

Improvement of credit rating of physical persons in banks by applying a differentiated approach to borrowers

Okhrymenko I.B.

Candidate of economic Sciences,
Senior Lecturer at Department of Banking,
Kyiv National Economic University named after Vadym Hetman

The article reveals peculiarities of assessing the creditworthiness of borrowers -physical persons in banks, and problems of development and improvement of assessment methods in the current conditions of Ukraine.

The relevance of the study is caused by the fact that further effective development of consumer credit in Ukraine is largely dependent on the improvement of risk management arising from the implementation of these operations in banks. Analysis of the practices of consumer lending in Ukraine, as well as analysis of the implementation of assessing the creditworthiness of banks gave the opportunity to argue that the new growth of bad debts in the loan portfolios of Ukrainian banks is caused by imperfect risk management. In this regard there is an objective necessity of the analysis of problems of assessing the creditworthiness of consumer credit borrowers in banks of Ukraine and search for ways of their solution, identifying gaps, applied techniques and troubleshooting, an important aspect in modern conditions is the development of methods to assess.

The results of the analysis of the practice of credit rating of physical persons in banks of Ukraine revealed deficiencies in existing assessment methods. Among them the main

ones are: limitations of methods, low efficiency scoring evaluations, weak interaction of banks with the credit bureau, lack of differentiation of customers and so on. In this regard, the common finding is that the methodology for assessing the creditworthiness of borrowers applied by banks of Ukraine has a negative impact on the lending process, namely, reduce the quality of credit scoring and extend the time for its implementation, which reduces the quality of it as a whole.

To improve credit risk management in banks of Ukraine it is proposed to use a differentiated approach when assessing the creditworthiness of borrowers-physical persons, the essence of which is the appropriateness of the use of more simple methodologies in the assessment of clients with potentially low level of risk. Also it is proposed a set of fundamental informational parameters of individuals' scoring in the provision of consumer loans in which the basic parameters are extended by an additional unit, which indicators take into account possible future changes in the borrower's parameters. The application of the proposals in practice of banks can significantly simplify the process of assessing the creditworthiness of consumer credit borrowers.