



Article

Strategic Directions for Improving Risk Management Systems in Commercial Banks

Sherzod Fayziyev*¹

1. Researcher at Tashkent state university of economics, Tashkent, Uzbekistan

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Abstract: In this paper has been investigated organization of a compliance and control system based on an integrated management mechanism, which serves to increase the effectiveness of risk management in commercial banks, has been improved, and it is proposed to control AML/CFT, "Know Your Customer" (KYC), sanctions monitoring and operational risk indicators through a single digital platform. The method of assessing compliance risks in commercial banks has been improved, which proposes to assess the limits of improvement based on the levels of $0 \leq KR < 0.30$ - "low", $0.30 \leq KR < 0.60$ - "medium", $0.60 \leq KR < 0.80$ - "high" and $0.80 \leq KR \leq 1.00$ - "very high" for determining the probability of compliance violations and their financial impact based on an integral index. The ARIMA model was introduced into the activities of Asia Alliance Bank JSCB and Aloqabank. A forecast of the volume of total assets until 2030 was developed.

Keywords: forecast, Know Your Customer, sanctions, monitoring, operational risk, risk indicators, compliance risks.

1. Introduction

In the world on a scale money money laundering , terrorism financing , corruption , sanctions aside to pass and fraud of operations increasing going compliance control system of bank risk management central to the element International in standards compliance function of banking risks management system inseparable part as confession Basel Committee approach according to , compliance risk — by the bank laws , regulations requirements , internal rules , ethics codes and good practice to the standards compliance not to do as a result to the surface coming legal sanction [1], financial damage or reputational loss This is a risk . from the perspective of compliance control system in banks independent status has to be , business from the divisions institutional in terms of separation , wide information to take with legal , regular monitoring, compliance testing, internal audit mutual coordination and observation to the council directly report to give to the possibilities has to be necessary. Otherwise without, compliance function is formal- bureaucratic inspection at the level mold , bank risks early detection , prevention to take and soften task complete.[2]

2. Methodology.

The issues of risk management, banking supervision, internal control and improvement of the compliance control system in commercial banks have been widely studied by foreign economists and international financial institutions. The theoretical foundations of bank risks are covered in the works of such scientists as F. Knight, P. Bernstein, J. Bessis, J. Hull, P. Jorion, M. Crouhy, D. Galai, R. Mark, A. Damodaran, J. Lam, in which risk, uncertainty, credit risk, market risk, liquidity risk, operational risk and corporate risk management mechanisms are scientifically based.[3] The issues of bank capital, financial stability and risk-based control have been analyzed in the studies of A. Berger, G. Udell, C. Bouwman, A. Demirgüç-Kunt, H. Huizinga, R. DeYoung, K. Roland, H. Van Greuning and S. Brajovic Bratanovic in connection with the efficiency of banking activities, capital adequacy, asset quality and risk management system.[4]

3. Analysis and results

The methodology for assessing compliance risks in commercial banks has been improved through the development of an integral index-based approach that allows for a more systematic, measurable, and comparable evaluation of compliance risk levels. This approach is based on determining two key dimensions of compliance risk: the probability of compliance violations and the potential financial impact arising from such violations. By integrating these dimensions into a single composite indicator, the proposed methodology enables commercial banks to identify, classify, and monitor compliance risks more accurately.[5]

Within this framework, the compliance risk integral index is expressed through the indicator KR, which ranges from 0 to 1. The closer the value of KR is to 1, the higher the level of compliance risk faced by the bank. In order to ensure practical applicability and analytical clarity, the following threshold levels are proposed: $0 \leq KR < 0.30$ indicates a low level of compliance risk; $0.30 \leq KR < 0.60$ reflects a medium level of compliance risk; $0.60 \leq KR < 0.80$ represents a high level of compliance risk; and $0.80 \leq KR \leq 1.00$ characterizes a very high level of compliance risk.[6]

The scientific significance of this improved method lies in its ability to transform qualitative compliance-related factors into quantitative indicators. This makes it possible to assess the effectiveness of compliance control mechanisms, identify weak areas in internal control systems, and determine the potential exposure of banks to regulatory, reputational, operational, and financial losses. In particular, the method allows banks to evaluate risks related to AML/CFT requirements, KYC procedures, sanctions screening, suspicious transactions, conflicts of interest, and violations of internal regulatory standards.[7]

From a practical point of view, the proposed assessment scale serves as an early warning mechanism for commercial banks. A low KR value indicates that the existing compliance control system is functioning effectively and that the probability of violations and related financial losses remains limited. A medium level signals the need for preventive measures and closer monitoring. A high level requires immediate managerial attention and corrective actions, while a very high level indicates a critical compliance risk situation that may lead to significant financial penalties, reputational damage, regulatory sanctions, or restrictions on banking activities.

