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CREDIT OPERATIONS OF BANKS AND CREDIT LINE

КРЕДИТНІ ОПЕРАЦІЇ БАНКІВ ТА КРЕДИТНА ЛІНІЯ

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The article reveals the essence of the concept of credit as an economic category, its forms, types and principles. The essence of the credit policy of banking institutions is defined, the credit operations of banks at the current stage of the economy are characterized, and the current state of the credit activity of Ukrainian banks is analyzed. The development of the financial services market in the conditions of the global financial crisis is analyzed. The problems and prospects of the development of the credit services market in Ukraine have been identified. The choice of credit strategy by banks of Ukraine was studied. The main problems of banks' lending activities are summarized and practical recommendations for overcoming them are provided. Ways to improve the credit process of commercial banks are predicted. Global practice proves that credit and credit operations permeate all spheres of society and contribute to the development of the country.

Keywords: credit, credit policy, credit activity, credit operations, credit strategy, credit line, loan, financial service, limit, credit institution, financial crisis.

У статті розкрито сутність поняття кредиту як економічної категорії, його форми, види і принципи. Визначено сутність кредитної політики банківських установ, охарактеризовано кредитні операції банків на сучасному етапі економіки, проаналізовано сучасний стан кредитної діяльності банків України. Проаналізовано розвиток ринку фінансових послуг в умовах світової фінансової кризи. Також проаналізовані тенденції розвитку та сприятливі умови для формування попиту на кредитні послуги як на національному, так і на міжнародному рівнях. Виділені сприятливі обставини, що формують попит на такий вид послуг, як кредитна лінія. Визначено характерні особливості кредитної діяльності банків у сучасних умовах економічного розвитку. Визначено проблеми та перспективи розвитку ринку кредитних послуг в Україні. Досліджено вибір кредитної стратегії банками України. Узагальнено основні проблеми кредитної діяльності банків та надано практичні рекомендації щодо їх подолання. Спрогнозовано шляхи вдосконалення кредитного процесу комерційних банків. Світова практика доводить, що кредит та кредитні операції пронизує усі сфери суспільства та сприяє розвитку країни. Основна увага приділена вивченню ключових, істотних умов відповідного договору з огляду на можливі ризики його виконання та дотримання прав контрагентів. Акцентовано на важливості об'єктивного підходу під час визначення строків та лімітів кредитної лінії. Запропоновано основні організаційно- економічні заходи щодо поліпшення процесу кредитування комерційних банків. Визначені та обумовлені основні напрямки діяльності Національного банку України щодо підтримки банківської системи в кризових умовах. У дослідженні використано законодавчі та нормативні акти України, які регламентують діяльність вітчизняних комерційних банків, наукові праці та методичні розробки, роботи провідних вітчизняних та зарубіжних вчених, матеріали науково-практичних конференцій, семінарів, круглих столів, статистична інформація, практичні дані, а також власні джерела автора.

Ключові слова: кредит, кредитна політика, кредитна діяльність, кредитні операції, кредитна стратегія, кредитна лінія, позика, фінансова послуга, ліміт, кредитна установа, фінансова криза.

Formulation of the problem. In the modern market economy, loans are an integral part of the economic system, relationships between its subjects and an important component of economic relations. Today, credit mediates all stages of the production process and contributes to the effective use of limited resources, as well as increasing the profitability of production.

In the development of the banking sector in modern conditions, which takes place, on the one hand, under the influence of high competition, and on the other – under the influence of the global financial crisis, the question of expanding the range of services that are in demand by financial institutions is important. Banking institutions perform not only traditional banking operations, such as opening deposits, carrying out settlements, but also significantly expand the line of financial services for individuals and corporate clients.

