

CREDIBILITY OF THE BORROWER AS THE MAIN INDICATOR OF THE CREDIT RELATIONS EFFECTIVENESS

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Purpose of this paper is to disclosure theoretical principles of credibility analysis and identification of practical prospects for improving the efficiency of modern analysis methods of the borrowers' creditworthiness, including the review of the financial condition of an individual, lender's ability to compensate for the loss affecting the borrower's financial losses.

Methodology. In this research were used different scientific methods. Among them the most important were induction and deduction; comparison; analysis and synthesis. There are a lot of methodologies for assessing the borrowers - methods of analysis of the client financial condition and its reliability in terms of timely repayment of the loan. However, currently existing methods of analysis are focused on creditworthiness of borrowers to address local issues for the creation of credit scoring.

Findings. According to this research there should be highlighted the main features of the structural unit responsible of the loans monitoring: periodic inspection of all loans granted by the bank (at least once a year); systematic review of the major credits (every 30 or 90 days); spot check and credit portfolio of loan documents; continuous monitoring of problem loans; assessment of risk exposures of loan portfolio and making recommendations on the amount of reserve funds.

Research implications. Modern banking requires new approaches to efficient crediting. That is why the mechanism of reducing credit risk should be used in combination with other factors which reduce the number of problem loans. The most important one

should be considered to comply with the credit operations, the bank employees should be in contact with borrowers to prevent nonperforming loans.

Practical implications. To make banking business more stable banks should conduct permanent monitoring and analysis of credit risk. Quantitative analysis of the degree of credit risk should be complemented by qualitative analysis - definition sources (factors) of the risk.

Value of this paper is in review of the main theoretical and methodological basis for determining the borrowers credibility and the essence of creditworthiness as the main performance evaluation indicator of the credit relations between the borrower and the lender.

Keywords: credit market, solvency, liquidity, credit risks;

Research type: research paper.