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## **PROCEDURE FOR FORMING AND IMPLEMENTING THE BANK'S CREDIT POLICY**

At the current economic stage of Ukraine, there is a tendency to increase the role of banks in providing financial support for the development of the real sector of economic system entities. Effective lending is currently one of the most important tasks of the functioning of the banking system of Ukraine. The volume, conditions and cost of credit resources allocated by the subjects of the economic system directly depends on the credit policies implemented by one or another bank.

Most clearly and thoroughly, in the author's opinion, the essence of the essence of credit policy is revealed in the scientific works of Hutsal I., who defines that credit policy is an integral part of the bank's general policy aimed at achieving its strategic goals: reliability, liquidity and solvency of banks; which are implemented through credit assistance and are rationally related to the organization of credit relations.

The bank's credit policy determines the tasks and priorities of credit activity, resources and procedures for their implementation, as well as the principles and procedure of the organization of the credit process, which in turn is the basis for the organization of the

bank's credit work in accordance with the general strategy of its activity, and is also a necessary condition for the development of documentary system regulating the lending process. Depending on the main provisions of the credit policy, the level of risk that can be borne by the bank as a result of the implementation of credit activities is formed. It should be noted that the structure of the credit policy is the functional integrity of interrelated elements (tasks, goals, principles, technologies), the interaction of which allows to find the most optimal strategies for the bank's activities in the lending market [1; 2; 3].

Summarizing the essence and meaning of the bank's credit policy, the following main goals of credit policy implementation should be highlighted:

- maximization of income from lending operations within the limits of risk and in accordance with current legislation;
- approval of loans for economic purposes, productive purposes of the market;
- bank;
- reliable and profitable attraction of regular customers;
- training and development of credit personnel;
- creation and servicing of loans.

Having studied the goals and objectives of the bank's credit policy, we can conclude that they are the basis of its creation, the formation of the bank's credit policy, closely intertwined with the bank's goals and the goals of its policy.

At the same time, the object is: credit relations.

In turn, the subjects are specialists of the bank's credit department, analysts. In addition, we must take into account the fact that credit policy as a social phenomenon is complex and has its own functions.

At the same time, the importance of credit policy lies in its functional purpose, which can be combined into two groups:

- the first group – the main functions that are characteristic of various elements of banking policy (business, stimulation, control);
- the second group – specific functions that distinguish the credit policy from its other elements. The specific functions of the credit policy are characterized by a single, but very important function – the function of optimizing the credit process. The content of this function is used to achieve the goal of the bank's credit activity.

The credit policy is designed to allow only such a nature of risk that allows to ensure high-quality assets, a constant required level of profitability; creating highly professional staff that would ensure the high quality of the bank's loan portfolio.

An important step in studying the essence of credit policy is its identification of its main types. Therefore, it is customary to distinguish the following three models of bank credit policy: limited; moderate; aggressive

It should be noted that the limited model of credit policy is aimed at: minimizing credit risks; decrease in the number of creditors; lending only to reliable customers; increase in borrowing costs, decrease in terms; strict system of assessing the creditworthiness of the debtor. A feature of the moderate model is the focus on maximizing the bank's financial stability [1–3; 5].

Banks cooperate with a wide range of clients and partners in their lending activities. In this regard, the volume of loans to economic system subjects is increasing and new credit products are being used. Adherence to the appropriate level of credit risks combined with the achievement of profit maximization from credit operations in the conditions of a dynamic external environment requires banks to implement an effective credit policy, which should be based on an adequate analysis of the current situation and effective directions of development for the future, as well as

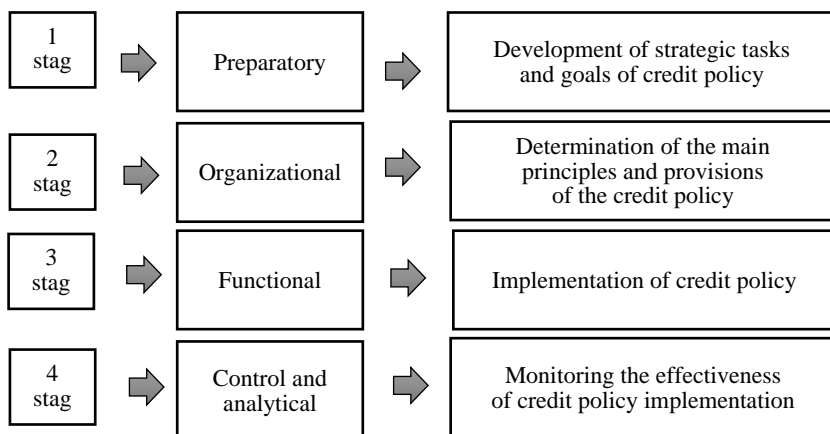
the ability of the bank to respond in a timely manner to the influence of factors, that form the credit services market.