Credit organizations are leading participants in the currency and stock market, introducing various types of completely new banking products. A special place in the list of banking services is occupied by credit services, namely the opening of credit lines. Credit relations in modern conditions develop in rather difficult conditions. On the one hand, today consumer activity is high, but on the other hand, the financial capabilities of consumers are limited. Taking into account the tendency towards a gradual decrease in the bank discount rate and quick, convenient registration of credit relations, the number of participants in these legal relations is growing rapidly.

The modern system of digitalization has led to the active introduction of innovative technologies in the field of banking services, which also causes the spread and popularization of credit relations, makes banking services more convenient and accessible. However, the financial awareness and legal awareness of consumers of banking services is generally not high, which causes inadequate initiatives and improper implementation of credit relations.

The totality of credit relations, financial and credit institutions and established organizational legal norms, which in their interaction ensure the possibility of movement of loan capital in various forms between subjects of the economy at the national and international levels, forms the credit market. Ukraine's credit market is the main component of the financial market, which enables business entities to quickly mobilize financial resources.

Taking into account the influence of the modern civilized culture of the developed countries

of Europe, the demand for loans and credit services has increased and requires correction, preventive regulation, because society in general does not have the skills to predict and take into account economic changes in the state and in the world. Therefore, in the light of the expanded demand for bank credit services, it is quite relevant to study the characteristics of such financial services, which will allow to ensure proper legal protection of private human rights in today's unstable economic conditions

One of the main tasks facing the bank's management is the correct development of credit activities. Credit activity should cover the most important elements and principles of the organization of credit work in the bank, determine the priority areas of lending, as well as the list of loans that should not be included in the credit portfolio. Today, the credit activity of any commercial bank is part of the philosophy of the banking business, which determines the intrabank loan issuance procedure, document flow, monitoring of the loan portfolio, work with problem loans, and setting loan interest rates. The leading role in solving significant problems belongs to credit relations and banks, which is explained not only by the increase in their role in the development of the economy, but also by the available opportunity to quickly and effectively respond to the introduced new management mechanisms. Thus, the chosen issue of methodological formation of credit activity is quite relevant, as it affects the activity of a commercial bank, and because of this, the development of the economic and banking system in the country.

Setting objectives. The purpose of the study is the analysis of the economic essence of the credit activity of banking institutions as a determining prerequisite for ensuring the financial stability of the banking system and the analysis of the main characteristics of such a financial service as a credit line. Аналіз публікацій, в яких започатковано вирішення цієї проблеми.

Many foreign and domestic scientists have made a significant contribution to the study of the implementation of banking policy. Such researchers as V. Baranovskyi, L. Batrakova, M. Beh, Y. P. Vladyka, V. Geets, O. Gudz, I. Hutsal, T. Hryshchenko, G. Panova, O. Padalko, I. Karbivnichy, V. Kolosova, L. Maryniuk, O. Mykhailik, N. Rogozhnikova, I. Furman, L. Shinkaruk and some others. But, despite the significance of existing scientific developments, it is worth noting that a large number of problems in the study of this topic remain unsolved, in particular, it is necessary to

generalize theoretical approaches and practical experience in the formation and implementation of bank credit policy, including in conditions of economic instability, which will allow to determine directions for its further development and improvement.

Presenting main material. The reason for the need for a loan is fluctuations in the need for funds and the sources of their formation in both enterprises and individuals. When some funds are released, others lack them. This discrepancy is resolved with the help of a loan, which is needed by the borrower to expand production, more fully meet his own needs.

Taking into account the high demand for credit banking services, it is important to clarify the conditions and legal basis for the proper implementation of credit relations, under which the rights of each of the participants in the relationship would be protected by the Banks in these legal relations for the successful and effective use of all opportunities, the appropriate credit mechanisms are developed credit policy. It is she who makes it possible to ensure rational activity of a financial institution in the future.

