METHODOLOGY OF THE CREDIT POLICY - ORGANIZATION'S IMPLEMENTATION STRUCTURE

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Abstract: *this article discusses and explores the methodology of credit policy organization as part of the financial management of a commercial bank. At the same time, arguments are given about the need for financial management by a commercial bank. In this context, the essence of credit policy and credit risk is emphasized in modern conditions. The author of the article presents solutions to the problems and directions of financial management of a commercial bank at the current stage of economic development of the Republic of Tajikistan.*

Keywords: *credit policy, credit risk, banking strategy, stress testing, credit risk management.*

МЕТОДОЛОГИЯ СОЗДАНИЯ КРЕДИТНОЙ ПОЛИТИКИ - СОСТАВНАЯ ЧАСТЬ ФИНАНСОВОГО УПРАВЛЕНИЯ КОММЕРЧЕСКОГО БАНКА

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Аннотация: *в данной статье рассматривается и исследуется методология создания кредитной политики как часть финансового управления коммерческого банка. При этом приведены аргументы о необходимости управления финансами коммерческим банком. В этом контексте подчеркивается сущность кредитной политики и кредитный риск в современных условиях. Автор статьи представляет решения проблем и направлений управления финансами коммерческого банка на современном этапе экономического развития Республики Таджикистан.*

Ключевые слова: *кредитная политика, кредитный риск, банковская стратегия, стресс-тестирование, управление кредитным риском.*

The methodology of establishing a commercial bank's credit policy requires the development of basic principles used for solving the problem. Firstly, the need for timely review of the centuries-old experience of the Western banking system is determined. It is mainly about the use of effective banking management mechanisms in the context of crises, high financial risks and uncertainties. Second, there is a need to adapt these mechanisms to the Tajik economy, which is characteristic of the 'chronic' financial crisis, the development of the banking sector in the long-term economic downturn and slowdown in production.

The above-mentioned conditions should be used reasonably, that is, in the process of development of the credit policy represents a rational combination of experience and innovative elements of economic development of Tajikistan.

Credit policy is a scheme of documentary processing of organization and control of a bank's credit activities. Typically, these documents include the following components of the credit policy: 1) general rules for lending; 2) loan classification; 3) specific areas of credit policy; 4) quality control; 5) Credit committees.

The priority for banks in the development of credit policy is a clear understanding of the global trends of their development and their role in this development. The goal is to be the bank that will be called and carry out financial activity in the chosen field during its existence. This is because ultimately the reputation of the bank is clearly different from that of other financial institutions. A development concept is developed (for a short period of time) based on a defined goal and developed within the current concept - goals and objectives of development; then bank strategy is implemented as a way to achieve these goals and objectives. Thus, under the Banking Strategy the Bank understands a set of parameters related to credit operations and a number of strategies aimed at solving specific goals and objectives that form the Bank's credit policy.

The general scheme of mission formation, conception and development of the bank strategy, as well as the determining factors of this process are shown in Figure 1.

