

Банки сучасного та майбутнього Banks of the present and the future

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MANAGEMENT OF THE BANK'S CREDIT ACTIVITY AS A FACTOR ENSURING ITS STABILITY

Abstract. Now we see that the financial stability of banks is an essential condition for the effective functioning of Ukraine's economy as a whole. Strengthening the stability of banks, their dynamic development, increasing confidence, as well as increasing the positive impact of the country's banking system on various economic development processes, show the following that it is necessary to improve banking to ensure maximum profitability of banking and anticipate all possible risks.

Today, it is the supply of credit resources that is significantly hampering the overcoming of the crisis and the improvement of economic development indicators, as well as the lack of stability in ensuring the fulfillment of obligations to their depositors by banks. Based on this, we see that monitoring the functioning of banks in relation to sustainable development is one of the most important tasks.

The concepts of "credit", "credit activity" and "financial stability", methods of credit management to achieve financial stability and conditions for improving the efficiency of credit management were studied.

Based on the data of JSC CB "PrivatBank", the article analyzes the level of financial stability and features of the bank's lending activities from 2018 to the present.

In order to support any economic system, including the bank, or to achieve more significant results, or in a certain state, a necessary condition is coordinated action. The financial stability of a bank is a multifaceted and complex process that is carried out through the interaction of various levers, tools, forms, methods and ways of influencing the subject of management on its object, based on a well-developed concept.

The conclusions provide recommendations for managing the bank's lending activities to ensure its stability.

Key words: bank credit activity, financial stability, credit activity management, bank stability indicators, banking activity.

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JEL Classification: G21

Introduction. Based on the fact that the banking sector plays a dominant role in the structure of the financial market of Ukraine, there is a need to study the issue of investing in banking institutions in their target direction. Among them, credit activity occupies a special place, which in turn determines the relevance of the selected issues.

Analysis of recent research and problem setting. The question of ensuring the financial stability of banks is a concern and is in many scientific studies. They were considered in the works of the following foreign and domestic scientists in the field of economics: L. Primostka J. Kaminska, V. Korneeva, G. Azarenkova, O. Baranovsky, O. Vasyurenko, O. Golovko, S. Drobyshevsky, M. Matovnikov, N. Pogorelenko and others.

Attention was also paid to the management of the bank's credit activities. This can be seen in the works of domestic and foreign scientists: L. Tolstosheeva, N. Ostrovskaya, I. Salo, N. Bobyl, V. Vitlinsky, K. Karas, N. Volkova, P. Dadashova, V. Dzyublyuk, A. Epifanov, M. Kvasniy, O. Klyusko, V. Kovalenko, B. Lutsiv, V. Podchesova, V. Mishchenko, L. Ostankova, N. Prytula and other scientists [1]. However, the analysis of the above scientific literature shows the presence of certain aspects of this topic, which are not fully covered or characterized by ambiguity of existing approaches.

The purpose of the article is to identify methods and ways to improve the efficiency of credit management as a factor in ensuring the financial stability of banks, in particular on the example of JSC CB "PrivatBank"

Research results. Today, as we know, an important component of the economic development of each country is banking. Lending activity occupies one of the priority places in the general list of banking operations, due to the fact that income from its implementation is the main share of all income of the bank. Taking into account the current problems of banks in the economic crisis, the need to study issues related to attracting and placing on the market of credit services of credit resources. The topic is relevant due to the improvement of theoretical and methodological principles of effective management of credit activities of domestic banks. Their ability to meet the needs of society in borrowed funds affects the development of the country's economy. To a large extent, the stability of the banking system depends on the level of efficiency of banks' lending activities [2].

