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QUALIFYING MASTER'S THESIS

on the topic:

**MECHANISM ON BANKING CREDITING OF LEGAL
ENTITIES AND ITS ROLE ON GROWING BANK
PROFITABILITY**

higher education student **Wang Xiaoke**

The qualifying master's thesis was accepted for
defense by the decision of the Department of
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TASK
FOR THE QUALIFYING MASTER'S THESIS

of Wang Xiaoke

1. Topic of the work «MECHANISM ON BANKING CREDITING OF LEGAL ENTITIES AND ITS ROLE ON GROWING BANK PROFITABILITY»

Scientific adviser Doctors of Economics, Professor Borys Samorodov
(surname, first name, patronymic, academic degree, academic title)

Approved by order of the university dated September 17, 2024 No. 4601-5/1025

2. Deadline for the student to submit the work November 18th

3. List of issues to be developed:

In Chapter 1. To consider the principles, functions, and types of bank crediting; to study the specific credit needs of legal entities; to determine the tasks and management processes of credit allocation mechanisms.

In Chapter 2. To provide a technical and economic description of the impact of legal entity crediting on bank profitability; to analyze the role of crediting in the financial stability of banks; to explore risk assessment and management strategies in bank crediting, as well as the regulatory environment affecting bank crediting.

In Chapter 3. To identify innovative practices that enhance bank crediting profitability; to analyze recent trends in bank crediting methods; to examine successful case studies


for effective crediting strategies; and to evaluate the proposed recommendations for improving profitability.

4. Work plan

No.	Name of work stages
1	The choice of the topic of the qualifying master's thesis
2	Approval of the plan and tasks of the qualifying master's thesis
3	Completion of a qualifying master's thesis
4	Submission of the qualifying master's thesis to the scientific adviser
5	Signature of the qualified master's thesis by the scientific adviser
6	Submission of a qualifying master's thesis to the department to check for borrowings from other documents
7	Admission by the head of the department to the defense of a qualifying master's thesis
8	Defense of a qualifying master's thesis

5. Date of the task issue September 25th, 2024

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ABSTRACT
ON THE QUALIFYING MASTER'S THESIS
"MECHANISM ON BANKING CREDITING OF LEGAL ENTITIES AND
ITS ROLE ON GROWING BANK PROFITABILITY"
of Wang Xiaoke

The qualifying master's thesis contains 104 pages, 17 tables, 15 figures, a list of 93 references.

The object of research is the marketing activities of commercial banks on the example of Industrial and Commercial Bank of China (ICBC) .

The subject of research is the organizational and managerial relationships arising in the process of bank crediting activities.

The purpose of the qualifying master's thesis is to develop theoretical approaches and practical recommendations for organizing crediting activities in commercial banks to enhance their operational efficiency as a means of achieving competitiveness.

The tasks of the qualifying master's thesis are:

- to consider the principles, functions, and types of bank crediting;
- to study the specific credit needs of legal entities;
- to define the tasks and organizational structure of credit allocation mechanisms;
- to provide a technical and economic description of the impact of legal entity crediting on bank profitability;
- to analyze and identify the main challenges in risk management related to bank crediting;
- to explore risk assessment and management strategies in bank crediting;
- to identify innovative measures aimed at improving the efficiency of crediting activities in commercial banks;
- to provide recommendations for enhancing the management of crediting activities in commercial banks;
- to evaluate the effectiveness of the proposed recommendations.

Based on the results of the research, the author formulated theoretical and practical provisions, which were translated into specific proposals for improving the management of crediting activities in commercial banks.

The obtained results can be utilized for further research into the functioning of crediting processes in banks as well as for analyzing credit strategies aimed at increasing customer trust and loyalty.

KEYWORDS: BANK CREDITING, CREDIT STRATEGY, ORGANIZATIONAL STRUCTURE OF CREDIT MANAGEMENT, RISK MANAGEMENT.

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INTRODUCTION

In today's complex and dynamic financial environment, the mechanism of banking crediting to legal entities is not only a crucial factor in supporting business expansion and innovation but also an essential tool for enhancing the operational efficiency and profitability of financial institutions. As the global economy becomes increasingly interconnected, the credit activities of commercial banks play a vital role in ensuring corporate liquidity, promoting investment, and stimulating economic growth. Therefore, in-depth research on banking credit mechanisms to understand how they effectively serve legal entities is essential for achieving sustainable economic development.

This study focuses on the Industrial and Commercial Bank of China (ICBC), a leading institution in the global banking industry. By analyzing its credit marketing activities and organizational management practices, this research aims to reveal its strategies and effectiveness in credit allocation. The object of this study is the organizational and managerial relationships that emerge during the bank crediting process, while the research subject emphasizes how these credit mechanisms influence bank profitability and enhance overall operational efficiency.

The analysis period of this research spans from 2020 to 2022, a time marked by significant transformations in the global economic environment, influenced by the COVID-19 pandemic, market fluctuations, technological advancements, and changes in regulatory policies. These factors present new challenges to commercial banks' credit decisions and market responsiveness, while also creating new opportunities that compel banks to continuously adjust their credit strategies and management models to maintain competitiveness.

To achieve this overarching goal, the research is structured around several key tasks:

- To consider the principles, functions, and types of bank crediting to establish a foundational understanding of the crediting mechanisms relevant to legal

entities.

- To study the specific credit needs of legal entities, differentiating these needs from those of individual consumers, including an examination of business loans, credit lines, and trade financing options.

- To define the tasks and organizational structure of credit allocation mechanisms, detailing how credit is evaluated, approved, and managed within commercial banks.

- To provide a technical and economic description of the impact of legal entity crediting on bank profitability, exploring the direct and indirect effects of credit allocation on overall financial performance.— Identifying trends and practices in current bank crediting mechanisms.

- To analyze and identify the main challenges in risk management related to bank crediting, focusing on the inherent risks involved in lending to legal entities.

- To explore risk assessment and management strategies in bank crediting, aiming to enhance the effectiveness of credit processes and mitigate potential risks.

- To identify innovative measures aimed at improving the efficiency of crediting activities in commercial banks, evaluating contemporary practices and technologies that can streamline operations.

- To provide recommendations for enhancing the management of crediting activities in commercial banks, drawing from best practices and successful case studies.