Thus, the improved compliance risk assessment methodology based on the integral KR index provides commercial banks with a scientifically grounded tool for risk classification, decision-making, and strategic compliance management. Its application contributes to strengthening internal control, increasing the transparency of banking operations, improving regulatory discipline, and ensuring the long-term financial stability and

economic security of commercial banks.[8]

In the bank's " Know your customer " policy, as well as policies against money laundering and terrorist financing, and internal control rules applied in these areas, it is necessary to develop a general mechanism for combating money laundering in commercial banks (shown in Figure 1).[9]

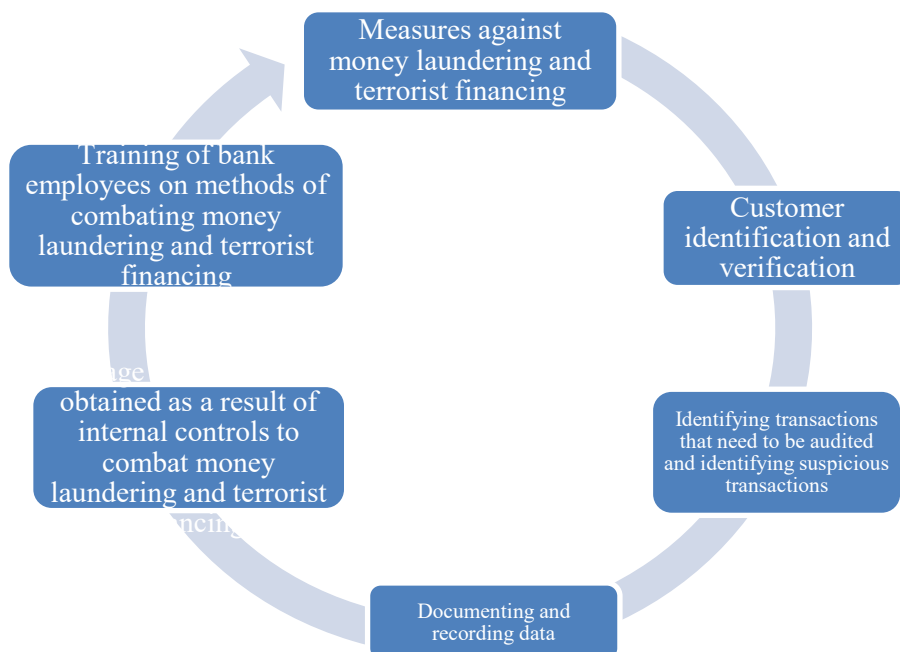


Figure 1. Revenues to legalize against measures mechanism

Revenues legalization and terrorism to finance against measures banks for many functional importance profession customers identification to do and check in the process systematic information base formation opportunity This gives future risks forecast , doubtful operations identification , financial monitoring areas designation and relevant information storage through compliance system continuous to improve service does . With this together , employees qualification regular increase this system efficiency strengthens .[10]

Figure 2. Bank monitoring features and to him/her typical risks into account received without , compliance control main task – illegal income legalization circumstances determination and prevent from taking consists of . Modern banks order and to the standards strict compliance to do through not only financial stability , but reputational also ensures reliability.