Further in table 1 we can get acquainted with the definition of "credit activity" according to various scholars:

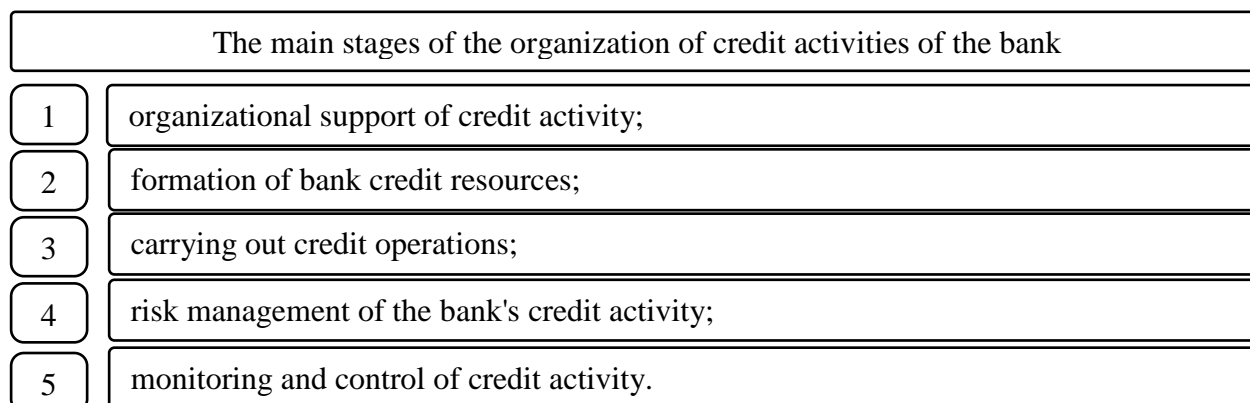
Table 1

Definition of "credit activity" by scientists

Author, source	Definition
L. Tolstosheeva [3]	a set of actions aimed at forming the necessary amounts of credit resources through the attraction of funds of legal entities and individuals and placing these resources on the credit market in compliance with generally accepted principles and existing legal norms
N. Ostrovskaya [4]	a set of actions aimed, in addition to the direct organization of the credit process, to achieve high efficiency of credit investments, meet the demand for credit services, minimize credit risk and the formation of sustainable competitive advantages in the credit sphere
V. Volokhov [5]	it is a complex process of reproduction and sale of credit services for profit
O.D. Vovchak [6]	system of measures of a commercial bank in the field of lending to its customers, which carries out the bank to implement its overall strategy in a certain period of time

Source: built by the author using [3-6]

Based on all of the above, in our opinion, the bank's lending activity is a kind of component of banking activities, which manifests itself in the form of a coordinated, strategic and tactical goals, a set of practical actions and internal banking processes aimed at forming credit resources. In addition, their distribution at a controlled level of risk for profit. Thus, after this definition, it is advisable to identify the following main stages of the organization of credit activities of the bank (Fig. 1):



Source: built by the author using [7]

Fig. 1 The main stages of the organization of credit activities of the bank

Regarding the concept of "financial stability of the bank", the basis of market stability and financial stability of the bank are the development of effective credit policy, proper organization of bank lending, as well as a flexible risk management system. That is why the credit activity of the bank, the implementation of which depends on an acceptable theoretical and methodological justification of the means of functioning and organization, necessitates further development of research in the use of credit relations of the bank in practice [8].

In Figure 2 we can see the process of ensuring the financial stability of the bank, which consists of the following main elements:

The process of ensuring the financial stability of the bank

- 1 Planning;
- 2 Analysis and evaluation of key indicators;
- 3 Regulation of the bank's financial stability;
- 4 Control

Source: built by the author using [9]

Fig. 2 The process of ensuring the financial stability of the bank

Lending has a significant impact on the financial stability of the bank. It can be called one of the most important sources for the development of the real sector of the economy. But in recent years, the state of Ukraine's banking lending activity indicates a not quite sufficient level of its development.

Let's analyze the state of credit activity of JSC CB "PrivatBank". Based on the data of the annual report, we see that 8 million citizens of our country use credit cards, car loans and mortgages offered by PrivatBank. As for small and medium-sized businesses (SMEs), they found themselves in a difficult situation last year. 70% of SMEs are served by PrivatBank. The bank's team found out that they were responsible for them [10].

That is why small and medium-sized businesses received credit support from the bank in the amount of UAH 8.9 billion in 2020.

Almost 1/5 million private entrepreneurs received loans. This served because the bank became the national leader of the state program "Affordable Loans 5-7-9%". PrivatBank issued almost 2.2 thousand such loans in the period from the beginning to the end of 2020. It was ahead of other banks by more than 1,000 contracts.

