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**Kosova T.D.¹, Doc. Sci. (Ekon.),
Prof.,**

Pozdnyakov E.M.²

1 – Donetsk National University of Economics and Trade named after Mykhayilo Tugan-Baranovsky, Donetsk, Ukraine, e-mail: mentor_ua@mail.ru

2 – Donetsk National University of Economics and Trade named after Mykhayilo Tugan-Baranovsky, Donetsk, Ukraine, e-mail: pozdnyakov.em@gmail.com

THE SYSTEM OF THE MANAGEMENT OF THE CREDIT RISKS OF BANKS

Abstract

Methods. *In the process of research the following methods are used: theoretical generalization and comparison, analysis and synthesis, systematization, graphic visualization.*

Results. *The debatable approach is analyzed near determination of the essence of the bank credit risks management system and its organizations. The critical estimation of the international standards maintenance and normatively-legal acts of the National bank of Ukraine, regulating management processes a credit risk, are given. The system of alternative management aims is offered by the bank credit risk, which must answer the aims of the bank credit policy. The bank credit risks management system and the approach near its organization are formalized. The factors of formation of credit risk and the origin of problem credits are systematized. The requirement to the credit risks management system is formed.*

Academic novelty. *The elements of credit risks management system of the bank are specified: subjects (specially created committees and operating personnel with clearly certain plenary powers on making decision in relation to credit operations), objects (standard, prolonged, problem credits, pricing on credit operations), the oriented to the risk credit policy (strategy and tactic), the functional subsystems (planning, internal control, operative adjusting), interactive inter se and sent to achievement of basic business goals of bank. The methodical approach is improved near organization of credit risks management on the basis of clear determination of the separate stages, mechanisms and management methods of the credit risks, coming from the use clean and speculative conceptions of credit risk. The alternative aims of management are educed by a credit risk: minimization, observance of certain limits of risk, optimization of profitability and risk, liquidation, warning or compensation, turning to the additional account (profit, arrived).*

Practical importance. *The received results are sent to the improvement of the internal bank regulations, which identify the bank credit policy, positions,*

procedures, management methods by a credit risk. The practical value of recommendations consists in the increase of probability of achievement put before of the system of the credit risks management of purpose.

Key words: credit risk, control system, organization, process, stages, mechanism. *roach at its organization.*

Purpose. The formalization of the management system of the bank credit risks and the improvement of the methodical app **Objective.** *The formalization of the management system of the bank credit risks and the improvement of the methodical approach at its organization.*

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Scientific novelty. The elements of credit risks management system of the bank are specified: subjects (specially created committees and operating personnel with clearly certain plenary powers on making decision in relation to credit operations), objects (standard, prolonged, problem credits, pricing on credit operations), the oriented to the risk credit policy (strategy and tactic), the functional subsystems (planning, internal control, operative adjusting), interactive inter se and sent to achievement of basic business goals of bank. The methodical approach is improved near organization of credit risks management on the basis of clear determination of the separate stages, mechanisms and management methods of the credit risks, coming from the use clean and speculative conceptions of credit risk. The alternative aims of management are educed by a credit risk: minimization, observance of certain limits of risk, optimization of profitability and risk, liquidation, warning or compensation, turning to the additional account (profit, arrived).

Practical meaningfulness. The received results are sent to the improvement of the internal bank regulations, which identify the bank credit policy, positions, procedures, management methods by a credit risk. The practical value of recommendations consists in the increase of probability of achievement put before of the system of the credit risks management of purpose.

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The raising of problem and its copulas is with major scientific and practical tasks. The conception of the risk-oriented systems of management and control became the new paradigm of management bank activity in modern terms. In this connection an important value is acquired by recommendations of the Basel committee in relation to introduction of new principles of the risk-oriented bank supervision, upgrading of practice in the sphere of control system, the activation of internal control by risks for its rapid recognition, reacting, neutralization and diminishing to the concentration. The credit risks are basic risks which arise up in the process of operating activity. Its origin is constrained as with objective, so with human factors among which errors at the estimation of solvency of borrower, ill-timed the exposure of problem credits, and also imperfection of credit control in banks. Thus, a problem of the credit management risks of bank is actual.

