

## **Annotation**

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### **Principles of bank crediting**

*The article deals with the main principles of crediting, their number, role, essence and influence on economic interrelations between creditors and borrowers in particular.*

*The objective of the research is the theoretical substantiation of crediting principles under conditions of command economy, as well as market conditions.*

*The authors researching theoretical substantiation of the main principles of bank crediting and credit security in particular groundlessly give preference not to its essence but emphasize its goal destination and availability of security. At the same time, the results of the research show that the principle of security is caused by the protection of creditor interests against unpredictable events leading to financial losses and against increase of credit risks as the result of credit default by borrowers and violation of loan provisions.*

*It should be noticed that until recently the national scholars have considered the research of credit security principle from the perspective of material credit security. The results of bank monitoring of credit relations with borrowers show that purpose-oriented character of a loan should be taken as a basis of crediting which is the main pre-requisite of its effective use. Credit reimbursement depends on the financial state of the borrower as well as highly liquid inventory holdings that act as material security of credit reimbursement which can be easily transformed into monetary funds.*

*World banking practice shows that the most effective types of credit security are inventory holdings duly made out as a loan obligation. Moreover, with the aim of credit security such tools as guarantees, security commitments, insurance policies are widely used. In such case solvent legal and physical entities can act as underwriters. In their turn, insurance companies should issue insurance policies for borrowers as required by the law. In such case only one of the above mentioned obligation forms can act as the credit security simultaneously. Expanding security components became an objective process which is adequate in case of increasing business activity risks under current relations between creditors and borrowers and possibility of credit default.*

*To a great extent pursuing the principle of security is related to the work of credit institution which is reduced to the evaluation of property quality pledged by borrowers. Moreover, a bank monitors the reputation of a guarantor, insurance agencies and reliability thus minimizing the risks. While concluding a credit agreement with the borrower a creditor bank is obliged to take grounded decisions as to expediency of credit granting taking into account not only qualitative parameters of credit security but also potential of the projects able to secure sustainability of the production process, making profit from their implementation.*

**Key words:** *credit, interest rate, the principle of credit reimbursement, security principle, credit risk.*