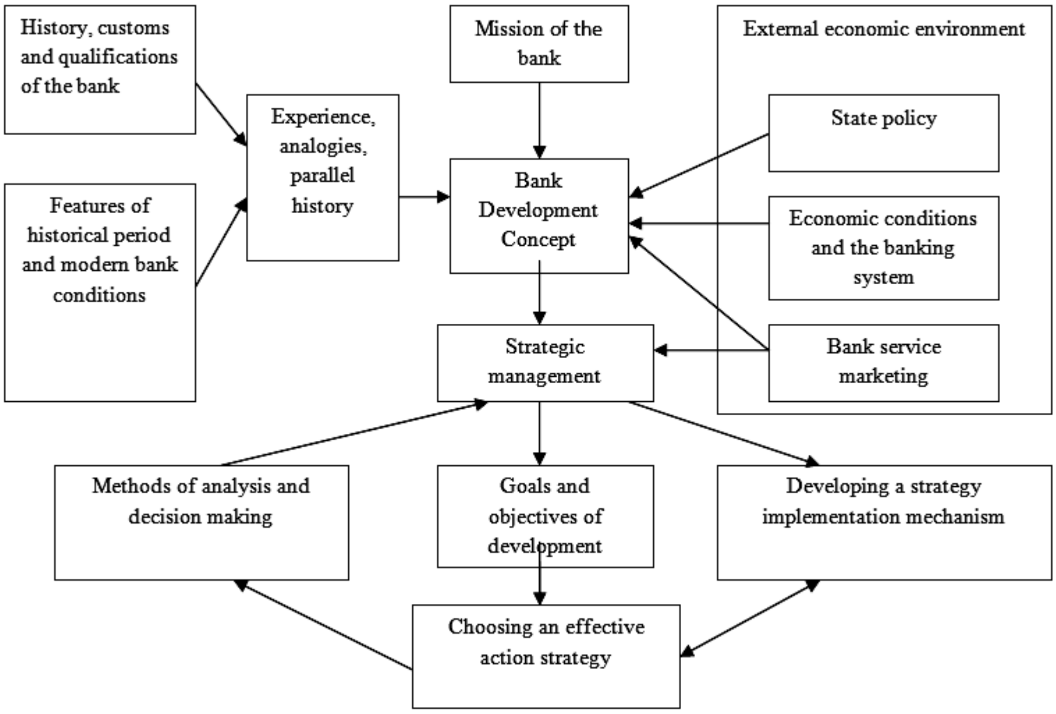

Fig. 1. Commercial вank strategy

According to this scheme, during the development of the bank's development concept (usually 3-5 years), the following should be taken into account:

- The historical experience of the bank, taking into account the peculiarities of the current situation, allows "a new decision, a well-forgotten decision";
- State policy, which provides substantial support to the bank in material terms (for example, through state participation in authorized capital or concessional loans), and non-material (in the so-called goodwill). As a result, the reliability of the bank increases as the state guarantees the repayment of population's deposits;
- State of the national economy that can be favorable or adverse for the banking system;
- Marketing of banking services, providing compliance with conditions on perspective directions of the bank's development.

Bank's credit policy is part of its overall development strategy. The main pillar of the bank strategy is to predict smart alternatives for its development. Therefore, it is worth noting: firstly, the bank is a company whose activity is associated with increased risk as it operates under uncertainty. Second, a bank is a company that wants to increase its profitability. The two main factors influencing the Bank's development strategy and its credit policy are uncertainty and profitability.

It is clear that banks in the area of credit policy are exposed to three main types of risks: credit risk; liquidity risk; interest rate risk.

The interest rate risk is particularly high: the essence of the financial intermediation of banks means the game at the interest rate. The risk of this type is high during the volatile interest rate period, as long as the risk of the bank is daily. Therefore, the unpredictability is necessary at the stage of formation of market relations, which is often characterized by high volatility of inflation and volatile interest rates. In the economy, credit risk is the most dangerous in the economy - basically, it is the culprit of the liquidation of credit institutions in developed market countries.

Different types of risk are interconnected: high interest rate risk (sudden fluctuations in interest rates) and, as a consequence, financial instability of economic agents can trigger high credit risk chains (high probability of debt repayment) and liquidity risk (lack of sufficient funds to meet obligations).

The important role in determining the level of interest rates is that it takes into account various risks (debt, interest, etc.). In the unstable economy and inflation, the most important is the risk of inflation, ie the risk of unpredictable inflation, and the risk of sudden inflation (real interest rate risk).

Interest rate management is that on the one hand, there is a risk of expectation inflation, actual rates or a reward for refusing to use, an evaluation of the non-compliance risk (note that they may not be directly observed, and experts' assessments are required).) and include them in the total volume of market interest rates; on the other hand - the value obtained is consistent with the demand and supply of the money market.

Inadequate estimation of these parameters can result in loss of income (alternative damage), which may occur in the lender (the creditor) or the borrower (user). In this case one of the parties is always successful and the amount of additional income is equal to the amount of losses incurred by the partner on the loan transaction.