- To evaluate the effectiveness of the proposed recommendations, ensuring that suggested strategies are practical and implementable within the banking sector.

The innovation of this thesis lies not only in the construction and enhancement of theoretical frameworks but also in its practical value. It aims to promote deeper reforms and innovations in credit management within the banking sector. Through this comprehensive exploration, the study aspires to provide commercial banks with concrete strategic advice to help them overcome market challenges and achieve profitability growth. By understanding and optimizing the operation of credit mechanisms, banks will be better positioned to serve legal entities, ultimately contributing to economic stability and growth.

CHAPTER 1

THEORETICAL FRAMEWORK AND MECHANISMS OF BANK CREDITING

1.1. Understanding the concept of banking crediting

Bank Credit: Overview and Importance

1. Bank credit refers to an important financial activity wherein banks and other financial institutions provide monetary funds to borrowers based on their credit conditions and repayment capabilities. In modern economic activities, bank credit not only serves as the primary channel for the flow of funds but also plays a critical role in enabling businesses and individuals to achieve their financial objectives.¹ This process involves the establishment of a trust relationship between the borrower and the bank, reflecting the financial institutions' comprehensive assessment of the borrower's credit status and the balance of risk and return in the market economy.²

2. The essence of bank credit lies in its risk management. Banks must conduct detailed credit assessments of borrowers to mitigate the risk of default. Key components of credit evaluation include (table 1.1) ³ .

Table 1.1

Key Components of Credit Evaluation

Component	Description
Financial Health Assessment	Analysis of financial statements, liquidity status, and historical repayment records.
Industry Analysis	Overall analysis of the industry in which the borrower operates, assessing sector risks.
Macroeconomic Impact	Evaluation of the potential impact of the macroeconomic environment on the borrower's business.
Comprehensive Judgment	Formulation of a holistic judgment regarding the borrower's repayment ability.

The table outlines the fundamental components that constitute the framework for evaluating the creditworthiness of legal entities. Each component plays a critical role in determining the potential risk and viability associated with extending credit:

Financial Health Assessment:

This component involves a thorough analysis of the borrower's financial statements, including balance sheets, income statements, and cash flow statements. Assessing liquidity status and historical repayment records provides insights into the borrower's capacity to meet financial obligations. This assessment ensures that banks can accurately gauge the financial stability of potential borrowers and identify any red flags that might indicate financial distress.

Industry Analysis:

By examining the industry in which the borrower operates, banks can assess inherent sector risks that might impact the borrower's performance. This includes evaluating market trends, competitive dynamics, and regulatory challenges. Industry analysis helps banks understand external factors that could affect credit risk, allowing for more informed decision-making.

Macroeconomic Impact:

This entails evaluating how broader economic factors—such as inflation rates, interest rate fluctuations, and economic cycles—might influence the borrower's business operations and financial health. Understanding the macroeconomic environment allows banks to anticipate potential challenges that could affect the borrower's ability to repay loans under varying economic conditions.

Comprehensive Judgment:

The synthesis of data from the previous components leads to a holistic judgment regarding the borrower's repayment ability. This involves integrating quantitative data with qualitative insights to form a nuanced view of the borrower's credit profile. A comprehensive judgment is crucial as it informs the bank's final decision on whether to extend credit, at what terms, and under what conditions.

These components collectively enable banks to perform a robust credit evaluation, mitigating risks associated with lending to legal entities. The process ensures that the

credit allocation is aligned with the bank's profitability goals, safeguarding against potential losses while enhancing financial stability through informed lending practices. Through such detailed evaluations, banks can maintain a balance between risk management and competitive credit offerings, essential for sustainable profitability.

3. The role of bank credit in the economic system is particularly significant. As providers of funds, banks support corporate investment, expansion, and innovation through credit, enabling the efficient utilization of capital and promoting economic growth and social development. Additionally, bank credit plays a key role in personal finance, fulfilling diverse individual needs through various products, which are summarized below (table 1.2) 4. .

Table 1.2

Types of Credit and Their Purposes

Type of Credit	Purpose
Consumer Credit	To meet personal consumption needs, such as purchase of goods and services.
Housing Loans	To assist individuals in acquiring residential properties, facilitating home ownership.
Business Loans	To provide capital for businesses to invest in expansion and innovation initiatives.

The "Types of Credit and Their Purposes" outlines key credit categories and their roles:

Consumer Credit:

Aims to meet personal consumption needs, enabling the purchase of goods and services, thus boosting consumer demand and economic activity.

Housing Loans:

Facilitates home ownership by providing financing for residential property purchases, contributing to personal wealth accumulation and stability in the housing market.

Business Loans:

Provides capital for business growth, supporting expansion and innovation, which fuels entrepreneurship, job creation, and economic growth.

These credit types highlight financial institutions' role in addressing personal, residential, and business financial needs, each contributing uniquely to economic development and stability.

These capital flows not only stimulate consumption and investment but also enhance the overall liquidity of societal capital, increasing economic vitality.

4. Classification of Credit

Bank credit can be classified according to various criteria, as detailed below (table 1.3) 5. .

Table 1.3

Credit Classification Standards

Classification Standard	Classification Type	Description
By Purpose	Productive Loans	Typically used for investments in enterprise equipment and expansion of production capacity.
	Consumer Loans	Generally used for personal consumption, such as housing loans and auto loans.
By Risk Level	Secured Loans	Borrowers are required to provide collateral to reduce lending risk.
	Unsecured Loans	Loans are approved based on the borrower's credit history without the need for collateral.
By Loan Structure	Lump Sum Loans	Refers to a fixed amount of loan, where the borrower receives the funds in a single disbursement.
	Installment Loans	Borrowers repay the principal and interest in agreed-upon installments over a specified period.

The Credit Classification Standards" table organizes loans into classifications by purpose (productive vs. consumer), risk level (secured vs. unsecured), and loan structure (lump sum vs. installment), facilitating better understanding and management of lending practices. Importance of Bank Credit

Bank credit plays a crucial role in the economy, and its significance is primarily

reflected in the following aspects:

1. Promoting Economic Development

Bank credit provides the necessary financial support for the production and operation of enterprises, thereby facilitating increased investment and innovation activities. This injection of credit funds not only enhances the productivity of enterprises but also stimulates the development of related industries, creating a positive feedback loop that promotes national economic growth and social prosperity. For instance, during periods of economic recovery, bank credit can accelerate capital restructuring and investment decisions, contributing to a rapid economic rebound.

