# STRATEGY FOR ENSURING BANK ECONOMIC SECURITY THROUGH RISK MANAGEMENT AND FINANCIAL STABILITY

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**Abstract**
The economic security of the banking sector, driven by its sustainable development, serves as a fundamental pillar of a country's overall economic security. This paper is dedicated to the issues of ensuring the economic security of commercial banks in conditions of instability and uncertainty. The main focus is on the role of risk management systems as a key tool for minimizing potential threats and losses faced by banks. The relationship between key factors of financial stability, such as capital adequacy, liquidity, asset quality, and liability structuring, is examined. The importance of thorough diagnostics and objective economic justification for each of these criteria in maintaining stability and protecting the bank from potential risks is emphasized. The paper also highlights the need for a comprehensive approach in organizing the economic security system, which includes not only traditional financial measures but also effective risk management.

**Keywords**: Commercial bank, economic security, threat, risk, financial stability, sustainability, security system, capital adequacy, profitability, prudential standards, financial transactions.

## Introduction

The banking system is the totality of all credit institutions, and it is also a component of the country's economic system. It is the banking system that performs a specific function; banks implement various types of financial transactions and financial operations in order to make a profit by meeting the needs of society in a wide range of banking products and banking services. Today, commercial banks all over the world offer clients new and innovative types of banking services, which undoubtedly have not been used in practice before. This sometimes forces the state to vigorously and responsibly tackle the problem of ensuring the economic security of the entire banking system, in view of the fact that it is a significant subject of national security and itself obviously occupies an important position in the country's economy.

The level of economic security in the activities of banking institutions is determined by how effectively bank divisions and internal services of commercial banks are able to prevent various threats and eliminate damage from their adverse impact on the entire banking system. The generators of such negative impacts can be both conscious and unconscious actions of certain individuals or other competing banks, international financial organizations, local government bodies, etc.

In the context of digitalization, a decrease in the level of stability and reliability of commercial banks, increased competition in the domestic banking services market, the emergence of various crisis phenomena in the banking sector, continuous change in the external environment

- all this requires banks to respond, or rather, carefully diagnose the position of financial stability, searching for optimal ways to improve it.

Banking crises mean crises of the entire banking sector, which are based on the domino effect, the concentration of problem assets in many banks and a decrease in the level of their liquidity, causing massive banking unrest like complete withdrawal of deposits from banks, a sharp decrease in the volume of interbank loans, and a decrease in confidence in banks leads to a decrease in the volume of payments by banks and, as a consequence, to the decline of the entire payment system and financial market.

The availability of specific methods for diagnosing the financial position of commercial banks, presented by domestic scientists and foreign economists, is considered significant in maintaining the conditions for sustainable operation of the entire banking sector. It would be advisable to study existing methods for diagnosing the stability and reliability of modern commercial banks.

This paper is organized as follows: Section 1 introduces the current research. Section 2 provides a literature review on bank economic security. Section 3 describes the methodology of study. Section 4 presents the analysis and discusses the finding of this study. Section 5 presents conclusions.

## 2. LITERATURE REVIEW

Economic security of commercial banks is the state of protection of the bank's activities from various external and internal threats, which is ensured in order to organize the stable and efficient functioning of a commercial bank (Malikova, D., 2021).

The economic security of an individual bank covers a complex of factors and elements that are closely related to the activities of various types of entities, a commercial bank in the internal and external environment, which are inseparably om interaction and have the ability to change both their peculiar features and the magnitude and, accordingly, forms of influence on the economic stability of the bank (Syumkina, A.A., Taradaeva, A.B., 2017). This means that we can assume without any doubt that from the configuration of various elements that correlate with each other, a system of absolutely all commercial banks is generated, and they are focused on protecting the subject from threats and, accordingly, but to counter threats in the most important areas of the bank's activities.

Consequently, from the above, the interpretation of the concept of economic security is considered to mean:

• the total state of the banking sector or economic system of the country;
• the state of stability of the banking sector or the economic system as a whole in the state;
• level of security of the banking sector or economic system;
• a combination of certain factors, measures, conditions that ensure the potential of banking institutions or the national economy for development, etc.

Typically, diagnostics of the sustainability of any type of economic entity are based on certain criteria. The criterion implies a sign, referring to which the diagnosis is carried out. Among the key criteria for the financial stability of a modern bank and its reliability are: capital adequacy, liquidity position, quality of bank assets and, accordingly, liabilities, profitability. Therefore, for subsequent analysis, it is very important to determine the structure of these criteria.

In banking practice, one of the fundamental conditions for ensuring the complete financial stability of a modern type of commercial bank is the sufficiency (adequacy) of bank equity capital. The importance and function of a sufficient amount of bank equity capital is constantly mentioned by economists. The equity capital of any commercial bank is the foundation of the organization of its activities and a significant source of its resource base. Its role is manifested as a segment of supporting the trust of clients and investors in the financially stable position it occupies. Bank capital, indeed, must be of sufficient size to demonstrate to lenders its ability to pay and to borrowers the ability to satisfy their needs for various loans. Since, precisely, the trust of investors: depositors, creditors in modern banks stands out as a key factor in ensuring stability along with the financial reliability of the comprehensive banking system of Uzbekistan.

