CONTROL OF BANK CUSTOMERS CREDITWORTHINESS ANALYSIS PHASE

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Abstract:
Customer's creditworthiness is determined by using indicators as a defining and expressing its ability to pay its obligations to assume, by signing the credit agreement. Analysis is the process by which the bank loan, based on information provided by documents provided by the client and any relevant information from other sources, determines whether the client has the necessary creditworthiness (ability to pay its obligations to assume the credit signing) and seeks to limit the maximum bank exposure to credit risk. The process of credit analysis will include an analysis of formal and substantive analysis, which will have both a quantitative dimension and a qualitative.

Key words: *financial performance, financial flows, risk analysis*

JEL classification: *E51, E63*

The methodology used in bank risk management involves several steps, namely:

- identification and risk analysis,
- risk elimination and control,
- evaluation and risk taking,
- risk transfer.

After the risk identification stage, which is the most important pass on their analysis on a continuous basis to measure changes in banking. Diversification of products and banking services, their market penetration, entail new risks for the bank, so they must first be identified, will then be considered for the best methods to deal with them. In risk analysis, bank reports and use financial statements. They permit a series of indicators that provide a clear picture of the risks arising from customer activity. On credit risk analysis, financial analysis of client performance limits for both bank and customer in order to quantify this performance is a major component of the credit decision.

Assessing the financial performance of the client in order to reduce credit risk is considering two components:

- assessment of past performance in evolution, leading to conclusions on „health” of the customer financial Currently,
- estimates of future performance, their findings directly influencing credit decision (approval / rejection).

Economic and financial analysis of customers of a bank shall be in accordance with the methodology of lending activity with the basic summary records such as balance sheet and annual report, profit and loss, periodic accounting reports. It also is used: the analysis of periods expired funds flow, cash flow analysis, cash flow for the next period. On this basis, the bank will consider the creditworthiness of customers using a system of indicators of level and structure and performance indicators.

1. Monitoring and analysis of customer creditworthiness restructured balance sheet methodology

Since the balance sheet contains elements drawn from customer input property value reflected in property, that at book value, which may be different from the true value, their market, credit officers of the branch bank requested from the monthly trial balance, financial statements and periodic accounting balance sheet submitted by customers, will proceed to their analysis and processing to obtain evidence and information to better serve the purposes and principles of analysis of the bank. In this way, determine the fair value of assets and all assets and is determined as accurately as possible the size of the risk assumed by the client, in comparison with that of the bank. Presentation of the balance sheet of assets and liabilities, is carried on the following levels:

A. Financial analysis of the level I restructured balance sheet:

This level includes determining the revolving fund, which is the expression to achieve long-term financial balance and contribution to the achievement balance short-term financing.

Working capital = Long-term liabilities – assets

The ratio of fixed assets and long-term liabilities, represents the most stable balance sheet and working capital that varies little.

B. Financial Analysis of Level II of the restructured balance sheet:

This level can be restructured balance sheet analysis "working capital needs, which is an expression to achieve financial balance in the short term and is characterized by variations in excess working capital due instability elements that determines it.

Needs for working capital = assets achievable - current liabilities with maturity of less than one year

C. Financial Analysis of Level III of the restructured balance sheet:

At this level, restructured balance sheet, assess Treasury trader, according to:

Treasury net = revolving fund - working capital requirements

Firms have a positive working capital required, the greater as the manufacturing cycle is longer. Any development activity lead to an increase in working capital requirements and if these conditions working capital is not enough, there will be a shortage of cash.

2. Analysis and control of customer creditworthiness methodology of profit and loss

In the process of economic and financial analysis of bank customers, how to structure the profit and loss do not provide all the elements for the assessment of profitability and self-financing capacity of companies, power their economy. Therefore should be introduced and other indicators as intermediate management balances, to determine the correct, real, different economic flows, results. These balances interim management, newly loss account have been called surplus and economic results are in various stages of economic activity, affected by amortismentele expenses and provisions. Economic flows are grouped according to the nature of the work and character as the Detailed Rules on lending activity, as follows:

- ***operating flows*** are those economic transactions of a specific nature, common and repetitive, which refers to the normal and the company's current financial exclusion of any influence or exceptional nature. Mining operations for determining the operating result is a real result because it is generated by the activity itself, the base of the company;

- ***financial flows*** are those operations that relate to economic and financial activities are of normal, repetitive and specific including those operations and exceptional financial nature. These flows for determining the financial result;
- ***exceptional flows*** are those economic transactions not directly related to the normal subject of the company. They are of nerepetitiv accidentally. These flows for determining exceptional results. Profit and loss, the official presentation is primarily a tax document.