2. Optimizing Resource Allocation

Through the credit market, banks can effectively transform idle capital into productive resources. This process optimizes the efficiency of resource allocation, allowing funds to flow to the areas that require capital the most and possess the greatest potential. By assessing borrower needs, banks are able to identify enterprises with growth potential, directing investment toward high-efficiency projects. This not only enhances the overall operational efficiency of the economy but also facilitates the optimization of economic structure, encouraging resources to concentrate on innovation and high-value-added industries.

3. Risk Sharing and Management

Banks play a vital role in credit risk management. Through effective management of credit, banks can disperse risk across different borrowers and industries. By establishing a diversified loan portfolio, banks are able to mitigate the impact of defaults from individual borrowers or sectors. This risk diversification mechanism not only protects the bank's asset safety but also stabilizes the healthy operation of the entire financial system. Through risk pricing and other methods, banks can adequately consider various potential risks when extending loans, thereby ensuring profitability while reducing the likelihood of systemic risks.

4. Facilitating Capital Flow

The establishment of credit relationships supports the liquidity needs of enterprises, allowing capital to circulate efficiently within the economic system. When

businesses obtain loans from banks, they can quickly invest the funds in production or projects, thereby enhancing their production capacity and responsiveness to the market. Moreover, bank credit activities not only meet the financing needs of enterprises but also activate the liquidity of the entire financial market, enhancing market vitality. By injecting credit into the economy, banks facilitate various economic activities, such as personal consumption and business investment, thereby promoting an increase in social wealth.⁶

Credit Operation Mechanism

1. The operation mechanism of bank credit involves a series of complex processes, including (table 1.4) ⁷ .

Table 1.4

Components of Credit Mechanism

Mechanism Component	Description
Credit Assessment	Banks conduct a comprehensive credit evaluation by analyzing the borrower's financial statements, credit history, industry performance, and future market prospects to determine their repayment capability.
Credit Approval	The credit approval process typically consists of initial review, secondary review, and final approval, requiring collaboration among multiple departments to ensure the compliance and security of the loan.
Risk Management	After the issuance of credit, banks must establish an effective risk management system to monitor the borrower's financial status and timely adjust risk control measures to avoid potential default situations.
Recovery Management	Loan recovery is a critical aspect of credit activities, where banks need to maintain good communication with borrowers, develop reasonable repayment plans, and follow up promptly on the status of loan repayments.

This structured approach to the operation of bank credit ensures a thorough assessment of risks, compliance with regulations, and effective management of credit portfolios, ultimately contributing to the stability and efficiency of the financial system.

2.Challenges and Prospects

With the rapid development of financial markets, bank credit faces numerous challenges alongside emerging opportunities. Key challenges include the increasing credit risks, intensifying market competition, and the strengthening of regulatory policies. As a result, banks need to continuously optimize their credit policies and operational processes to enhance their risk control capabilities.

Simultaneously, with the ongoing advancements in financial technology (FinTech), the processes of bank credit are gradually transitioning towards digitalization and automation. This shift presents new opportunities for the future of bank credit, enabling more efficient operations, improved customer experiences, and enhanced risk assessment capabilities. By leveraging these technological advancements, banks can adapt to the changing landscape and better meet the demands of their clients while mitigating associated risks.

1.2. Types of Credit Products for Legal Entities and Their Credit Needs Compared to Individual Consumers, Including Business Loans, Credit Lines, and Trade Financing

Types of Credit Products for Legal Entities. In the context of banking crediting, legal entities, such as corporations, partnerships, and other organizations, utilize various credit products to meet their financial needs. Understanding the distinct types of credit products available for legal entities is essential for comprehending their mechanisms and their impact on bank profitability. The primary types of credit products for legal entities include business loans, credit lines, and trade financing. Each type of credit product has unique characteristics, uses, and implications for both borrowers and lenders.⁸

1. Business Loans. Business loans are fixed-amount loans extended to legal entities for specific purposes, such as purchasing equipment, expanding operations, or

financing capital expenditures. They are typically characterized by a predetermined repayment schedule and fixed or variable interest rates.

- Purpose: Business loans are primarily used for long-term investments, such as acquiring assets, setting up production facilities, or investing in research and development.
- Term Length: Business loans can be short-term (one year or less), medium-term (one to five years), or long-term (more than five years), depending on the needs of the business.
- Collateral Requirements: Many business loans require the borrower to provide collateral, which can include property, equipment, or inventory. This reduces the lender's risk and may lead to more favorable loan terms for the borrower.
- Impact on Bank Profitability: Business loans are typically associated with higher interest rates compared to other credit products, thus contributing significantly to banks' net interest margins. Additionally, the fees associated with loan processing, origination, and administration further enhance bank profitability.

2. Credit Lines. Credit lines, or revolving credit facilities, allow legal entities to access funds up to a specified limit at any given time. Unlike traditional loans, credit lines offer more flexibility as borrowers can draw down, repay, and redraw funds as needed within the credit limit.⁹

- Flexibility: Credit lines provide businesses with the ability to manage cash flow fluctuations, covering operational expenses, purchasing inventory, or handling unforeseen expenses without the need to apply for a new loan each time.
- Interest Rates: Interest is only charged on the amount drawn, making credit lines cost-effective solutions for short-term financing needs.
- Renewable Terms: Many credit lines can be renewed upon maturity, allowing businesses to maintain access to funds over the long term.
- Impact on Bank Profitability:

Credit lines tend to generate ongoing interest income, as borrowers may frequently draw on and repay the facility. Additionally, banks often charge annual fees for maintaining the credit line, contributing further to profitability. The flexibility that

credit lines offer is appealing to businesses, thus enhancing customer retention rates and fostering long-term banking relationships.

3. Trade Financing

Trade financing encompasses a variety of financial instruments used to facilitate international and domestic trade transactions. This type of financing is crucial for businesses engaged in import and export activities, providing them with the necessary liquidity to operate effectively.¹⁰

- **Instruments Used:** Common instruments in trade financing include letters of credit, export financing, and import financing. Letters of credit, for instance, provide payment guarantees to exporters, thus mitigating the risk involved in cross-border transactions.

