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RELATIONS OF BUSINESS RETAIL BANK LENDING

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Анотація. У статті висвітлюється зміст взаємовідносин суб'єктів роздрібно-го банківського кредитування та зазначені деякі його аспекти. Охарактеризовано необхідність роздрібно-го кредиту для суб'єктів підприємництва у залежності від особливостей кругообігу обігових коштів.

Summary. The article deals with the relationship between aspects of retail bank lending. The characteristic fo entities of the need retail credit,

Ключові слова: роздрібний банківський кредит, кредитування, правові інтереси, кругообіг обігових коштів.

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Key words: bank, retail bank loans, interests, relationships, the entity.

Formulation of the problem. The banking system of Ukraine fastest reacting to changes taking place in society and in the country. Final years of the twentieth century were marked by financial crises and the general impoverishment of the population of Ukraine [1]. The most important tasks of the period for banks were lengthening own liquidity. Banks defiantly offered the public the best conditions placements while retail lending limits and few minor amounts.

At this stage employees of the banking sector in Ukraine drew attention to the fact that increased stratum of the population, which began to live more prosperously and in turn increasingly use credit resources for consumer needs, and the needs for small and medium businesses.

Today credit already acts as one of the major categories of market economy that reflects the real financial ties and relationships of economic life and realized through the credit mechanism [2, p. 172]. Recently, retail lending is becoming increasingly important and this is due to the fact that all parts of

Аннотация. В статье освещается содержание взаимоотношений субъектов розничного банковского кредитования и указаны некоторые его аспекты. Охарактеризованы необходимость розничного кредита для субъектов предпринимательства в зависимости от особенностей кругооборота оборотных средств.

depending on the features the circulation of working capital.

society tend to function effectively as correspondent banking business provides the opportunity [3, p. 45].

Status and prospects of retail bank lending is closely related to the economic and social parameters of the state. Therefore it is very important to explore the features of economic relations in the provision of retail banking credit.

Analysis of recent research and publications. To study the formation and development loans directed labor O. I. Baranovsky, M. D. Bilyk, A. Vasyurenka, V. V. Vitlinskoho, A. M. Gerasimovitch, R. A. Gritsenko, BS Ivasiva, V. Korneev, A. Lavrushina, A. Moroz, L. A. Prymostky, M. F. Puhovkinoyi, A. Sokolova, N. Shulgi and others.

However, despite the fact that retail bank credit still finds its theoretical and practical development, some issues are relevant in the lending process, it should be noted that due to the need for research in its various aspects, especially to determine the features of the relationship of this process.

The purpose of the article – to analyze the relationship of retail bank lending and note their features.

The main material. To the functioning of the retail bank lending are objective economic interests of the credit relations - a commercial bank on the one hand, and businesses and individuals on the other. The condition for its successful operation is to ensure unity of interest [4]. Conversely, the more subjective credit relations are organized, the less they meet the objective economic interests of the bank and the borrower, the less efficiently the results will be functioning retail credit mechanism, manifested primarily in excessive securing means of payment management on a rotary (past due hopeless) basis and, consequently, violations of commodity-monetary balance, payments crisis, currency volatility and more.

During the integration of the European and international credit relations are an expression of the return value, ie stops permanently finance expenditures, loans unprofitable farms, and for purposes that do not meet internal nature of credit and business principles. Many independent business entities are trying to get the most profit by reducing production costs, improving the competitiveness of their products, which needs a rational and efficient use of all resources and, above all, the credit for achieving the best results [5]. The restoration of the true purpose of credit are strongly affected by changes taking place in the banking system, and the creation, in this regard, the credit market, where supply of credit comes from free and economically independent, equal in rights between a joint-stock commercial banks. How it works, the terms of these banks fully comply essence, purpose and role of credit in the developed commodity production. Credit relations are based on well-defined legal and economic interests of these relationships, and just community of interests has their practical implementation.

Legal interests have dual existence. On the one hand, creditors, using borrowed funds to provide loans to customers, have legal obligations to them for the entire period of retail lending. In the event of default or delay loans bear legal responsibility to customers. On the other hand debtors, getting a loan for temporary use (another's property) legally responsible to the lender for the classification is its return and pay interest on. In actual practice, and debtors, creditors and their legal responsibilities and obligations may in turn change, that can become creditors debtors and creditors - debtors. Implementation of legal obligations and responsibilities is a signing loan agreement between debtors and creditors [5].

Practical implementation of the legal side of credit relations is tied to eligibility of entities and legal framework of their activities. Lack of laws, arbitrary

interpretation of existing, excess human governments and officials generate subjectivity functioning retail credit facility, which reduces its effectiveness in economic processes of society.

Unacceptable in terms of state regulation of credit relations with the retail, to create a legal vacuum between banks and borrowers.

Thus, if the legal side describes the obligations and responsibilities for the establishment of credit relationship, the economic basis for creating mutually beneficial economic cooperation between the creditor and the debtor.

Vectors economic interests of credit facility at first glance may not be, after all, banks, lenders, and borrowers business entities are businesses whose main purpose is the maximum profit margin. Therefore, common economic interests is necessary in the production, commercial feasibility and financial capabilities in credit relations from both the creditor and the debtor.