But all was not limited to the issuance of new loans:

- the bank reduced lending rates for 60 thousand customers;
- 6.5 thousand entrepreneurs received credit vacations.

The share of problem loans in 2020 on the "new" portfolio increased by only 0.9 percentage points. (up to 5.6%). That is, 94.4% - the bulk of the total "new" loan portfolio of the bank is, so to speak, healthy.

In table 2 we can see the indicators of loans and advances to customers of the bank in monetary terms:

Table 2

Loans and advances to clients of JSC CB "PrivatBank" for 2018-2020, UAH million

Indicator	December 31, 2018	December 31, 2019	December 31, 2020
Loans and receivables under finance leases managed as a separate portfolio	212 795	210 579	164 332
Loans to legal entities	5 648	6 250	5 509
Loans to individuals - credit cards	45 314	51 890	40 609
Loans to individuals - mortgages	12 923	11 467	9 566
Loans to individuals - consumer loans	4 193	4 148	3 500
Loans to individuals - loans to purchase a car	332	250	35
Loans to individuals - other loans	672	498	129
Loans to small and medium-sized enterprises (SMEs)	8 251	8 555	6 859
Accounts receivable under financial leasing - individuals	710	1 152	1 52
Accounts receivable under financial leasing - legal entities	654	742	588
Accounts receivable from financial leasing - small and medium-sized enterprises (SMEs)	248	418	517
Acquired / created impaired loans	196	94	76
Total loans and advances to customers, total	291 963	296 043	232 772
Minus: reserve for expected credit losses	(241 796)	(236 499)	(177 751)
Total loans and advances to customers	50 140	59 544	55 021

Source: built by the author using [11]

The category "Loans managed as a separate portfolio" consists of non-performing loans, as of December 31, 2020 and 2019, which were issued by the end of 2016. Management believes that this portfolio includes indicators of credit risk, even regardless of the classification by area of business (as of the date of these loans) and industry.

Under these loans, as of the end of 2020, the Bank demonstrates UAH 164,332 million of the provision for expected loan losses. The same figure last year amounted to 210,579 million hryvnias. The bank wrote off UAH 46,247 million from the reserve of these loans during 2020.

In 2020, advances and loans to customers, which the Bank wrote off from reserves in previous years, were repaid in the total amount of UAH 233 million. The same figure for 2019 is 296 million hryvnias. In addition, there were reimbursements of UAH 180 million on credit cards. As of 2019 - 233 million hryvnias. The next is the repayment of loans to legal entities of UAH 73 million for 2020 and UAH 100 million for 2019, respectively. Also 3 million hryvnias on loans to SMEs and 5 million hryvnias in 2019.

We can also look at the change in the capacity ratio for credit operations (Table 3). This is the ratio of interest expenses to bank interest income. The ratio assesses the stability of the bank in the credit market. The calculation of this ratio allows you to determine what percentage of borrowed funds are directed directly to activities related to lending.

Table 3

The value of the coefficient of capacity of JSC CB "PrivatBank" on credit operations in 2018-2020

2018 year	2019 year	2020 year	Standard
0,455	0,418	0,355	<0,75

Source: built by the author using [11]

We see that for these years the value of the indicator does not exceed the critical value of 0.75. This indicates the company's conservative credit policy. To ensure the efficiency of lending, banks aim to maximize their interest income. And also to achieve the level of profitability set by the strategy.

PrivatBank lends responsibly - the bank refused to increase credit limits for the quarantine period. The bank made a conscious decision, so the loan portfolio decreased by 8% last year.

PrivatBank's net loan portfolio decreased by 8% to UAH 55.0 billion, compared to UAH 59.5 billion in the previous year. This was due to pauses in raising credit limits during the quarantine period, as well as tightening requirements for borrowers. That is why responsible lending helps customers make sound financial decisions in the uncertain economic environment caused by the pandemic.

More than 20 million people have used the services of PrivatBank at least once in their lives. In turn, this is from all users of banking services in the country. From individuals to entrepreneurs and companies. About 18 million Ukrainians continuously use the services of PrivatBank. Over the last year, the number of active clients has increased by 600,000.