The overall economic reason for the emergence of credit relations is commodity production. After all, credit is a loan, a debt. The essence of credit as an expression of the specific has many different shades. It is very difficult to include them in one definition. In this regard, there may be several definitions of the essence of the loan, and each of them may express one or another of its qualities, one or another detail characteristic of its structure, the composition of participants, the stages of movement and the basis of the loan. It can be assumed that the loan is:

- relations between the creditor and the borrower;
- reverse movement of value;
- movement of means of payment on the principles of reversibility;
- movement of borrowed value;
- movement of loan capital, etc. [1].

In modern scientific opinion, there is no clear and unambiguous interpretation of the bank's credit policy. In a broad sense, it is defined as a set of measures and actions carried out by banks in the field of lending in order to solve strategic tasks based on micro- and macroeconomic factors. In a narrow sense, the bank's credit policy can be defined as a document that is confidential in nature and contains a list of rules for conducting the bank's credit business, which are implemented within one year, and then reviewed

by the credit committee [1, p. 45]. In science, with regard to the analysis of the field of lending, the following interpretations are available: credit policy is a policy related to the movement of credit (attraction and placement): the essence of the bank's credit policy is to ensure the safety, reliability and profitability of credit operations, that is, the ability to reduce minimum credit risk. Credit policy is the determination of the level of risk that the bank can take.

The main goal of the credit activity of any bank is to achieve commercial growth thanks to strengthening and increasing the reliability of the quality of the bank's credit portfolio. Also among the main tasks of credit activity:

- creation of high-quality assets that ensure a constant planned level of profitability;
- investment of loan funds in economically promising, profitable projects;
- development and active implementation of new credit products;
- strengthening and increasing competitiveness in the market; improving the quality of provided services [3, p. 87]. The priority tasks of a commercial bank's credit activity are:
 - provision of highly profitable placement of the bank's funds in hryvnia and foreign currency;
 - permanent control over the structure of the loan portfolio and their qualitative composition;
 - provision of reliable and profitable loans; minimization and diversification of credit risks.

The primary goal of the bank during any operations, including credit operations, is to obtain maximum profit with minimal, controlled risks. However, there are two types of factors that banks should take into account in this process: external and internal. External factors today include the following: the development of the global financial crisis, the economic and political situation in the country, and market competition. Internal factors include: the stability of the bank on the market, its competitiveness, etc. These factors are taken into account by the bank during the formation and implementation of the credit policy, during the forecast and assessment of risks and profits. Popular methods bank lending, depending on the needs of the borrowers, includes a credit line, overdraft, overdraft, one-time term loan, etc.

The Law of Ukraine "On Banks and Banking Activity" does not have a separate definition of the term "credit transaction", although it is stated that credit transactions include:

- attraction of deposits (deposits) of funds and banking metals from an unlimited range of legal entities and individuals;

– opening and maintaining current (correspondent) accounts of clients, including in bank metals; placement of funds and bank metals involved in deposits (deposits), including current accounts, on one's own behalf, on one's own terms and at one's own risk;

– carrying out operations on the securities market on its own behalf; provision of guarantees and sureties and other obligations from third parties, which provide for their fulfillment in monetary form;

– acquisition of the right to demand the fulfillment of obligations in monetary form for supplied goods or services, assuming the risk of fulfilling such requirements and accepting payments (factoring); leasing [2].

The higher the credit risk of a certain operation, the more responsible the bank should be in determining the purpose of lending. Realization of the purpose for which the loan was obtained can provide the necessary funds to repay the debt and, above all, the interest. Conversely, the lower the risk of the enterprise, the easier it is for the bank to agree to an insufficiently specific purpose of the loan. This issue is especially relevant when lending to trade enterprises that need funds for current activities, to replenish working capital. Also, if the company conducts activities in many directions, then determining the effectiveness of such credit investments is too difficult a task [3]. It is clear that the loan is repaid from various sources and not necessarily at the expense of the activity for which it was provided. However, the goals determine the risks, which means they must be defined. This is what makes it possible to ensure the proper implementation of creditors' rights. Therefore, the first positive factor in the proper provision of a credit line is compliance with the principle of intended use.