- **Risk Mitigation:** Trade financing often includes risk assessment services offered by banks, analyzing the creditworthiness of trading partners and market conditions, which helps businesses make informed financial decisions.

- **Short-term Focus:** Trade financing typically serves short-term needs, as the financing is closely tied to specific transactions and inventory turnover rates.

- **Impact on Bank Profitability:** Trade financing is beneficial for banks as it often involves transaction fees, service charges, and interest income from financing agreements. Moreover, the specialized nature of trade financing allows banks to differentiate themselves in the market, ultimately leading to stronger client relationships and increased competitiveness in the commercial banking sector.

Below the Industrial and Commercial Bank of China (ICBC) as an example (table 1.5) ¹¹. Through specific examples of these various credit products for legal entities, we can observe the diversity and flexibility of the Industrial and Commercial Bank of China (ICBC) in supporting corporate financing. From the long-term investment support provided by business loans to the liquidity assurance offered by credit lines, and the risk management facilitated by trade financing, ICBC's credit products are capable of meeting the funding needs of different types of enterprises at various stages.

Table 1.5

Credit Products

Type of Credit Product	Description	Characteristics	Case Study
Business Loans	A significant credit product offered by ICBC to support long-term investments and development initiatives of enterprises.	<p>Fixed Loan Amount: Specific loan amount for purchasing fixed assets or expanding production.</p> <p>Repayment Terms: Flexible terms divided into short-term, medium-term, and long-term.</p> <p>Interest Rate Options: Choice between fixed and floating rates.</p>	A manufacturing company applies for a medium-term business loan to purchase new equipment. After providing financial statements and market expectations, the bank approves the loan with a fixed interest rate to be repaid over five years.
Credit Lines	A flexible financing tool provided by ICBC for enterprises that require frequent capital flow.	<p>Revolving Use: Withdraw, repay, and withdraw again within the credit limit.</p> <p>Interest Calculation: Interest is charged only on the amounts drawn.</p> <p>Convenient Renewal: Some credit lines can be renewed upon maturity.</p>	A retail enterprise applies for a credit line to purchase goods during peak season, allowing for quick mobilization of funds. After inventory turnover, the enterprise repays and reuses the credit line for new purchases.
Trade Financing	Specifically designed for enterprises engaged in international and domestic trade, alleviating financial pressures associated with transactions.	<p>Letters of Credit: Provide credit assurance between importers and exporters.</p> <p>Buyer's and Seller's Credit: Advance payments for importers and production support for exporters.</p> <p>Risk Assessment Services: Conduct risk assessments to help formulate trading strategies.</p>	An exporting company applies for a letter of credit with ICBC after signing a contract with an overseas client. This secures payment upon shipment, while the bank monitors transaction data to ensure smooth trade.

This effectively promotes the steady development of businesses while enhancing the bank's profitability.¹²

Definition of Legal Entity

A legal entity is a legal term that refers to an organization or entity that is recognized as an independent individual in the eyes of the law. These entities can be profit-oriented institutions, such as corporations and partnerships, as well as non-profit organizations, such as charitable institutions or certain specialized organizations under the government.

1.Key Characteristics of Legal Entities

Separate Legal Personality: Legal entities possess an identity distinct from their founders, owners, or members. This means that a legal entity can own property, incur liabilities, and enter contracts in its own name. This characteristic ensures that legal entities can participate in legal matters with the same standing as individuals.

Continuity of Existence: Unlike individuals, legal entities do not cease to exist due to the death, bankruptcy, or withdrawal of an owner or senior management. This continuity allows for long-term planning and investment, unaffected by personal changes.

Limited Liability: The personal assets of the owners or shareholders of a legal entity are generally protected from the entity's debts. The liability of shareholders is usually limited to their investment in the entity. This structure of limited liability reduces investment risk, encouraging more business activity and entrepreneurial ventures.

Management Structure: Legal entities typically have a defined governance structure, including a board of directors and management team responsible for decision-making and the overall operations of the company. This governance structure enables the distribution of power and transparency within the organization.

Compliance with Laws and Regulations: Legal entities must adhere to industry-specific regulations and government laws. Whether it's tax compliance or environmental standards, legal entities must fulfill their legal obligations to maintain their legitimacy (table 1.6) 13. .

The classifies various legal entities, highlighting their distinct characteristics: Limited Liability Companies (LLCs) offer small businesses liability protection and operational flexibility; Corporations allow large enterprises to raise capital through

share issuance; Partnerships involve shared ownership and profit/loss distribution among partners; and Non-Profit Organizations focus on social welfare rather than profit, benefiting from tax advantages.

Table 1.6

Types of Legal Entities

Type of Legal Entity	Description
Limited Liability Company (LLC)	Typically used by smaller businesses, offering limited liability protection to owners while providing operational flexibility.
Corporation	Chosen by many large enterprises, allowing them to raise capital through the issuance of shares.
Partnership	Owned and operated by two or more partners, sharing profits and losses as per a mutual agreement.
Non-Profit Organization	Entities established for social welfare rather than profit maximization, often enjoying tax benefits.

2. Importance of Legal Entities

- Economic Contribution: Legal entities play a significant role in driving the economy, providing substantial employment opportunities and tax revenues.
- Social Impact: Beyond pursuing economic interests, many legal entities bear social responsibilities, promoting societal welfare through corporate social responsibility (CSR) programs.
- Innovation Driver: Due to their scale and resources, legal entities are often key drivers of technological innovation and research and development.

By understanding legal entities and their characteristics, financial institutions and legal bodies can better assess and meet their legal, financial, and operational needs. This understanding is crucial for banks in designing products and ensuring legal compliance in their services.

Credit Needs of Legal Entities

The credit needs of legal entities vary significantly due to their specific

operational models, industry characteristics, and strategic objectives. Here is a detailed analysis of the different situations in which legal entities may require credit, as well as how these needs influence their financing choices.14.

1. Capital for Growth and Expansion

In a rapidly developing market environment, legal entities often require substantial amounts of capital investment to promote business expansion and enhance competitive advantage.