## 3. METHODOLOGY

The study used empirical research methods such as observation, comparison as well as analysis, induction and deduction.

The primary goal in ensuring economic security within the banking sector is to achieve a stable, highly profitable, and efficient operation of all banking institutions, both in the present and with consideration of future development dynamics. This objective can only be accomplished by addressing the following key tasks aimed at securing the stability of any commercial bank:

ensuring financial stability, independence, and competitiveness of the bank at an adequate level;

protecting the legal rights and interests of both the bank and its employees;

establishing and maintaining a strong technical and technological foundation, as well as safeguarding against unauthorized access to banking systems;

ensuring the absolute protection of all confidential banking information;

preserving the bank's material assets;

monitoring the effectiveness of the bank's security system while simultaneously improving its technological capabilities.

A bank's security system is a comprehensive set of technical and organizational measures designed to protect the institution from various internal and external threats. Key security tasks within banking institutions include forecasting and promptly identifying threats that may jeopardize employees, resources, or the financial and operational stability of the bank, followed by their timely mitigation. Preventing unauthorized use of banking information requires categorizing data access levels and differentiating the vulnerability of various bank resources to ensure their security. Additionally, developing mechanisms for rapid response to emerging security threats and adverse trends in banking operations is essential. Minimizing risks to staff and preventing potential attacks on banking resources involve implementing organizational, legal, and technical security measures. In cases of financial or operational damage resulting from unlawful activities, it is crucial to establish preconditions for damage compensation, contain negative consequences, and align recovery efforts with the bank's strategic objectives.

Summarizing the above, achieving a high level of economic security within a bank requires extensive efforts to ensure operational stability and efficiency. Key components of economic

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security include information security, financial security, personnel security, legal security, technical security, technological security, and others.

## 4. ANALYSIS AND DISCUSSION

Under the current conditions of credit expansion, driven by declining profitability indicators of commercial banks, a decrease in the population's solvency, the introduction and development of the bankruptcy institution, a significant increase in the cost of advertising and educational campaigns, and other factors, ensuring economic security within a credit institution requires a strong financial sector as the core of a large-scale transformation strategy for the entire banking system.

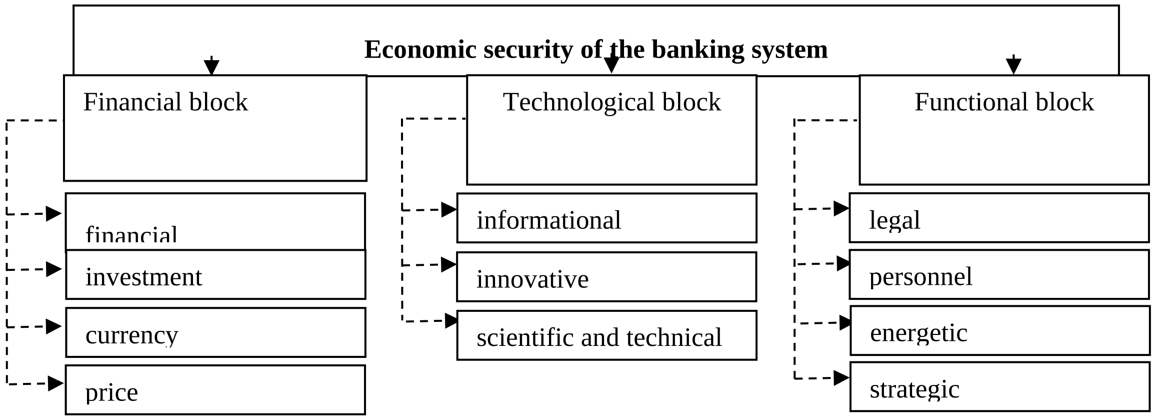


**Fig. 1. The structure of economic security of banks**

Implementing such a security structure contributes to expanding the framework of economic security across the banking system, thereby standardizing the selection of measures and tools to counteract potential risks.

In our view, the construction of economic security for any type of commercial bank should encompass financial, technological, and functional components (Fig.1).

For the banking sector, a risk-oriented approach in the bank's management system is considered a critically important component. At the same time, it is essential to emphasize that most risks faced by commercial banks are primarily associated with both the loss of total income and the depletion of banking resources.

In our view, within the scope of this research, it would be reasonable to distinguish between the concepts of "threat" and "risk" and then systematically correlate them with the notion of "security." This establishes a relationship between ensuring the security of an entity and the potential threats and risks it faces, which is schematically illustrated in the following Fig. 2.