The analysis of the last researches and publications studied by author in which the decision of the given problem is founded, the selection of unsolved part of general issue, which its article is dedicated. The problems of management credit risks are in the spotlight of research workers and practical workers. Kryklyi O. A., Maslak N. G. are determining the system of bank credit risk management includes an object, subjects, instruments and providing [1, c.12]. We generalized the existent approach to the interpretation of concept essence " the credit risks management " : aggregate of the system organized procedures (Koretska S. O., Nagorna M. I. [2]); measures, actions, sent to providing of certain goal (Shubenko I. A. [3, c.9], O. Kryklyi O. A., Maslak N. G. [1]); system of associate and interdependent methods of conscious, purposeful influence, sent to providing of certain goal (Kovalov O. P. [4]); process (Zaharchenkov S. P. [5, c.15]). However the question of system research of essence, principles, tool of the system of the bank credit risks management in economic literature is studied not sufficiently.

The forming of the article aims (the raising of task). The purposes of the article are formalization of the system of the bank credit risks management and the improvement of the methodical approach to its organization.

Exposition of research basic material is with a complete ground of the received scientific results. The system is the organized (integrative) complex of elements and its relations, which functions within the limits of certain environment on the basis of action of mechanisms of internal and external connections through input and initial streams and has a clearly noted goal and functions [6, c. 38]. A term "the management system" in the context of input of quality management standards is determined in Statute about a consultative-inculcating center from the input of control system after the standards of series of ISO 9000, ISO 14000, ratified by Order of Ministry of transport and connection of Ukraine from 23.03.2007 № 233, as a "aggregate of integrative or interactive elements, which enables to set a policy and task and arrive at these tasks".

The main signs of the management system are next components: aggregate of elements, internal and external copulas between them, sweep (task), function. A term "of the system of the management of credit risks" is not enough widespread, besides it often equates with concepts "credit risk-management of bank" and "management of

the credit risks". Largely it is assisted by contradictions, NBU stopped up in normatively-legal acts.

The National bank of Ukraine actively enters a supervision on the basis of estimation of risks. By the decision of Rule of the National bank of Ukraine № 104 from 15.03. 2004 the Methodical pointing is ratified from the inspection of the banks' "System of estimation of risks". An important place at the system of the management of credit risks in banks is taken to the risk-oriented internal control. From one side the internal checking system is the subsystem of risk management, which assists diminishing of level of risks, its minimization, from other - must estimate quality of work of subdivisions of bank, which are responsible for management risks. Internal control of risks foresees not only the quantitative and mathematical estimation of risks but also analysis of high-quality risks (operating-rooms, reputation, legal and others like that), providing quality of internal control system by risks.

A risk-management is determined as a system of the management by risks, which includes for itself strategy and tactic managements, sent to achievement of primary business-purposes of bank, in the methodical recommendations in relation to organization and functioning of the risk management systems in the banks of Ukraine, Rules of National bank of Ukraine ratified by a decision in 02.08.2004 № 361. It goes out from this determination that a risk-management and the system of the management by risks are identical, but explanation goes along, that an effective risk-management includes: a) a control system; b) a system of authentication and measuring; c) a system of accompaniment (to monitoring and control) of risks. A logical conclusion from this clarification is: control system by risks is the subsystem of risk management. But farther p. 5.3. is determined that in the world practice distinguish four associate stages of risk management: 1) authentication (exposure) of risk; 2) quantitative and high-quality estimation (measuring) of risk; 3) the risk control; 4) risk monitoring . From this it comes out that the subsystem b) is answered by the stages 1) and 2), the subsystem of c) are the stages 3) and 4), the subsystem a) not a single stage answers.

In the methodical pointing from the inspection of banks "System of estimation of risks" the analogical stages (exposure of risk, measuring of risk, control of risk, risk monitoring) are distinguished, but that is determinated as an elements of the system of management by risks. The heads 2 - 18 of the Methodical recommendations in relation to organization and functioning of the systems of risk management in the banks of Ukraine determine the component of the system of the management in relation to the different types of risks, where essence of the system of the management by the risk of bank is taken to the regulation documents is a politician, positions, procedures, methods and others like that. The head 4 requires the real normative act from a review broker's to the bank of providing in the organizational structure of bank of separation of the management system by risks from the system of internal supervision (internal control and internal audit). As market conditions and structures of banks are different, there is not single control system by risks, acceptable to all banks. Every establishment must work out the own program and control system by risks, in accordance with the necessities and

circumstances. This can explain that in the normative acts of HBY a term "system" in relation to a risk management in banks gets along in a great number.

In methodical recommendations in relation to organization and functioning of risk management systems in the banks of Ukraine of management risks it is determined as a process by means of which a bank exposes (identifies) risks estimates its sizes, carries out its monitoring and controls the risk positions, and also takes into account intercommunications between different categories (by kinds) of risks.

As most research workers of concept "control system by risks" equate from a concept "risk-management of bank", and the last came in lexical practice from western sources, to our opinion, it is important to appeal to his etymology. In the general view a term "risk-management" (management risks; eng of risk management) is understood as a process of acceptance and implementation of administrative decisions, which are sent to the decline of authenticity of unfavorable result and minimization of possible losses, caused by a risk.