In Figure 3 we see the general indicators of the financial condition of the bank according to the NBU website as of 01.01.2021:

Total assets	Customer funds raised	Issued loans
UAH 568.24 billion (1 place)	UAH 309.54 billion (1 place)	UAH 56.81 billion (2nd place)
Hryvnia funds of individuals	Foreign currency funds of individuals, in equivalent	Funds of legal entities
UAH 176.53 billion (1 place)	\$ 2.70 billion USA (1 place)	UAH 84.24 billion (2nd place)
Credit rating: uaAA (very high creditworthiness)		International credit rating: b3 (medium risk)

Source: built by the author using [12]

Fig. 3 General indicators of the financial condition of JSC CB "PrivatBank" as of 01.01.2021

Thus, based on the above information, we can conclude that the bank is a leader in many respects, has a credit rating of uaAA, which in turn means a very high creditworthiness and b3 - medium risk, according to the international credit rating. PrivatBank also has a very large list of lending services to individuals (card "Universal" and "Universal Gold", "Instant Installment", "Cash Loan", "Payment in installments"), mortgages and loans for new, special and used cars) and for legal entities ("CUB" and others).

Conclusions. Thus, we can determine that the gradual solution of these problems in the Bank's lending activities, including increasing the share of the corporate sector in the loan portfolio by increasing the activity of existing customers and attracting new ones, developing a single mechanism for determining creditworthiness and strict compliance issues of lending, and solving problems with loans that are combined into a separate portfolio will significantly improve the quality of the loan portfolio and increase the profitability of this activity, as well as reduce the cost of reserves, and thus increase the capacity of lending activities (including increasing funds for lending activities).

In turn, increasing the capacity while working with the corporate sector to increase its activity in the lending activities of JSC CB "PrivatBank" will eventually increase their share in the structure of the loan portfolio and increase the value of the portfolio, and thus increase the share of the loan portfolio in the general structure of assets of this JSC CB "PrivatBank" [13].

Thus, the transformation of the weaknesses of this JSC CB "PrivatBank" in its lending activities is a reserve to increase its financial stability.

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УПРАВЛІННЯ КРЕДИТНОЮ ДІЯЛЬНІСТЮ БАНКУ ЯК ФАКТОР ЗАБЕЗПЕЧЕННЯ ЙОГО СТАБІЛЬНОСТІ

Анотація. Фінансова стабільність банків є вкрай необхідною умовою ефективного функціонування економіки України загалом. Зміцнення стабільності банків, їх динамічний розвиток, підвищення довіри, а також, і підвищення позитивного впливу банківської системи країни на різні процеси економічного розвитку, показують наступне, що необхідно вдосконалювати банківську діяльність так, аби забезпечити максимальну прибутковість банківського бізнесу і передбачити усі можливі ризики.

Сьогодні значно гальмує подолання кризових явищ та покращення показників економічного розвитку саме пропозиції кредитних ресурсів, а також і відсутність стабільності щодо забезпечення виконань зобов'язань перед своїми вкладниками із боку банків. Виходячи з цього, бачимо, що спостереження за функціонуванням банків саме стосовно стабільного розвитку постає одним з найважливіших завдань.

У статті було досліджено зміст понять «кредит», «кредитна діяльність» та «фінансова стабільність». Розглянуто методи управління кредитною діяльністю банку для досягнення фінансової стабільності та умови підвищення ефективності управління кредитною діяльністю.

На основі даних діяльності АТ КБ «ПриватБанк», в статті проаналізовано рівень фінансової стабільності та особливості кредитної діяльності банку починаючи із 2018 року та по теперішній час.

Задля того, аби підтримати будь-яку економічну систему, у тому числі і банку, або для досягнення більш значних результатів, або у визначеному стані, необхідною умовою постає скоординована діяльність. Фінансова стабільність банку являє собою багатогранний і складний процес, що здійснюється через взаємодію різних важелів, інструментів, форм, методів і способів впливу суб'єкта управління на його об'єкт, основою чого є чітко розроблена концепція.

У висновках наведено рекомендації стосовно управління кредитною діяльністю банку задля забезпечення його стабільності.

Ключові слова: кредитна діяльність банку, фінансова стабільність, управління кредитною діяльністю, показники стабільності банку, банківська діяльність.

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