According to the level of credit risk, credit operations are divided into five categories:

- And (the highest) – there is no risk or the risk is minimal;
- II – moderate risk;
- III – significant risk;
- IV – high risk;
- V (lowest) – realized risk.

Current legislation prohibits the provision of interest-free loans, except in cases provided for by law. In accordance with Part 2 of Art. 345 of the Economic Code of Ukraine [4], credit relations are carried out on the basis of a credit agreement concluded between the creditor (Part 1 of Article 1054 of the Civil Code of Ukraine – the creditor) and the borrower in

writing. The loan agreement defines the purpose, amount and term of the loan, conditions and procedure for its issuance and repayment, types of security of the borrower's obligations, interest rates, loan payment procedure, obligations, rights and responsibilities of the parties regarding the issuance and repayment of the loan [5].

Debt on assets provided by financial obligations classified in the fifth category is bad. Credit operations are carried out by banks within the limits of credit resources, the main sources of which are the banks' own funds, balances on current and current (currency) accounts, borrowed funds of legal entities and individuals on demand and term deposit accounts, interbank loans and funds received from the issue securities.

Loans provided by banks can be divided according to the following characteristics:

1. According to terms of use: a) short-term – up to one year; b) medium-term – up to three years; c) long-term – more than three years.
2. For collateral:
 - a) collateral (property, property rights, securities);
 - b) guaranteed (by banks, finance or property of a third party);
 - c) with other security (guarantee, certificate of insurance organization);
 - d) unsecured (form).
3. By methods of provision:
 - a) on a one-time basis;
 - b) according to the open credit line.
4. According to the repayment terms:
 - a) simultaneously;
 - b) in installments;
 - c) early (at the request of the creditor or at the request of the borrower);
 - d) with regression of payments;
 - e) after the end of the stipulated period (month, quarter).

Raised and borrowed funds are, in their economic essence, a debt obligation. Unlike the bank's capital, they have a finite period of being at the disposal of the bank and are subject to return under certain conditions [6, p. 154].

On the basis of the specified criteria, the bank forms credit portfolios of homogeneous loans (which consist of the total amount of debt for homogeneous loans provided by the bank). Banks assess the financial condition of borrowers (bank counterparties) in accordance with the Methodology for assessing the borrower's financial condition, which is an integral part of the internal regulations on lending.

Conclusions. Therefore, in conditions of financial crisis and instability, the demand for

credit banking services is growing. This is due to the culture of consumption, the level of financial awareness and the popularization and availability of bank offers. Moreover, such processes are followed both within the country and at the international level (interstate loans). This type of service really allows consumers to use additional opportunities that open up to them when entering into a credit relationship.

Thus, credit operations occupy an important place in the activity of a commercial bank. They include operations to provide funds to the borrower on terms of timeliness, return, payment in accordance with the terms of the contract between the creditor and the borrower. Types of loan operations are extremely diverse, they can be classified according to various features and criteria.

Among the advantages of the credit line, which were considered in the article, it should be borne in mind that the agreement and observance of such conditions as the limit and term of this financial service are mandatory to ensure the rights of counterparties. In some

cases, the purpose of the loan and the grounds for unilateral change of the above conditions may be indicated.

The main factor in improving the state of the domestic banking system is the trust of the population and its confidence in the stable state of the country's economy. There is a need for banks to improve their credit policy to prevent the emergence of problem debt by applying strict conditions for granting credit. The National Bank is working on new instruments for providing financing to banks, which will help banks satisfy business demand for hryvnia funds and continue to properly perform their main function of supporting the economy. This is important today and will be no less important after the end of the quarantine, when the economy returns to full functioning. In particular, for this, changes have already been made to the operational design of monetary policy, which will give banks greater flexibility in managing their own liquidity, and a long-term refinancing tool has been introduced to support lending and bank liquidity.

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