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## **THE IMPROVEMENT OF MONITORING OF THE BANK'S CREDIT PROCESS**

The acceleration of economic growth of the country and increase in investment in its economy largely depends on the efficiency of the banking system. However, the main indicators of Ukrainian banks in Ukraine remain low. So, for seven months of 2016 the total losses of Ukrainian banks were 9.3 bln UAH. At 01.08.2016 33 operating banks had losses in the amount of 16.6 bln UAH [1].

The basic factors that determined the negative economic tendencies in development of the banking system of Ukraine in recent year were: military operations on the east of Ukraine and annexation of AR Crimea; the decline of purchasing power of population as a result of reduction of its real incomes; the reduction of volume of foreign investments. On such conditions it is increased the necessity of perfection of the mechanism of providing banking services, realization of the system of the banks' risk management, improvement of monitoring of providing banking services.

A credit portfolio has the biggest share in the banks' assets. That is why the monitoring of the credit risk is one of major components of the system of the bank's risk management. Forming of an effective administrative politics in relation to a bank's credit risk requires realization of monitoring for achievement the dynamic, balanced and stable state of functioning of a bank. For realization of monitoring of credit risk an appropriate methodical base is needed in bank activity. It determines the importance of improvement of organizationally and methodical approaches necessary for realization of monitoring of bank activity, in particular, the process of crediting that has an utmost importance today.

Research of questions of monitoring of the bank's credit process such home and foreign scientists engaged in, as V. Buryak [2], O. Vasurenko [3], V. Vitlinskiy [4], L. Prymostka [5], T. Savchenko [6] and others. However it is necessary to notice that a theoretical and methodological base in relation to organization of monitoring of the bank's credit risk is investigated not enough that stipulates actuality and choice of research theme.

In banking monitoring can be both internal and external in relation to a bank. Monitoring of credit risk is an internal type of bank's monitoring, which is a component of the bank's risk management and an important element of all process of crediting, as exactly due to the systematic watching the dynamics of any changes at activity of borrower or qualitative composition of credit portfolio timely intervention and effective management of the credit process in case of unfavorable for a bank events are possible.

Monitoring of credit risk at the level of the bank's credit portfolio is a process of systematic analysis of indexes of credit risk that must be taken into account and be based on the analysis of credit portfolio on the basis of factors that cause its appearance. According to the modern approaches to monitoring of credit risk, monitoring of diversification of credit portfolio monitoring of structure of credits classified after the degree of risk, monitoring of the fixed limits of crediting are included to the traditional components of monitoring of credit risk at the level of credit portfolio.

Monitoring of credit risk of a separate borrower is a process of watching of key elements of a borrower's activity that determines his capacity to return credit and percents for prevention of debt problem.

The components of monitoring of credit risk of separate borrower are: monitoring of compliance of credit agreement by a borrower; monitoring of a borrower's financial state; monitoring of use a credit funds; monitoring of non-financial information (for example, reputations); monitoring of loan security.

Some scientists suggest calculating the integral index of credit risk. Such calculation includes: choice of indicators of the level of credit risk, their

calculation and comparison with the maximum values; ball estimation of credit risk on the basis of the developed algorithm; calculation of integral index of credit risk and exposure of its dynamics.

In the composition of indicators of the level of credit risk it is suggested to enter next coefficients: the share of credit portfolio in assets; the quality of credits; the share of overdue credits in a credit brief-case; the bank's percent margin; the share of the percent margin in the bank's capital; the adequacy of reserves; the share of deductions from reserves in a credit portfolio; the maximal size of risk on one borrower; the level of concentration of large credit risks; the level of concentration of credit risk on one insider; the level of concentration of credit risk on all insiders; the quality of assets. These coefficients are most widespread in world and home practice of credit risk estimation.

The modern approaches to estimation, monitoring and adjusting of credit risk envisage the use of models CreditMetrics and CreditRisk+.

On the basis of systematization of data about the models of estimation of credit portfolio risk monitoring of credit risk at the level of credit portfolio of homogeneous borrowers may be carried out.

Realization of monitoring of bank's credit process is effective only in the conditions of the stable functioning of economy. For the receipt of results that envisage the possible dramatic negative changes of the state of economy, it is necessary to take into account different macroeconomic scenarios.

To the main purposes of realization of the financial monitoring of the bank credit process belong: collection and accumulation of information, that characterizes the current dynamics of development of economy of country and actual situation in its banking sector; forming the database that represents the level of credit risk of separate banks; professional analysis and prognostication of dynamics of credit risk of the banking system on the whole; all-round research of credit risks in the banking sector; authentication and estimation of degree of influence of key factors that present the base of stable

development of the banking system; estimation of efficiency of preventive measures that is conducted within the system of government regulation of the banking sector.

To provide the effective functioning of the system of monitoring of banks' activity, it is necessary to follow such principles, as [7]: principle of actualization and scientific ground of methodologies that are used in the process of monitoring, i.e. the permanent perfection of methodical base of monitoring; principle of monitoring of firmness of the banking system, that must be conducted, taking into account the specific of regions of Ukraine both at regional level and at the level of the banking system on the whole; principle of continuity of realization of monitoring, i.e. collection of information must be conducted constantly, but not periodically; principle of comparableness of initial data and output indicators of monitoring, it means that initial data that present the informative base of monitoring must be comparison on the different intervals of time; principle of availability of conclusions and results of monitoring, that confirms the necessity of consideration and discussion of the documentarily fixed conclusions of monitoring by the users of information about banking system.

The monitoring of credit risk may be carried out effectively only in case of timely receipt of reliable and complete information about the set of factors that influence on the change of this risk. Introduction of the integrated informative system in a bank and distribution of plenary powers in front-, middle-, and back-offices allow avoiding errors during realization of credit operations and determination of the level of credit risk. Functioning of subdivision of monitoring of credit risk in a bank within the framework of a bank's risk management at the level of middle-office allows in time avoiding problems in credit activity and on the basis of the formed accounting about a risk to choose further strategy in the sphere of credit risk management.

Thus, for improvement of monitoring of bank's credit process it is suggested to calculate the integral index of credit risk that is based on taking

into account the indicators that characterize a credit risk from different sides. During this procedure it is suggested to calculate the integral index for all Ukrainian banks. It will give an opportunity to accept administrative decisions in time that in the end will provide more stable and reliable functioning of all banking system of Ukraine.

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