- **Infrastructure Investment:** Legal entities may need to invest in production lines, offices, warehouses, and other infrastructure to meet market demand. For instance, a manufacturing company may purchase new machinery to increase production capacity. Such investments typically involve long-term business loans, with banks evaluating the company's financial status and future market expectations.

- **Technology and Innovation:** With the rapid advancement of technology, many legal entities aim to improve efficiency and profitability through technological innovation. Research and development (R&D) for new products or improvements to existing products require significant funding, which is often obtained through dedicated R&D loans or investment capital.

- **Market Expansion:** Legal entities need funds for credit lines, exhibitions, advertising, and marketing activities to expand their market share. Financing these activities can help enterprises quickly enter new markets or increase penetration in existing ones.

2. Working Capital Needs

For companies, having sufficient working capital is crucial to ensure continuous operation and meet daily expenses.

- **Daily Operating Expenses:** The operating expenses of a business include payroll, rent, raw material procurement, and inventory maintenance. These expenses necessitate that businesses maintain a certain level of cash reserves. If cash inflows are insufficient, companies may face difficulties in cash flow management.

- **Utilization of Credit Lines:** Legal entities can leverage credit lines to meet short-term funding needs. For example, a company that waits for customer payments

can utilize unused credit lines to pay employee wages or purchase inventory, maintaining normal business operations.

- Flexibility of Short-Term Loans: Short-term loans provide a flexible financing option for businesses, allowing quick access to funds to address unexpected financial needs. These loans are typically repaid within a few months to a year, making them suitable for managing temporary liquidity challenges.

3. Financing for Specialized Projects

In certain cases, legal entities may require independent financing for specific projects. Project financing often involves substantial amounts and is closely linked to risk and return.

Research and Development Projects: Legal entities engaged in R&D activities may require significant funding for technology development, experimentation, and market research. To meet these needs, companies may seek project financing or dedicated funds from venture capital firms.

New Product Launches: To introduce new products to the market, legal entities must invest in market research, production readiness, and marketing promotion. Companies may seek specialized loans or equity financing to fulfill these funding requirements.

Fixed Asset Investment: Many legal entities, when expanding their business, may need to invest in fixed assets such as equipment, factories, and office facilities. Such investments may also be facilitated through trade financing mechanisms to effectively manage related capital expenditures.¹⁵ Allen, F., & Santomero, A. M. (1998). "The Theory of Financial Intermediation." *Journal of Banking & Finance*, 21(11-12), pp. 1461-1485. <https://www.sciencedirect.com/science/article/pii/S037842669800011X>.

Comparison with Individual Consumers

When comparing the credit needs of legal entities and individual consumers, several key differences emerge:

1. Purpose of Credit

Legal Entities: Primarily seek credit for operational, investment, or expansion

purposes. Their credit needs are often associated with business activities and strategies.

Individual Consumers: Generally borrow for personal expenditures such as purchasing homes, vehicles, or funding education. Their credit needs are typically short-term and focused on consumption rather than investment.

2. Credit Assessment

Legal Entities: The creditworthiness of legal entities is assessed based on financial statements, business plans, and cash flow projections. Banks analyze metrics such as debt-to-equity ratio and operational performance.

Individual Consumers: The credit assessment for individuals primarily relies on credit scores, income levels, and credit history. Lenders focus on personal financial stability and repayment capacity.

3. Types of Credit Products

Legal Entities: Commonly utilize business loans, credit lines, and trade financing. The terms and conditions of these products are often tailored to the organization's unique requirements.

Individual Consumers: Frequently use personal loans, mortgages, and credit cards. These products typically have standardized terms based on consumer behaviors and regulatory requirements.

4. Repayment Terms

Legal Entities: Often have flexible repayment terms that can align with their cash flow cycles, including balloon payments or varied maturity schedules depending on the nature of the credit.

Individual Consumers: Standard repayment plans typically involve monthly installments over a fixed term, designed to be manageable based on personal budgets.

Understanding the differences between legal entities and individual consumers regarding credit needs is essential for financial institutions. This knowledge enables banks to tailor their credit products and services to meet the diverse requirements of their customers. Legal entities, with their unique complexities and challenges, require specialized credit solutions that differ significantly from the straightforward lending practices often employed for individual consumers. By addressing these distinct needs,

banks can enhance customer satisfaction, foster long-term relationships, and ultimately drive profitability.16.

1.3. Credit allocation mechanisms: Evaluation, approval, and management protocols

The credit allocation mechanism is a critical segment of the loan issuance and risk management process in banks and financial institutions, ensuring the effective allocation of resources. This mechanism typically includes key steps such as credit evaluation, credit approval, and credit management. Below is a detailed exploration of these stages and their significance within the credit allocation mechanism.

Credit Evaluation

Credit evaluation is the initial step in the credit allocation mechanism, aimed at comprehensively analyzing the borrower's credit status and repayment capacity. This process involves not only a meticulous review of the borrower's financial data but also consideration of external factors such as market conditions, industry status, and future profitability. The following is a detailed discussion of the various components of credit evaluation 17. .

1. Financial Analysis

Financial analysis is the core component of credit evaluation. Banks conduct an in-depth review of the financial statements submitted by the borrower to assess their financial health.

Components of Financial Statements:

- **Balance Sheet:** Reflects the financial condition of the enterprise at a specific point in time, including assets, liabilities, and shareholders' equity. By analyzing the balance sheet, banks can understand the asset structure and debt levels of the borrower.
- **Income Statement:** Shows the profitability of the enterprise over a certain period, including revenues, costs, expenses, and net profit. The income statement helps banks evaluate the borrower's profitability and operational efficiency.
- **Cash Flow Statement:** Tracks cash inflows and outflows, reflecting the cash management ability of the enterprise. Creditors particularly focus on cash flow,

as adequate cash flow is essential for loan repayment even if the enterprise is profitable.

Financial Ratio Analysis:

- **Current Ratio:** Measures the ratio of current assets to current liabilities, indicating short-term solvency. A higher current ratio typically enables the enterprise to better handle short-term financial pressures.
- **Debt Ratio:** Indicates the ratio of total debt to total assets, revealing the capital structure and financing risk of the enterprise. A lower debt ratio signifies less reliance on external debt.
- **Profit Margin (e.g., net profit margin and gross profit margin):** Reflects the profitability resulting from sales activities. An increase in profit margins usually indicates improved operational efficiency.