A release in 2009 of Principles and directives deserves attention in relation to implementation of International Organization for Standardizations of ISO/DIS 31000, in which general principles and practical recommendations (guidance) are lighted up on questions a management risks regardless of type and nature, with its positive and negative consequences in enterprises, banks, associations any as organization and pattern of ownership, industry of activity or to the sector of economy. The noted standard contains general principles and elements of risk management though, however not unify the system of the management by risks in organizations. In this standard of "risk-management" concept it is not envisaged officially, an organizational process, which consists of logical and systematic methods which are used on all his stages (hallmarking of risk, authentication, analysis, estimation, development of measures in relation to neutralization or diminishing to the risk, control and monitoring), is fixed in his maintenance by a basic element, of communication copulas and consultations are adjusted. As seen, by this document underline not only rich in content, methodical and judicial signs of risk management but also functional.

Bondarenko L. A. marks that "risk-management is a complex concept, which must be examined: from the scientific point of view, as the phenomenon, as a process, as a system, as an art and as a management [vehicle" 7, c. 16]. Mostly widespread one is interpretation of a bank credit risk management as the severely formalized process with the clear sequence of the stages, mechanisms and management methods. Mostly as the stages of management, a risk distinguish planning, exposure (authentication, recognition), analysis, estimation, control, monitoring, prognosis, insurance, limiting, minimization of consequences of realization of risk and others like that. But equation of the separate stages and functions of management (planning, analysis, control) and mechanisms of decline of risks (limiting, insurance) takes place here.

A credit risk is a probability by the bank of partial or complete loss of sum of credit and percents for possessing a credit or receipt of yield on the inlaid capital as a result of influence of factors of external and internal origin [8]. The system of the

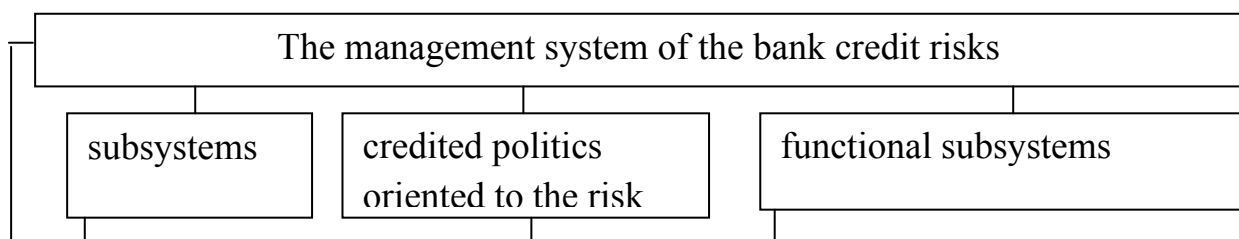
management of credit risks must be formed in accordance with the credit policy of bank, and the purpose of management credit risks (Pict. 1) must correlate with tasks to the memorandum of credit policy of bank.

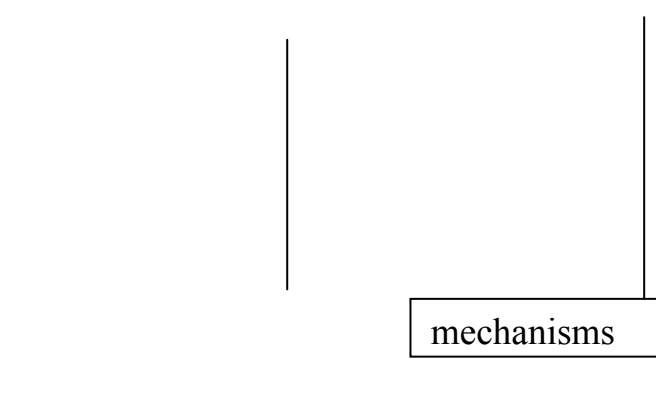


Picture. 1. Purpose of management risks (it is built from data of [9; 10]);

Critically estimating the looks of scientists in relation to the purpose of management credit risks, it follows to mark that minimization or liquidation of risk conflicts with the deep principles of banking organization, where to every active operation a risk is immanently inherent. Probably the question can be about determination of acceptable to the bank level of risk and monitoring of its level. The negative consequences of risky events are stopped up in basis of swingeing majority of the analyzed conceptions of a credit risk management, id est that are based on conception of clean risk. However the specific concept of bank activity is in a greater degree answered by conception of "speculative risk", which will nurse from possibility the additional benefit receipt (to the profit, income) comparatively with the expected result in the conditions of vagueness overcoming in the motion of credits. Advantage of the indicated approach is an account of not only negative but also positive consequences of risky events.

