the data presented in the table, some banks face serious problems with problematic loans. It is necessary that banks improve the risk management system, revise credit policies and act more carefully in evaluating customers. A high share of troubled loans can threaten the financial stability of banks and negatively affect the development of the economy. Based on this information, the supervisory authorities of the banking system should take appropriate measures to reduce the share of problematic loans.

Conclusions and suggestions.

The practice of assessing the creditworthiness of customers in commercial banks is important in the effective implementation of banks ' credit policies and the management of credit risks. This process is aimed at analyzing the financial condition

of the client, determining his creditworthiness and assessing the chances of repayment of the loan. There are several ways to improve this practice:

1. Modernization of the credit risk management system.

Using new technologies: advanced technologies such as artificial intelligence, data analysis, and machine learning (machine learning) can be used to assess customer creditworthiness. These systems allow you to quickly and accurately analyze the customer's credit history, financial condition and other indicators.

Automated assessment systems: the systems provide the bank with the ability to simultaneously collect and analyze comprehensive information about customers, which reduces errors and speeds up decisions.

2. Improving financial statements and approximate analysis.

Developed credit scores and models: when assessing customer creditworthiness, banks must take into account their specific scoring models and creditworthiness history. Adding new parameters and methods of analysis to these models (e.g. customer workplace stability, savings rate, debt repayment, etc.

Resilience tests: performing stress tests when assessing creditworthiness for customers, that is, assessing the chances of paying off customer debts even in the event of a deterioration in economic conditions.

3. Customer segmentation and personalized approach.

Customer segmentation: disassemble credit requests, that is, divide customers into different groups and develop separate evaluation criteria for each group. For example, a special assessment system for small businesses, separate conditions for students or pensioners.

Personal approach: develop a personal approach to each client. Better understand the financial situation of customers and make decisions based on this.

4. Credit history and data update.

Using new sources of information: when analyzing the credit history of customers, banks should not be limited only to official credit histories or debts. Updated and expanded data can also be taken into account, for example, the client's payment discipline, activities on social networks, energy consumption and other circumstances.

Building a comprehensive customer information base: collecting comprehensive customer information and keeping it up to date, including assessing income sources, housing conditions, marital status, and other social factors as well.

5. Strengthening legal and legal framework.

Renewal of credit contracts and legislation: establish in a better legal form the obligations of customers to pay their debts to the loan. In this case, it is necessary to further expand the system of guarantees and insurance that ensure the repayment of the loan.

Improved laws for competitive banks: to increase the competitiveness of commercial banks, to develop new lending laws and to create more favorable conditions for customers.

6. Staff training and development.

Training of credit specialists: Bank employees should be regularly trained in the application of credit risk management, new assessment methods and technologies. It is important to organize this process in a centralized way and use advanced practices.

Training for employees: conducting training in lending and risk assessment, teaching bank employees the use of technology, as well as developing soft skills (soft skills)necessary for customer relations.

Conclusion

Improving the practice of assessing the creditworthiness of customers is of great importance for banks. In order to effectively manage credit risks and ensure the correct distribution of credit resources, it is necessary to apply the above methods. This not only reduces credit risk, but also helps to strengthen the financial stability of the bank.

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