The effectiveness of banking credit activity requires a long-term vision of priorities for the development of the national economy, the financial system in general, and in particular a separate bank that will develop certain concepts of effective work. Development and implementation of the bank's own credit policy, taking into account potential opportunities, many risks and factors (internal and external) that affect its efficiency and effectiveness, is of great importance in the context of credit management. It is the understanding of the environment in which the bank operates that is the basis for developing an appropriate credit policy [2; 4].

It should be noted that the technology of creating a bank's credit policy is a rather time-consuming and complex process, which includes the determination of the bank's long-term and short-term development goals, and the goals of the credit policy, in particular, the analysis of the external environment and the bank's internal financial and economic potential, the development of internal regulatory the bank's bases, which regulate the bank's activities in the field of granting loans.

Summarizing the scientific and methodological developments on the bank's activities, it is possible to highlight the following stages of the formation and implementation of the bank's credit policy in Figure 1.

After the formation of the goals of the bank's activity, the main positive and negative factors formed under the influence of the external environment are determined. Analysis of the external environment and assessment of the bank's reaction to expected changes is carried out using a SWOT analysis, which allows assessing the possibility of leveling the negative consequences of dynamic processes at the expense of existing and planned resources.



**Fig. 1. Stages of formation and implementation of the bank's credit policy**

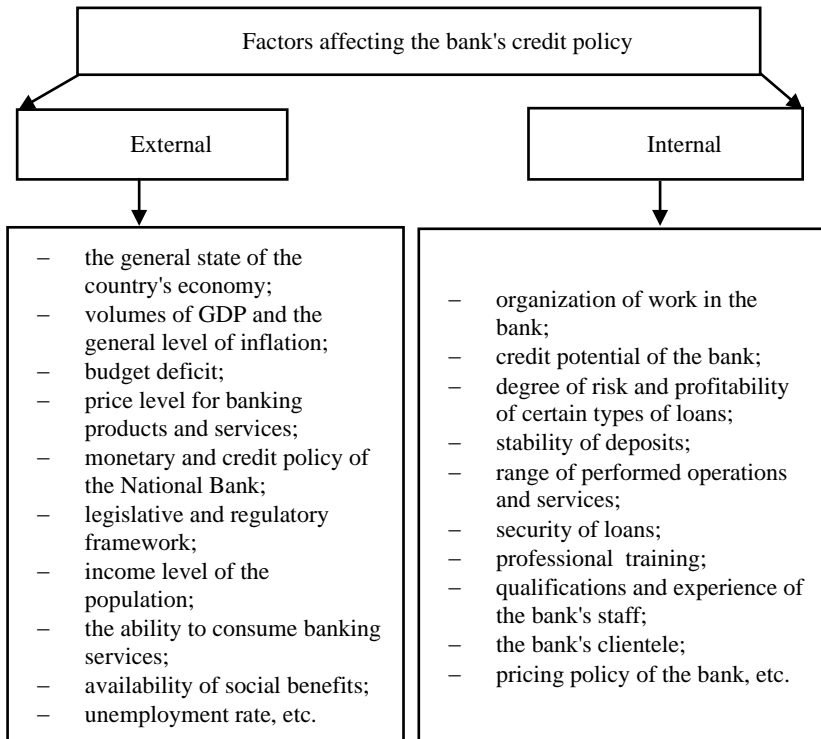
*Source: formed by the author on the basis of his own research*

After the analysis, the final outline of the bank's credit policy goals and options for their achievement is made, which is the basis for forming a credit strategy. A credit strategy is a detailed set of decisions related to the fulfillment of goals, taking into account the possible influence of external factors, based on the existing market offers of competitive services in the field of lending, the ability to form and implement effective financial management of the bank's activities, support the accepted level of risks and ensure the reliability of the bank.

Responsibility for compliance with the main requirements of the credit policy in the process of its implementation is assigned to the credit department, which may include departments of credit analysis and control, etc. It should be noted that the composition and structure of the bank's credit department depends on the size and specific types of activities of the institution.

The last stage of the development and implementation of the credit policy involves monitoring the effectiveness of the

implementation of the bank's credit policy, which involves determining the factors that affect the effectiveness of the credit policy, assessing the level of deviation from the actual results of credit activity from the planned values, with the aim of making effective management decisions in a timely manner.



**Fig. 2. Principles of credit policy formation**

*Source: formed by the author on the basis of his own research*

Thus, it should be noted that the formation and implementation of the bank's credit policy is a complex process that is implemented under the influence of external and internal factors and requires proper organizational, informational and regulatory support. Under the condition of effective

implementation of the bank's credit policy, expansion of the client base, increase in the volume of lending, improvement of the quality of the loan portfolio, growth of profitability and minimization of credit risks are ensured.

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