A credit risks management in the bank is carried out by constantly operating Committees: by Credit Committee; By the committee of the assets management and passive voices; By the Committee tariff; By the committee of the strategic and budgetary planning. Thus, control system by the bank credit risk can be formalized (pic. 2).





Picture 2. The formalization of the management system by the bank credit risk

The objects of the management are standard, prolonged, problem credits, the pricing for to the credit operations. All banks in that or other degree run into the problems of failure to return of credits regardless of quality of brief-case credit and methods which are used at a credit risk management. The credits with the enhanceable risk can become a problem first of all. A credit risk is related to non-payment of debt, loss of percentage, failure to return of credits.

The risk of failure to the return of credits is determined by macro- and microeconomic factors. To the basic factors of external (in relation to a bank) environment it should be taken: level of stability of the state economy (whether to the region), complication of the tax system and others like that.

To the internal (microeconomic) factors of influence on the credits problem size it is possible to take:

It is the use of strategic and tactical methods of planning and management of the bank and accordingly pursuit (control) of strategic or tactical interests activity a top management. The use of bank exceptionally of tactical methods of planning and management a top management in harm strategic can result in the increase of credit risk;

It is a qualification of the bank personnel and applied system of the shots retraining. Insufficient qualification of the bank personnel results in the increase of

the credits volumes, given out to unreliable borrowers, and carefully thought out system of the shots retraining provides the increase of quality selection of borrowers mainly with the high index of solvency;

it is a degree of complexity and efficiency of the used methods of the credits monitoring;

it is a level of co-ordination (clearness of co-ordination) of actions of the bank functional subdivisions in the process of problem debt penalty.

The following belongs to the factors that form credit risk: considerable volume of credits, given to the narrow group of borrowers or industries, id est a concentration of credit activity of commercial banks is in some segment of economies; frequent change of credit policy; high part of credits, which are on borrowers who have financial pressures, are certain; concentrations of activity of bank in the insufficiently known, new, untraditional for the spheres of a bank activity; increased parts of new borrowers : excessive trust to providing the credits; unsatisfactory diversification of credit risk; high level of the negatively classified assets; aggressive expansion of volumes of crediting is in relation to a structures, terms, level of increase or methods of calculations; increase of relation of credits and credit obligations to the regulated capital and to the general bank assets; absence of adequate or sufficient information for an analysis and the understanding of parameters of credit risk; wrong internal rating reflection of the credit brief-case quality classification defects in methodology of calculation of reserves under the possible losses on active operations: presence of plenty of exceptions from the proper procedures and the realization practices of active operations and other.

Therefore the control system by a credit risk must include: positions in relation to crediting, which take into account to both balance, and off-balance sheet operations; position is in relation to the limits of risk on one contractor, a group of associate contractors, after industries or sectors of economy, after geographical regions or other credit operations which can be examined in an aggregate; these positions take into account all components of a credit risk, to both balance and pose to balance, which establishment, and also possible influence of other risk categories, is exposed to; clearly certain and carefully thought out system of plenary powers from making decision in relation to the acceptance of credit operations; complex system of credit risk estimatio; proper informative base; a process is a credit authentications, quality of which gets worse, and the proper work with problem assets; preparation and presentation of periodic reports to guidance with sufficient information for the estimation of risk level; function of independent verifications of credit activity, who is setting an analysis of quality of both separate credits and credit brief-case is on the whole.

The conclusions are from the noted problems and prospect of further researches in the given direction.

1. In the system of the credit risks management contains such elements: subjects (specially created committees and operating personnel with clearly certain plenary powers from making decision in relation to credit operations), objects (standard, problem credits prolonged, pricing for to the credit operations), risk-

oriented credit policy (strategy and tactic), functional subsystems (planning, internal control, operative adjusting) which co-operate inter se and sent to achievement of primary business-purposes of bank. The internal bank regulations must clearly identify the credit policy of a bank, position, procedure, methods of management a credit risk.

2. The methodical approach is improved near the management organization of credit risks on the basis of clear determination of the separate stages, mechanisms and methods of management credit risks, coming from the use of clean and speculative conceptions of a credit risk. Unlike existent approaches which are taken to minimization of credit risks, alternative whole managements educed a credit risk: observance of certain limits of risk, optimization of profitability and risk, liquidation of a risk, warning or compensation, receipt of additional benefit (to the profit, income).

The prospect of further researches is the development of suggestions in relation to determination of credits problem as objects within the framework of the management system by risks.

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