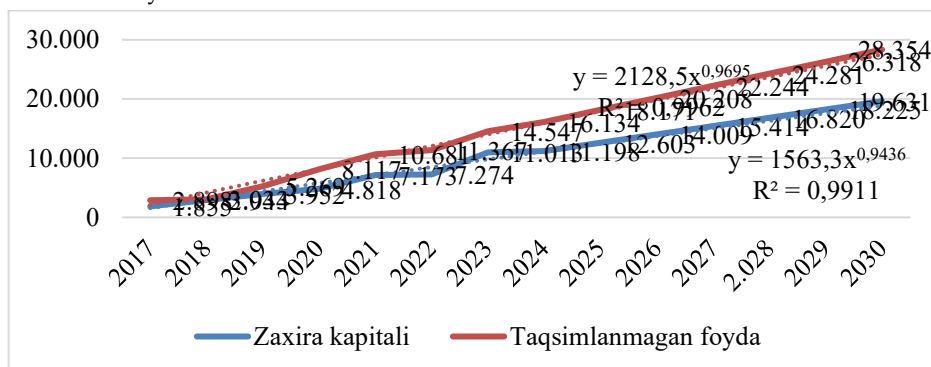


Figure 2. Forecast values for the development of commercial banks in Uzbekistan until 2030, (billion soums)

Also was developed forecast scenarios for the development of commercial banks in Uzbekistan until 2030 . If we look at the dynamics of the balance of loans allocated by commercial banks to small businesses and private entrepreneurs, it has a growing trend.[11]

If we look at the dynamics of deposits in commercial banks, we can see that they have an increasing trend. For example, in 2021 alone, it was 156,190 billion soums, while in 2022 this figure reached 216,738 billion soums.

In the dissertation, the author presents the main directions of the general strategy for ensuring the financial security of our country's commercial banks, taking into account Forecast scenarios for their development until 2030 have been developed.

The Table 1. study also developed forecast scenarios for the development of Uzbek commercial banks until 2030.[12]

Table 1.

Forecast of deposits in commercial banks of Uzbekistan until 2030

billion soums

2026	316 405
2027	346,922
2028	377 439
2029	407,956
2030	438 473

The balance of loans allocated by banks to small businesses and private entrepreneurs is expected to almost double in 2030 compared to 2022, reaching 509,245 billion soums.

Deposits in commercial banks of Uzbekistan are forecast to reach 438,473 billion by 2030. is expected to reach soums.

The balance of loans allocated by banks to small businesses and private entrepreneurs is expected to double in 2030 compared to 2022, reaching 509,245 billion soums.[13]

However, these forecast values are calculated on the basis of abstraction, without taking into account the margin of error.[14] In our opinion, in practice, it is necessary to use, first of all, qualitative methods of risk analysis based on a well-thought-out procedure and practical experience of performers. At the same time, it should not be denied that quantitative methods of risk assessment are very useful for comparing the level of danger of different types of risks or describing the results.[15]

4. Conclusions

An econometric analysis of factors affecting financial risks in commercial banks has shown that the size of the loan portfolio, the share of problem loans, the development of digital banking services, operating expenses, capital adequacy, and macroeconomic factors significantly affect the financial performance and risk level of banks. This indicates the need for systematic use of statistical and econometric models in risk assessment.

The method of assessing compliance risks in commercial banks has been improved, and it is proposed to assess the limits of improvement based on the levels of $0 \leq KR < 0.30$ - "low", $0.30 \leq KR < 0.60$ - "medium", $0.60 \leq KR < 0.80$ - "high" and $0.80 \leq KR \leq 1.00$ - "very high" of determining the probability of compliance violations and their financial impact based on an integral index .

As promising areas for improving the compliance control system in commercial banks, it was considered appropriate to widely implement real-time transaction monitoring, risk profiling based on artificial intelligence and big data, automated AML/CFT control, sanction screening, remote identification and the "three lines of defense" model. The organization of the compliance control system, which serves to increase the efficiency of risk management in commercial banks, was improved based on an integrated management mechanism, in which it is proposed to monitor AML/CFT, "Know Your Customer" (KYC), sanction

monitoring and operational risk indicators through a single digital platform

The study substantiated that the development of forecast scenarios for the development of commercial banks in Uzbekistan until 2030 will allow assessing the long-term stability of the banking system, identifying possible changes in financial risks, and determining the directions of strategic development of the compliance and control system. Forecast scenarios serve as an important scientific and practical tool for ensuring financial security in banks, assessing risks in advance, and making effective management decisions. At the end of the study, a comprehensive organizational and economic mechanism based on harmonizing risk management and compliance and control systems in commercial banks was proposed. The implementation of this mechanism will serve to strengthen the financial security of banks, reduce risks, increase the confidence of investors and customers, and ensure long-term sustainable development of the banking system.

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