2. Credit History

Credit history is a vital part of the borrower's credit evaluation, usually involving the following aspects:

- **Repayment History:** Banks examine the borrower's past loan repayment behavior, as any overdue or default records will impact their credit score.
- **Credit Score:** Typically provided by third-party credit rating agencies, it takes into account the borrower's credit behavior. A higher credit score indicates lower credit risk, making it easier for borrowers to obtain loan approvals and more favorable loan terms.
- **Borrowing Behavior:** Analyzing the borrower's previous borrowing patterns, including the total amount of loans, types of loans, and loan terms, helps assess the borrower's financial stability and capital utilization efficiency.¹⁸

3. Market and Industry Analysis

In addition to analyzing the borrower's internal factors, banks must also consider the market and industry context in which the borrower operates to conduct a comprehensive and objective credit risk assessment.¹⁹

- **Market Risk:** Banks analyze macroeconomic conditions, industry cycles, interest rate fluctuations, and inflation to assess their impact on the borrower's business. For instance, during an economic downturn, higher market risk may increase the

likelihood of borrower defaults.

- **Competitive Landscape:** The level of competition within the industry directly affects the borrower's market share and profitability. Factors such as the strength of competitors in the market and the availability of substitutes are all evaluated. For example, an emerging tech company may face intense competition from established players in the market.

- **Stability and Prospects of the Industry:** Banks need to analyze the long-term development potential and trends of the industry, including technological advancements, regulatory changes, and shifts in consumer behavior. For instance, the prospects of the green energy sector may enable companies in that domain to secure more funding support.²⁰

Credit Approval (Detailed Expansion)

Credit approval is a critical segment of the credit process, ensuring the compliance, security, and rationality of loans. It encompasses several key steps that banks undertake to thoroughly review borrowers' applications, thereby reducing credit risk and optimizing resource allocation. Below is a detailed discussion of the specific steps involved in the credit approval process along with a flowchart (fig. 1.1) ²¹.

The "Credit Approval Flowchart" outlines the systematic process that financial institutions follow to evaluate and approve credit applications, detailing the steps involved from initial application through assessment, decision-making, and final approval or denial.

1. Initial Review and Secondary Review

Initial Review: In the initial review phase of the loan application, the credit officer conducts a preliminary examination of the submitted application materials and the results of the credit evaluation. During this phase, the credit officer focuses on the following aspects:

- **Completeness and Accuracy of Application Materials:** This includes checking personal information, financial statements, income proofs, and ensuring that all information is truthful and accurate.

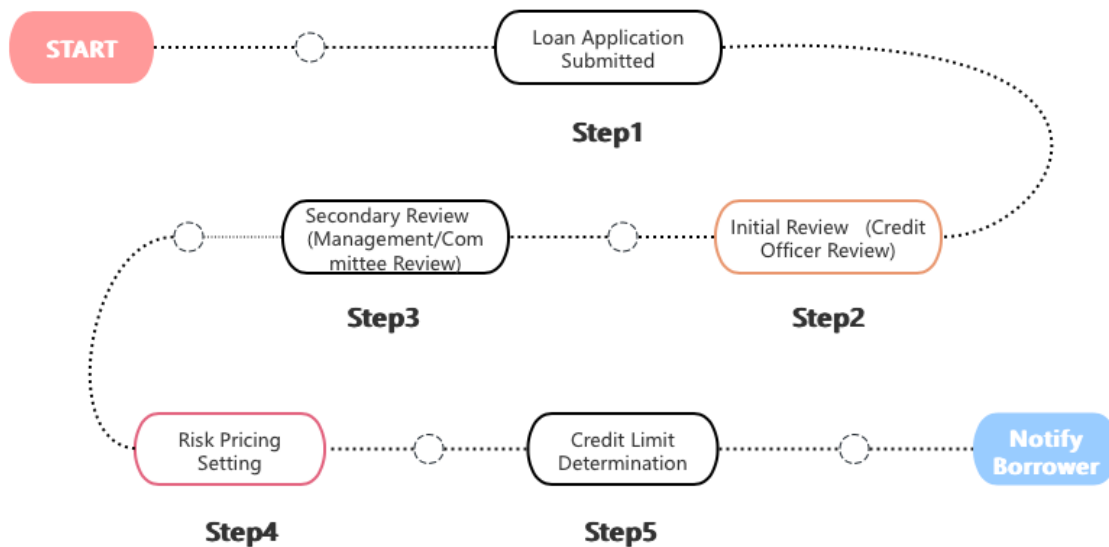


Fig.1.1. Credit Approval Flowchart

- **Credit Evaluation Results:** A preliminary analysis of the borrower's credit evaluation report is conducted, focusing on financial health, credit history, and market ratings.

Secondary Review: After the initial review, the loan application moves to the secondary review phase. This stage involves an examination by senior management or the credit committee, which primarily focuses on:

- **In-Depth Evaluation:** The review team conducts a more thorough analysis of the initial findings, considering the borrower's long-term development potential, industry conditions, and the impacts of market environments.

- **Professionalism and Accuracy of Decision-Making:** The secondary review team typically comprises risk management personnel, financial analysts, and senior executives to ensure that various risk factors are thoroughly considered in the decision-making process.

2. Risk Pricing

Risk pricing is a crucial aspect of the credit approval process. The primary goal of risk pricing is to set reasonable interest rates and fee structures for credit products based on the results of the credit evaluation.²²

- **High-Risk Borrowers:** For borrowers evaluated as higher risk, banks may

set higher interest rates to compensate for potential losses. This approach helps banks partially transfer risk while achieving their strategic objectives.

- **Credit Pricing Models:** Banks often employ complex credit pricing models that incorporate market data, economic indicators, and the borrower's past credit records, providing a comprehensive risk assessment framework.

3. Credit Limit Determination

After completing risk pricing, banks will determine the credit limit and loan terms available to the borrower based on the evaluation results. This decision not only directly affects the borrower's ability to obtain funds but also ties closely to the bank's overall risk management strategy.²³

- **Determination of Credit Limits:** Banks will set credit limits based on the borrower's financial health, industry context, and market projections. For example, a financially sound company with a favorable market outlook may secure a higher credit limit.

