

CREDIT RISK MANAGEMENT AS A TOOL OF COMMERCIAL BANK ECONOMIC SECURITY

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Lending to the production and the final consumer is the main economic function, which aims to fulfil the banking system.

Operations of commercial banks in crediting of individuals and legal entities form the basis of their active activities because the successful implementation of these operations leads to the basic income, promotes the reliability and stability of commercial banks. Otherwise, the setback in lending is accompanied by the ruin and bankruptcy of credit institutions.

Credit risk is the risk of default of credit obligations to the credit institution by a third party.

Credit risk can be considered as the largest inherent in banking activities. According to the most of authors, it is the risk of default by the borrower of the loan and interest thereon. Moreover, credit risks include such risks as: the risk of default on the loan, the risk of overdue payments, the risk of collateral etc.

There are the following indicators of the quality of credit risk management: 1) index of credit policy; 2) indicator of organizational structure and qualifications of the employees of the credit institution; 3) rate of lending transactions; 4) performance monitoring of

issued loans; 5) rate of problem and hopeless loans; 6) indicator of management of credit risk on balance sheet assets.

A necessary condition for the analysis of the credit risk is whether a potential borrower has full and reliable information about it. For a credit institution it is advisable to have a list of documents (information) requested by the prospective borrower at the stage of consideration of an application for a loan.

The indicator monitoring on the loans estimates carried out by the credit organisation monitoring of issued loans, which refers to tracking the credit organisation of conditions and signs of deterioration in the financial position of the borrower and debt service quality, threaten loan repayment.

Based on the foregoing, it can be stated that the credit risk has distinctive features and is unique for each credit institution in the banking sector. This determines in large measure the originality of areas of the credit risk management. The Bank, taking a decision on a loan should focus not on assessing the individual credit risk and on determining the total risk for each borrower taking into account the specifics of the industry sector of the enterprise.