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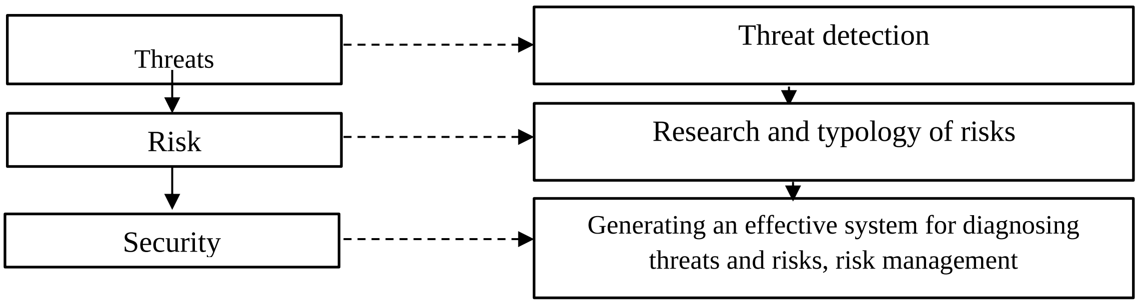


**Fig. 2. The relationship between the concepts of threat, risk, economic security**

Under conditions of uncertainty and economic instability, every banking institution needs to establish and organize systems that help minimize or completely neutralize any type of threats that negatively impact the bank's economic security. Such a system will assist commercial banks in maintaining liquidity, ensuring financial stability despite various threats, and mitigating their adverse effects through internal efforts.

The security system of this kind should protect various bank assets, including financial resources, property, information, and employees of the credit institution. The economic security system in every bank should primarily be based on analyzing potential external and internal threats, identifying them in a timely manner, forecasting the emergence of possible risks, and developing an action plan to prevent them.

A crucial element in organizing a bank's economic security is risk management, which includes the identification, classification, assessment, and analysis of all potential risks.

Thus, it becomes evident that protecting a bank's operations from various threats and risks is the key focus of ensuring economic security. Maintaining and continuously improving this system is the foundation of strategic management in every commercial bank.

This issue is quite complex and relevant, addressing the following priority tasks:

First, identifying potential threats and risks affecting the bank's economic security;

Justifying all possible methods for managing threats and risks;

Selecting an alternative model for risk management and threat mitigation that ensures the economic security of the bank and resolves the key challenge of strategic management in commercial banking.

## 5. CONCLUSIONS

The essence of economic security of the entire banking system is to ensure the most optimal use of banking resources in the stage of preventing various types of potential threats threatening commercial banks and, consequently, creating good conditions for their stable, effective activities and maximizing profits.

Ensuring economic security for each bank is a procedure for achieving an appropriate position of protecting the economic interests of the bank, which are reflected in the implementation of the set priority goals and are focused on creating favorable conditions for the implementation of all noted types of banking activities, which are provided for by the Charter of the bank itself.

Managing the economic security of any commercial bank covers a set of methods and techniques that form the bank's ability to avoid threats and dangers of an economic nature, maintain the sovereignty and stability of the domestic economy.

Ensuring comprehensive economic security in the banking sector must be approached through the lens of risk management, as this concept is specifically designed to diagnose, assess, and minimize potential losses of all kinds that may arise in the course of banking operations. A well-developed risk management system serves as the foundation for economic stability, allowing banks to proactively identify vulnerabilities, respond to financial fluctuations, and mitigate adverse effects before they escalate into serious threats. Given the dynamic and unpredictable nature of the financial environment, it is crucial to integrate risk management strategies into the overall framework of banking security, ensuring resilience against both internal and external economic challenges.

From this perspective, a bank can be considered financially stable if its operations are managed in strict accordance with key financial and regulatory criteria. These include capital adequacy, ensuring that the bank maintains a sufficient capital buffer to absorb potential losses; optimal liquidity, allowing the bank to meet its short-term obligations without financial strain; the quality and reliability of banking assets, which determine the institution's ability to generate income and maintain solvency; profitability, which reflects the efficiency of financial operations and ensures sustainable development; and the well-structured composition of liabilities, which guarantees balanced financial obligations and reduces excessive exposure to risks.

Each of these criteria plays a crucial role in shaping the overall financial health of a bank. Neglecting even a single aspect can lead to significant imbalances, increasing the likelihood of financial instability or even crisis situations. For this reason, it is imperative to adopt a meticulous and individualized approach to managing each key financial indicator. Banks must continuously conduct in-depth diagnostics of their financial performance, utilizing comprehensive analytical tools to assess risks, monitor market conditions, and adjust operational strategies accordingly.

Furthermore, ensuring financial stability requires a sound economic rationale for every decision made within the bank's strategic framework. Objective financial analysis, thorough risk assessments, and adherence to international banking standards are essential to safeguarding long-term economic security. Only through the integration of proactive risk management, high-quality financial monitoring, and strategic economic planning can a commercial bank maintain resilience, protect itself from systemic risks, and sustain growth in an increasingly complex and volatile financial environment.

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