Since the bank is always in the position of a creditor (in the credit market) and an accountant (in the deposit market), the proper setting of the interest rate is a prerequisite for the safe activities of the bank.

For an effective bank interest rate management the following principles must be observed:

1) The risk of loan default cannot be completely eliminated;

2) The perceived risk can be reduced by reducing the concentration of unsecured borrowers in the total number of customers;

3) The risk reduction is achieved by reducing the bank's interest rate (or lower) to the level of effective investment. As a result, the bank sharply reduces profitability and credit risk and redistributes it among the borrowers.

The third mechanism of credit policy formation is the liquidity management mechanism. Liquidity management involves a number of asset and liability management practices and techniques.

Asset management understands ways and means for allocating own and attracted funds. As it was mentioned, banks should position assets in such a way that they, on the one hand, generate income and, on the other, do not increase the risk of losing bank funds. In the world banking practice, asset management is carried out through a number of methods, including the general fund method and the method of asset allocation.

Management of liabilities in the broadest sense is a banking activity that involves the attraction of funds from depositors, other creditors and the determination of the structure of appropriate sources of funds. In the narrow sense, under the management of liabilities (passive operations), the bank's actions refer to retention of liquidity through active search for credit funds as necessary.

The Bank's liquidity management involves finding sources of loan funds, choosing the most reliable among them over a long period of time, and establishing a better balance between different types of assets and liabilities, further enhancing the Bank's ability to fulfill its obligations to its creditors.

The next element of a research policy is a credit risk management mechanism.

Credit risk is the risk that the debtor will not pay interest or repay the principal amount according to the terms of the credit agreement, which is an integral part of the banking business. There are three main types of credit risk:

- Individual or consumer risk;
- Corporate risk, or company risk;
- Independent or state risk.

Due to the potential risk of credit risk, it is necessary to conduct a comprehensive analysis of the bank's potential for assessment, administration, monitoring, monitoring, implementation and repayment of loans, advances, guarantees and other loan instruments. The description of credit risk management includes analysis of the bank's policies and actions. This analysis should also conform to the financial information provided by the borrower, which the bank will use when making a loan decision. The risks for each loan must be periodically revalued as they tend to fluctuate.

The description of credit risk management functions is carried out according to the following scheme: - Loan portfolio management; debt and operational function; quality of loan portfolio; non-performing loan portfolio; credit risk management policy; policy on credit risk limitation; classification of assets; Credit Loss Resource Policy.

The main purpose of credit risk management is to achieve a better balance of profit and risk for the bank.

Key elements of effective credit risk management are: borrowing credit policy, quality portfolio management and effective loan monitoring, experienced and skilled staff.

The credit risk management process deserves special attention, the quality of which depends on the bank's success.

The research importance of commercial bank credit policy is strongly influenced by its significant impact on the operation and sustainability of the bank. There are a wide range of economic - mathematical methods for the analysis of banking activities.

At the present stage, a model of written programming and simulation modeling, as well as simulation of crisis situations, that is, banks' stress-testing, is used for the analysis of banking activity.

Linear programming models are used to solve the optimal allocation of credit resources. The advantages of these models are well-proven and well-implemented algorithms. These models allow for optimal structure of allocation of credit resources (taking into account accepted tasks on their classification) and estimation of expected results (maximal profit of bank, sustainable development, growth of own capital, etc.).

Immune modeling models allow for a sufficient description of the dynamics of banking activities. An example of such research is the dynamic simulation modeling, which depends on the bank's lending and investment policy, which depends on the internal potential of the bank and on the needs of the loan market.

Models allow estimation of bank losses in case of emergency. The point is, what unforeseen circumstances can damage a bank. Stress test is used both for evaluation of financial system and for separate credit institutions.

Thus, the Bank's credit policy is a key aspect of its operation, its terms of reference and future financial conditions. The importance of under-appreciation of credit policy is a serious strategic deficiency. Therefore, the optimal definition of a credit policy implies a heavy multi-issue problem.

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