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CREDITABILITY OF THE BORROWER AND METHODS OF EVALUATION

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The modern market economy is unthinkable without a flexible system of credit relations, which promotes rapid mobilization of resources for the implementation of expanded reproduction. On the development of lending affect such *macroeconomic factors*as: the type of economy and the degree of stability, industry characteristics of borrower companies, the legislative regulation of different types of credit, tax policy, etc. Currently, in the presence of high demand of the real sector of economy in credit resources, credit institutions with a high degree of caution approach to the issues of credit. This is due to the fact that the development of credit relations in several areas is disrupted because of not following the basic principles of economy, such as urgency and repayment. To microeconomic factors should be referred: the lender's possibility defined by the presence of available resources, financial condition and creditability of the borrower, risk level of the financed project, nature and amount of collateral,credit period. Worsening of the credit portfolio of commercial banks due to the global financial crisis in 2008 forced to insert a more conservative credit evaluation methods and decision regarding credit borrowers. Problems expressed in the continuing high proportion of non-performing credits, artificial prolongation of bank credit and other.At high concentration of banking risks it will be a slowdown in economic growth, in which individual banks may face with a lack of capital to cover unexpected losses. At the same time interest rates on credit to enterprises grow faster than inflation rate, which in turn negatively affects to the profitability of enterprises and their ability to pay. The peculiarity of the Russian credit market is the high proportion of companies-borrowers with low creditability and little experience in commercial lending.

Minimization of credit risk is becoming increasingly important for credit institutions. Central Bank of the Russian Federation in a letter dated June 23, 2004 № 70 -T has defined credit risk "as the risk of a credit institution's losses due to default, delayed or incomplete fulfillment of debtor's obligations to the credit institution in accordance with the terms of the contract".Credit risk can be associated with the probability of decline in production, the demand for products in specific industry, the failure for whatever reason of contractual relations, as well as force majeure.Real Russian banking practice suggests the need to build methodology of a complex credit assessment based on the analysis of external and internal areas of the company-borrower providing determination the effect of various factors.

Despite the great attention of native and foreign scientists to management company'screditability, many aspects still insufficiently investigated. Work aims to explore of creditability anddetermine the list of the most adapted to the modern economy and generally accepted methodologies for assessing creditability.

Focusing on the goal, it should be solved the following tasks: review interpretations of the "creditability" based on the work of economists and practitioners in the field of bank lending, a review of today's most popular methods of assessment the creditability of the borrower.

Creditability. The concept of "client's creditability" appeared in the classical works of K.Marks, A. Marshall, Dzh.M.Keynsa, D. Ricardo, A. Smith, I. Shumppetera and was based on individual characteristics, which proves, according to experts at the time, the level of creditability. Source nature of the study can be considered a company's creditability risk theory of E. Altman. Further, in the writings of economists "creditability" was interpreted

from the borrower side (the ability to perform a credit transaction, the ability to timely repayment of loans received), and from the point of view of the bank (the correct determination of the allowable credit).

"Credibility" as the borrower's ability to repay its debts in full and on time was considered by authors: L.S. Ermakov, V.V.Ivanov, O.I.Lavrushinym, A.M. Tavasieva and others.

"Credibility" as the evaluation of the financial and non-financial condition of the borrower, which allows the bank to give assurances about the borrower's ability to fully and timely pay the credit was given by D.A.Endovitskim,B.A. Raizberg, G.T. Kalievoyetc.

"Credibility" as the ability of the borrower to get a credit and return it with interest fully was determined by M.I.Bakanov, M.M.Karsunsky, Y.Radchenko, A.D.Sheremet and other authors.

The first two categories of definitions of credit focus most only on the borrower's ability to promptly and fully repay the credit and interest. But these definitions do not take into account the importance of credit information for both lenders and borrowers. If for the first it means reducing the risk of losses due to the financial difficulties of the borrower, then for the second – this is a tool for making tactical and strategic decisions to ensure the efficient operation of the company and its financial stability. Credibility determines the competitiveness of a company, its potential in business cooperation not only with banks, but also with other creditors and business partners. In this regard, the essence of the concept of credit are reflected in the definitions, including both the borrower's ability to repay the credit with interest in full and on time, and the ability of the borrower to get a credit and effectively dispose of them.

Methods of creditability evaluation.By now, foreign commercial banks have been tried different systems of creditability evaluation of customers. They differ from each other in the number of indicators used as part of the overall rating of the borrower, the different approaches to the characteristics and selectionthe priority one among them. Abroad, the basis for determining the mathematical probabilities of default is credit ratings (for example, Statistics borrower's defaults accumulate international rating agency «Standart and Poor's»). In international practice, there are many methods used, among them many have stood the test of time.

In practice, US banks use "6C" method, where the customer selection criteria are marked by words beginning with the letter "C": character (the character, reputation of the borrower), capacity to pay (financial resources, ability to repay the credit, capital (capital , asset ownership), collateral (security presence), condition (economic situation and the prospects of its changes), control (control functions, monitoring the legislative framework for the activities of the borrower and its compliance with the bank standards).

English system of credit evaluation - PARTS - includes the following requirements: purpose (goal, purpose of the credit), amount (credit amount), repayment (payment, debt repayment and interest), term (period), security (collateral).

In Japan, apart from the common methods, also used ratio of equity (the ratio of equity to total balance, the ratio of debt and equity capital, long-term debt to equity ratio, etc.).

Currently, in practice of European, American and some Russian commercial banks widespread method of estimating the creditability of the bank's client called CAMPARI. This methodology considers the set of the estimated parameters to help match a variety of factors related to the identification of potential risk: character (the character, reputation of the borrower), ability (ability to repay the credit), marge (margin, profitability), purpose (purpose of the credit), amount (amount of the credit), repayment (repayment terms), insurance (security, insurance of the credit default risk).

The Russian banking practice borrower's creditability is established on the base of the financial ratios calculation of (liquidity ratios, efficiency ratios, etc.); the cash flow analysis for a certain period, the business risk (study of productive activity special aspects of the potential borrower, its financial condition and the financial condition of the largest contractors) and other evaluation methods. Along with the traditional ways of borrower creditability evaluation, credit scoring is also developed. With the help of the scoring mathematical model based on client's credit history, bank tries to determine the client possibilityto return credit on time. It should be noted evaluation method on the base of data mining technology– DataMining, which is increasingly used by commercial banks in Russia. The essence of the method is to build "decision trees" on the basis of historical data with the class assignment to each situation depending on information about late payments. Various evaluation methods do not exclude but complement each other thereforin practice they should be used in complex.

The difficulty of credit evaluation determines application of the variety approaches depending on the characteristics of borrowers, and the intention of a particular creditor bank. National statistics show that the horizon of medium- and long-term loans is gradually expanding. This fact testify about existing of positive changes in lending and therefore the appearance of additional requirements for security of credit by the borrower and the improvement of practical techniques for analyzing the creditability of borrowers, both at the federal level and at the level of each individual bank.