3. Analysis and control of customer creditworthiness methodology flow of funds of funds flow

This concept is based on the economic record of the balance sheet asset that represents a set of uses and liability, a set of resources. Balance is a static document that does not appear flows (movements) that occur from one period to another. Starting from this, is the need to determine all the flows that occur in an activity in a given period, and develop a summary document which would give these movements. This document is called flow of funds.

A review of historical financial flow of funds to help enable a better understanding of the movements that occur in the assets and liabilities in a given period and their impact on liquidity position. The flow of funds indicate the sources from which the company obtained funds and how they were used during analysis. Trends resulting from flow of funds analysis gives information about how the client and has been operating and the conditions for using projections of flows of funds, provides information on the situation of society in the future. The flow of funds will include movements in the components not only cash balance, because the notion of substance is more complex, for example, the credit received by suppliers is a source of funds used to purchase raw materials, their actual payment being made later.

This method of analysis compares financial information in two balance sheets, using usually end balances to reflect more accurately the developments that characterize the company's activities. Also, preparation of funds flow and will give information about the financial ability of the management company concerned about its ability to attract low-cost sources and use their resources effectively. Analysis of information from the flow of funds helps to know the following issues: how to use the profit as was covered working capital requirements, as fixed assets were financed, how resources were used to optimize profits, which are changes in the structure assets and liabilities, the effect of movements of funds on the stability of society, if additional funds are needed in the future, where they are needed and where they can be provided. The flow of funds can have multiple presentations depending on who uses it. Standard forms used internationally are:

- ***direct method*** which reflects the movement of funds from the mining activities, entry and exit of funds from investment activity and from financial activity resulting in changes to available cash;
- ***the indirect method*** that shows inflows and outflows of funds in the long-term assets and liabilities and then moves funds at the level of reflecting the relationship between them.

The flow of funds is presented an analysis of changes to the sources and users of funds between the two periods (a period is defined as the period between the current and previous balance). Analyst has the possibility to identify the three activities (mining, investment, financial) where funds were obtained and how they were used, obtaining a better picture of how funds are generated and consumed. The balance sheet allows absolute identification of each element changes the balance sheet in hand. The flow of funds grouped these variations absolute activity and explain the three movements of each level separately, so you can better understand the changes occurring. Another advantage is the reflection of trends and by comparing the flow of funds. Allocating groups of creditworthy operators, according to financial and economic results can be corrected for some aspects of non-subjective factors that characterize the work of the client.

4. Monitoring and analysis of customer creditworthiness of credit-scoring methodology

For an overall financial assessment of business (credit) is also used multivariate analysis method called scores („Credit Scoring”). Credit assessment by rating (scoring) is a static tool for assessing clients, seeking to adopt a standardized approach to determine their creditworthiness. Credit-scoring site can be considered as part of the modern technology of bank loans, the assessment and evaluation of the characteristics of credit applicants, their underlying hierarchically, concretizându itself into a score or an average calculated automatically. Create and use mean providing certain prerequisites, such as establishing a number of variables to give an overview of the potential borrower status, establishing a system of aggregation, to operationalize the variables in a common epithet to convey the overall credit applicant's position in relation to other potential borrowers. In turn, the system of variables that forms the basis for determining credit-scoring differs by type of applicant, which may be a natural or legal.

Characteristic's credit scoring is that each criterion is determined scale of values, depending on the degree of satisfaction of those criteria, the customer's total score is obtained by aggregating these points. Evaluation of financial performance of economic entities shall be based on the scoring attributed to qualitative factors as: quality management, quality of ownership, market position, quality of collateral received and transactional behavior and quantitative factors as the following indicators: liquidity, solvency, profitability, management and repayment ability. Quantitative indicators are determined based on the economic entity's financial statements in accordance with regulations issued by the Ministry of Public Finance. Depending on the score awarded, by combining the results for each criterion is determined in the final, scoring the client's credit that, by reporting the number of points on the beaches of the value of the five categories. Based on documentation and information received from the applicant's bank will produce scoring and assessing whether the applicant is able to ensure and guarantee repayment of the loan and related interest.

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