

Features of credit risk assessment in investment lending

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This article throws the light on the essence and the main features of credit risk assessment in investment projects' lending process of a bank. It is pointed out that the credit risk assessment in the bank investment activity is extremely important step and effective way to minimize the level of credit risk. The main factors that affect the level of credit risk of a bank investment credit are determined in this paper. The author investigates the main aspects of minimizing credit risk level in bank investment activity.

The author in the article proposes project risk and credit risk's definitions and describes their main distinctions. Three main phases of investment process and the features of credit risk evaluating in these phases are shown. The importance of implementation of stress-testing of a financial model before investments is highlighted.

The author also describes the approach to the credit risk assessment in investment lending process. This article includes more detailed study of the basic ratios that should be widely used by banks' risk analysts during investment projects' risk evaluations. The author describes the compensating balance scheme and the dedicated percentage method as two approaches in order to facilitate more effective process of the credit risk management, minimize it and increase the yield from investments. Participation of a bank in a project management process and regular surveyor reports preparation are proposed as additional methods of the project credit risk management.

The importance of regular monitoring of the project realization results, changes in financial state and cash-generating capacity of a borrower are pointed out.