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ECONOMIC STANDARDS OF THE NBU AS A WAY OF REGULATION CREDIT RISK IN BANKING ACTIVITIES

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Summary. The article is devoted to the characterization of credit risk in the banking business in general, and to find effective ways to reduce credit risk. Determining the most effective and most

common ways to analyze credit risk and choosing the right methods of measurement. As well as finding ways to reduce the negative impact of credit risk on the banking activity in general.

Key words: *credit risk, management risk, credit risk standards, minimizing credit risk.*

Credit operations are the most profitable type of operations in the business. At the same time they are most at risk, so they require a thorough study and regulation at all levels of the banking system of Ukraine while finding different ways to minimize credit risk, indicating the urgency of the issue outlined.

Credit risks are very different from each other. It is therefore necessary to determine the most effective ways of analyzing each of their species, methods of measurement and ways to reduce their negative impact on the bank in particular and the banking system of Ukraine in general.

There are both external and internal methods of minimizing credit risk. Among the external ways of regulating bank credit risk can be identified, in our opinion, the economic standards of the bank, which proves the NBU.

In particular, this credit risk ratios, maximum credit risk per counterparty – H7 (up 25 %); large credit risks – H8 (no more than 8 times the regulatory capital); the maximum amount of loans and guarantees granted to one insider – H9 (maximum 5 %); the maximum total amount of loans and guarantees granted to insiders – N10 (less than 30 %).

Analysis of the average values of economic standards given in Table. 1.

Table 1

The average values of economic standards in the banking system NBU Ukraine from 2010 to 2014 [1]

Period (year)	average value H7	average value H8	average value H9	average value H10
2010	22,22	158,28	0,86	2,82
2011	21,85	160,76	0,74	2,31
2012	22,18	172,12	0,51	2,63
2013	22,48	178,90	0,37	1,98
2014	22,68	192,51	0,32	1,62

The data presented in Table 1 give outline the following conclusions:

- A change value of the maximum credit risk per counterparty. Throughout the years analyzed this value does not exceed normative – 25 %. If in 2010 the value was 22,22 % , by 2014 it reached – 22,68 %, which is the highest result of all the analyzed period. The lowest rate was recorded in 2011 – 21,85 %;

- Change the norm values of large credit risks demonstrates a gradual increase in its value. If in 2010, its value amounted to 158,28 %, by April 2014 it had risen to 192,51 %, which is 34,23 % more than in 2010. All the ratio of large credit risks do not exceed their standard values, that they do not exceed regulatory capital at 8 times the amount;

- Show a sharp decline in Maximum loan, guarantees and warranties to one insider. Since 2010 (0,86%) of its value declined sharply until 2014 and the final result was 0,32 %, while its standard value – less than 5 %;

- There is less sharp decline in values Maximum size of total loans and guarantees granted to insiders. The maximum value of the norm is observed in 2010

(2,82 %) at the allowable 30 %, and the minimum – in 2014 rotsi (1,62 %).

In order to study deeper these standards on average in the banking system of Ukraine give in Tab. 2 to examine the example of similar indicators mean values of economic norms of credit risk, which followed the JSC “Raiffeisen Bank Aval” for 2010–2014.

Table 2

The average values of economic norms of credit risk, which followed the JSC “Raiffeisen Bank Aval” for the years 2010-2014 [2]

Period (year)	average value H7	average value H8	average value H9	average value H10
2010	11,45	19,21	0,47	2,32
2011	10,77	20,95	3,29	6,10
2012	9,89	7,63	4,25	6,63
2013	16,23	36,50	3,57	5,48
2014	28,76	110,96	0,28	1,08

Analysis of the data presented in Table. 2 made it possible to summarize a

- For all analyzed years meaning the maximum credit risk per counterparty did not exceed normative – 25 %. If in 2010 the value was 11,45 %, then by 2014 it reached 28,76 %, which is the highest result of all the analyzed period. The lowest rate was recorded in 2012 – 9,89 %;

- Dynamic regulation of large value credit risk demonstrates its increase through 2011, for 2011–2012 falls considerably, and from 2012 until 2014 rather sharply increased. If in 2010, its value amounted to 19,21 %, then by 2014 it had risen to 110,96 %, which is 91,75 % more than in 2010. All the ratio of large credit risks do not exceed their standard values, that they do not exceed regulatory capital at 8 times the amount;

- In 2010–2012, there is a sharp increase in Maximum loan, guarantees and warranties to one insider, but from 2012 to 2014 ratio fell sharply. Since 2010 (0,47 %) sharply increased its value by 2012 (4,25 %)

and the final result in 2014 amounted to 0,28 % at its standard value – less than 5 %;

- Changing value Maximum size of total loans and guarantees granted to insiders, shows a gradual increase, and by 2012 falls. The maximum value of the observed in 2012 (6,63 %) at the allowable 30 %, and the minimum – In 2014 (1.08).

From the above the following conclusions:

- The implementation of lending a bank can act in several ways: either accept the credit risk or minimize it;

- To minimize credit risks by using internal and external methods of minimizing, each of which is appropriate and effective.

Therefore, to reduce the credit risk of the bank should make a detailed risk analysis, choose the necessary methods of measurement and ways to minimize in order to avoid its negative impact on the bank as a whole. In further studies will analyze appropriate use of domestic commercial banks to minimize credit risk methods and comparing their effectiveness, along with outside.

References

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