- **Setting Loan Terms:** Loan terms typically depend on the purpose of the financing. Short-term loans are generally used for working capital needs, while long-term loans are utilized for investments and expansion projects.

4. Notification to Borrower

Once the credit approval process is complete, the bank will communicate the results to the borrower. This step generally includes:

- **Formal Notification:** Communicating the awarded credit limit, interest rates, and repayment terms as part of the formal notification.

- **Contract Signing:** After confirming acceptance of the terms, the borrower and the bank will sign a loan agreement that outlines all the conditions and responsibilities pertaining to the loan.²⁴

Credit Management (Detailed Expansion)

Once a loan is issued, the credit management process begins to play a crucial role in ensuring the security of loan recovery and effective monitoring and management of credit risk. The objective of credit management is to oversee the borrower's performance and address any potential issues that may arise. The following outlines

the key steps within the credit management process, including post-loan evaluation, risk monitoring and early warning systems, collection and default management, as well as repayment and restructuring solutions (fig. 1.2) 25. .

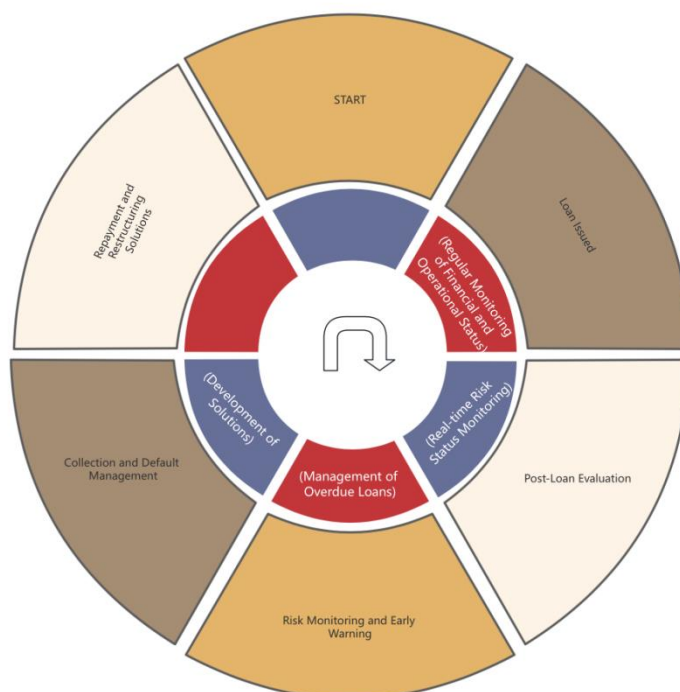


Fig.1.2. Credit Management Flowchart

The Credit Management Flowchart" illustrates the comprehensive process by which financial institutions manage credit accounts and monitor borrower performance. It outlines key steps, including the initial assessment of creditworthiness, ongoing monitoring of accounts, risk evaluation, and collection procedures. This systematic approach ensures that lenders can effectively manage their credit risk while optimizing the performance of their credit portfolio.

Additionally, the flowchart emphasizes the importance of communication and collaboration among various teams within the organization, such as credit analysts, risk managers, and collection agents. By integrating these functions, the credit management process can respond promptly to any changes in a borrower's situation, ensuring proactive measures are taken to mitigate risk and maintain healthy account status. Overall, this flowchart serves as a valuable tool for enhancing the efficiency and

effectiveness of credit management practices in financial institutions.

1. Post-Loan Evaluation

Post-loan evaluation is a vital component of credit management, where banks regularly track the financial and operational status of borrowers to identify potential risks early.

- **Regular Financial Review:** Banks typically require borrowers to submit updated financial statements periodically, including the most recent balance sheets, income statements, and cash flow statements. This data allows banks to assess whether the borrower is operating as planned and if there are any changes in their financial condition.

- **Monitoring Operational Performance:** In addition to financial data, banks will examine the borrower's business operations, including sales performance, market share, and customer satisfaction. These factors significantly impact the borrower's profitability and repayment ability.

- **Timely Communication:** If a borrower encounters operational difficulties, they must inform the bank promptly, facilitating both parties to negotiate solutions. For example, the borrower may need to adjust repayment plans or seek additional financing to sustain operations.²⁶

2. Risk Monitoring and Early Warning

Risk monitoring and early warning are essential steps in credit management, where banks utilize data analysis and credit management tools to monitor the borrower's risk status in real-time.

- **Assessment of Industry Changes:** Banks regularly analyze the dynamics of the industry in which the borrower operates, including competitive conditions, changes in market demand, technological advancements, and regulatory impacts. This information assists banks in evaluating the market risks faced by the borrower.

- **Tracking Key Financial Indicators:** Banks establish key financial metrics to be monitored regularly, such as liquidity ratios, debt ratios, and profitability ratios. Monitoring these indicators helps assess the financial health and repayment capacity of the borrower. If any negative changes are observed, the bank can take early action.

- **Analysis of Market Environment Changes:** By assessing macroeconomic conditions and fluctuations in market environments, banks can identify potential external risks timely. For instance, economic downturns or rising interest rates can significantly affect the borrower's operating conditions.

3. Collection and Default Management

For overdue loans, banks must take action through effective collection mechanisms to ensure the safe recovery of credit assets.

- **Collection Mechanisms:** Banks establish comprehensive collection processes, building a collection team to follow up with borrowers on overdue loans. Through methods such as phone calls, emails, and letters, the team maintains communication with the borrower. In cases of overdue payment, the collection team will promptly follow up to understand the reasons for the delay and attempt to negotiate a repayment plan.

- **Effective Communication:** In the collection process, effective communication is crucial. The relationship between the bank and the borrower should be built on understanding and cooperation to avoid unnecessary confrontations. Good communication can help both parties reach a consensus and find mutual solutions.

- **Flexible Solutions:** To address overdue situations, banks can offer flexible solutions, such as extending repayment terms, adjusting repayment amounts, or allowing portions of the debt to be restructured, thus helping borrowers to alleviate their financial burden while safeguarding the bank's credit assets.²⁷

4. Repayment and Restructuring Solutions

The ultimate goal of credit management is to ensure that loans are repaid on time and to develop appropriate restructuring solutions when necessary.

