

## **Problem aspects of borrowers' creditworthiness assessment**

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The crisis in the economy and its banking system led to a significant deterioration in the solvency of business entities and, consequently, increase the proportion of bad debts on loans. In such circumstances the implementation of reliable and comprehensive assessment of the borrowers' creditworthiness is especially important. It is the key for making the most effective management decisions on the strategy of the credit institution and its sustainable operation and development.

In this connection, existing methodological approaches to the assessment of the companies' creditworthiness require the critical analysis and reconsideration. Current situation in the financial markets, common interests of the lender and the borrower for ensuring of lending operations effectiveness should be taken into consideration.

The research of the modern models of the evaluating of the borrowers' creditworthiness shows their imperfection and drawbacks. The classification methods of evaluating of borrower's creditworthiness pay not enough attention to qualitative indicators of his activity, do not research the influence of the environment on the company's ability to service loans. The static nature of calculated indicators cannot predict the level of their variability over time. Some subjectivity of the integrated assessment models of borrower's

creditworthiness and the imperfectiveness of the information base for this analysis lead to a distortion of research results.

Analysis of national practice of the borrowers' creditworthiness assessment by financial institutions suggests that they commonly use the techniques based on a calculation of financial ratios. It should be emphasized that the definition of creditworthiness with financial ratios is characterized with certain disadvantages. The main difficulty of this method is that in a volatile economy and high inflation the actual performance of the company may not be the only basis for assessing of its ability to repay the loan within the prescribed period. The calculated coefficients fix only the moment in economic, leaving aside the ongoing dynamic changes. Lack of information about the dynamic processes in the economy increases uncertainty about the company financial condition and, consequently, credit risks. Also, there is no single approach of financial institutions to determine the optimal values of the borrower activity.

Thus, the direction of future research is to improve the system of evaluating of the borrower's creditworthiness and the development of complex measures to overcome identified deficiencies of researched methods.