Theoretical and methodological aspects of the analysis of the relationship of credit facility based on the following features of their work:

- Firstly, the Bank Clearing Center, operators and intermediaries in financial transactions of its clients belonging to different industries and ownership. Thus, the exposure of banks to the customer base considerably high, so spending this analysis, consider the specifics of the bank's clients in the part that directly relates to the bank: capital structure, the length of a full cycle of production and turnover of capital, the necessity and feasibility of a loan, etc.,

- Secondly, being «blood vessels» movement of capital in a market economy, banks are able to create the means of payment, subject to state regulation. Compliance with prudential regulations are among the main goal of any commercial bank, and the achievement of certain performance-based ranking of economic performance is a «litmus test» to form a customer base that wants to see in person the bank reliable partner;

- Third, in assessing the macroeconomic situation, banks should analyze internal reserves cooperation with the client as to reduce the number of clients that can provide loan growth leads to the formation of an adequate source of working capital entities – accounts payable and usually outstanding that worsens the calculations in the economy;

- Fourth, in the provision of banking services and profit dominates the movement of financial capital, mainly in the form of attracting customer deposits. According to the banks, special attention should be paid to the analysis of financial payments and cash

flow characteristics: the level of liquidity risk investments, turnover of existing resources, financial stability and their ability to pay. Analysis of production performance, cost structure and asset management etc. are relatively less important. For small and medium businesses inverse characteristic pattern: the movement of financial flows has a supporting function compared with industrial activity;

- Fifthly, especially important for the bank are the methods of early diagnosis of changes both in the client and in their activities, due to the work of banks with borrowed funds. This means that banks can postpone the crisis of liquidity and solvency of its obligations. In working with clients of the bank it is important to strategic analysis of the financial results of both clients and their activities.

So, given the above features analysis of banks as of credit relations, we consider the problem of necessity, possibility and expediency of credit relations on the part of the lending bank and the debtor – the subject of business.

The need for the loan and its parameters for entities associated, primarily, with features working capital cycle.

As part of the general circulation of current assets, depending on the specific reasons for the goal and purpose of its individual parts, you can define the following components, which are relatively independent movement: part of current assets that serve the current cycle; the funds serving adjacent cycles, a smooth transition prior to the next cycle; of funds to work with companies on product innovation, improving the quality of manufactured products, the improvement of technologies.

Appointment of the first of these, the most significant in size – to ensure continuity of the current production cycle. It covers both the provision of funds and supplies inventory to ensure continuity of the course of production and sales cycle to separate the individual from the scope of treatment [6].

Release of the second part of the working capital is not due to the seasonality of production, as is the case in business seasonal industries, and is associated primarily with the early delivery of raw materials, components, leading to the formation of reserves beyond the needs of the current production cycle. Cash flow, which advances in data stores, interrupted formed as stocks inventory production consumed not in current production cycle, and in subsequent cycles of production. Not participating in the current production cycle, stopping its movement at the production stage, they nevertheless create the necessary conditions for the start of the next cycle,

and, therefore, provide continuity of cycles advanced value. These two components of value advanced in common is that they serve the needs of current production.

The third part of advanced cost associated with providing small and medium businesses on product innovation, improving the quality of manufactured products, improving technology, at the same time affects the decline in the share of funds required to service this production. In practice, this is the value of advanced permanent component of current assets, and its share in their relative volume may vary. In this part of the cycle affects the specificity and nature of manufacturing operations.

The need for business entities in sources of working capital formation and, consequently, participation loan is calculated based on the total needs for working capital and to participate in shaping their own capital. The obvious step towards streamlining of working capital, particularly in crisis and post-crisis periods, is to revive the practice of forecasting, planning. This approach includes:

a) planning needs working capital without their distribution on the normalized, irregular;

b) The following details their needs for items based on financial cycles and the nature of the growth period costs per unit of production;

c) based on the total needs for working capital, the definition needs to attract sources of choice because of their financing strategy.

Because of the great mobility of working capital in the cycle occurring temporal fluctuations (deviation) as their volumes, elements and their sources of funding. They occur at different stages of individual cycles and ultimately find their reflection in the generalized discrepancy maturity values of cash, advances in circuit and discharged in this form as a result of the expiration cycle, the sale of goods. These constant fluctuations, regardless of their causes are shown in the form of temporary discrepancies between the values of funds at the initial and final phases of individual cycle of these funds.

In cases where such discrepancy is the result of excess amounts needed urgent payments over the proceeds, there is a need (demand) in cash and, therefore, the retail bank loan. Otherwise, there is a temporary release and settling funds to bank accounts or repayment of such loan. So part of bank credit sources in the formation of working capital legitimately be based on an analysis of its direct connection to the circulation of the latter.

And the principal retail bank loan can be called traditional as well as for credit in general – resump-

tion urgency and payment – creating the need for a study of its circulation from the internal laws of the working capital cycle [7].

In the economic literature, some authors believe that the kind of company needs working capital fundraising defines a particular source of their formation. In particular, it is believed that the constant needs that arise in connection with the circulation of value within the company and provide the production program (constant current portion of non-current assets and assets should be financed by long-term liabilities and equity. Propulsion product outside the business, and also finance the temporary needs (change of current assets) must be satisfied by retail loan bank [8].

Conclusions.

1. The relationship can be described as a community of economic interests that are necessary in the industrial, commercial feasibility and financial capabilities in credit relations from both the creditor and the debtor.

2. Participation of bank credit sources in the for-

mation of working capital legitimately be based on an analysis of its direct connection with the adequacy of working capital and the principles of retail banking credit.

3. The relationship of the retail bank lending based on features such that it is necessary to take into account the peculiarities of bank customers in the part that directly relates to the bank: capital structure, the length of a full cycle of production and turnover of capital, the necessity and feasibility of a loan. Banks should analyze internal reserves cooperation with the client as to reduce the number of clients that can provide loan growth leads to the formation of an adequate source of working capital entities. Particular attention should be paid to the analysis of financial payments and cash flow characteristics: the level of liquidity risk investments, turnover of existing resources, financial stability and their ability to pay. Analysis of production performance, cost structure and asset management etc. are relatively less important.

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