- **Development of Restructuring Agreements:** When borrowers face financial challenges, banks can develop flexible restructuring agreements tailored to the borrower's specific situation. Restructuring solutions may include the following:

- **Extension of Repayment Terms:** Banks can extend the loan repayment period based on the borrower's cash flow status, helping to alleviate short-term financial pressures. An extension allows borrowers more time to recover their business.

- **Adjustment of Repayment Amounts:** After considering the borrower's actual operating conditions, banks may adjust repayment amounts to reduce pressure on each installment.

- **Waiving Partial Fees or Interest:** To further support borrowers, banks may waive certain late fees, penalties, or other charges under specific

Chapter 1 provides an in-depth exploration of the theoretical framework and mechanisms of bank crediting, specifically focusing on legal entities. It begins with a definition of legal entities, explaining their independent legal personality and significance in financial transactions. The chapter then delves into the specific credit needs of legal entities, highlighting the difference from individual consumers and the necessity for tailored financial solutions.

The first section details various credit products available to legal entities, including business loans, credit lines, and trade financing, each characterized by its unique features and applications. The importance of understanding these products lies in their ability to meet diverse funding requirements for different stages of business development.

Following this, the chapter addresses the credit allocation mechanisms, elucidating the critical steps involved in credit evaluation, approval, and management. Credit evaluation is analyzed in depth, focusing on the necessity of financial analysis, credit history review, and market and industry considerations. The credit approval process is described through stages involving initial and secondary reviews, risk pricing, and credit limit determination. Finally, the chapter covers credit management practices, emphasizing post-loan evaluation, risk monitoring, collection strategies, and potential restructuring solutions to ensure the security of loan recovery.²⁸

CHAPTER 2: IMPACTS, RISK MANAGEMENT, AND REGULATORY ENVIRONMENT

2.1. Impact of legal entity crediting on bank profitability

Corporate credit refers to the loans or credit products provided by banks or financial institutions to companies, partnerships, and other legal entities. These credit products can help businesses meet their funding needs and facilitate operations and expansion. Bank profitability typically refers to the profits that banks generate through loans, investments, and other financial services. An increase in profitability contributes to the bank's sustainable operation, business expansion, and enhanced market competitiveness.

The key to understanding this chapter lies in exploring the interrelationship between corporate credit and bank profitability.²⁹

Factors Influencing Bank Profitability

When studying the impact of corporate credit on bank profitability, it is crucial to focus on several key factors. These factors not only influence the bank's credit policies and operations but also have direct implications for fluctuations in profitability. The following is a detailed analysis of several primary factors affecting bank profitability.

1. Diversification of Income Structure

Corporate credit typically brings stable interest income, which constitutes an important component of overall bank profitability.

- **Importance of Interest Income:** When banks issue loans to corporate clients, they charge interest based on the loan amount and term. This interest income forms one of the main sources of profit for banks. Particularly in a rising interest rate environment, higher rates significantly boost interest income from loans, providing substantial support for bank profitability.

- **Additional Fees:** In addition to interest income, banks usually charge various fees during the lending process, such as loan arrangement fees, service charges, and management fees. These fees account for a certain proportion of total income, especially when the complexity of credit products increases (e.g., structured financing or trade financing), thereby enhancing the diversity of the bank's revenue structure.

- **Benefits of Income Diversification:** Diversification of the income structure helps banks mitigate risks and enhance financial stability. When specific credit products perform poorly, other revenue streams can buffer fluctuations in bank earnings.³⁰

2. Credit Risk Management

Credit risk is a key concern for banks during the corporate credit process.

- **Risk of Borrower Default:** One of the risks associated with corporate credit is the potential inability of the borrower to fulfill repayment obligations on time. Banks need to conduct comprehensive credit assessments of borrowers to forecast their repayment abilities and factor in potential risks in their lending decisions.

- **Credit Assessment:** Banks typically employ methods such as financial statement analysis, credit scoring, and industry outlook predictions to comprehensively assess the credit status of borrowers. Strengthening the credit assessment process can improve loan quality and reduce the bad debt ratio, thereby maintaining the bank's profitability.

- **Risk Pricing:** Based on the results of credit assessments, banks will engage in risk pricing for different credit products, which involves setting appropriate interest rates and fees to compensate for potential credit losses. High-risk borrowers are required to pay higher interest rates, which not only can increase the bank's profits but also promotes prudent risk control.

- **Post-Loan Management:** Once the loan is issued, banks need to continuously monitor the financial and operational status of borrowers to take timely action. Effective post-loan management includes regular evaluations, risk monitoring, and necessary intervention measures aimed at ensuring safe loan recovery.³¹

3. Market and Policy Orientation

The influence of market environment and regulatory factors on corporate credit cannot be overlooked.

- **Changes in Monetary Policy:** The central bank's monetary policy directly impacts market interest rates. When interest rates are lowered and credit costs decrease, banks may increase their lending to stimulate economic activity. Conversely, in a high-interest-rate environment, the increased borrowing costs may weaken credit demand, negatively affecting bank profits.

- **Market Competition Conditions:** The level of competition within the banking sector also influences credit decision-making. In a highly competitive market, banks may reduce interest rates and offer better loan terms to attract customers, potentially lowering profitability. Conversely, when the market share is relatively stable, banks may maintain their interest rates and fee structures more effectively.

- **Changes in Macroeconomic Environment:** The macroeconomic environment significantly affects the availability of corporate credit and related policies. During periods of economic growth, banks often increase credit allocation to support business expansion; conversely, during economic downturns, banks may tighten credit standards and enhance borrower credit reviews to mitigate credit risk (table 2.1) 32. .

Table2.1

Table Analysis

Influencing Factors	Description
Diversification of Income Structure	Enhanced bank revenue sources through interest income and fees.
Credit Risk Management	Reduction of default risk through rigorous credit assessments and post-loan management.
Market and Policy Orientation	Monetary policy and market competition conditions influence the availability and interest rates of credit.

The Influencing Factors" table identifies key elements affecting a bank's credit management performance, including the diversification of income sources, effective credit risk management, and the impact of market and monetary policies on credit availability and interest rates.

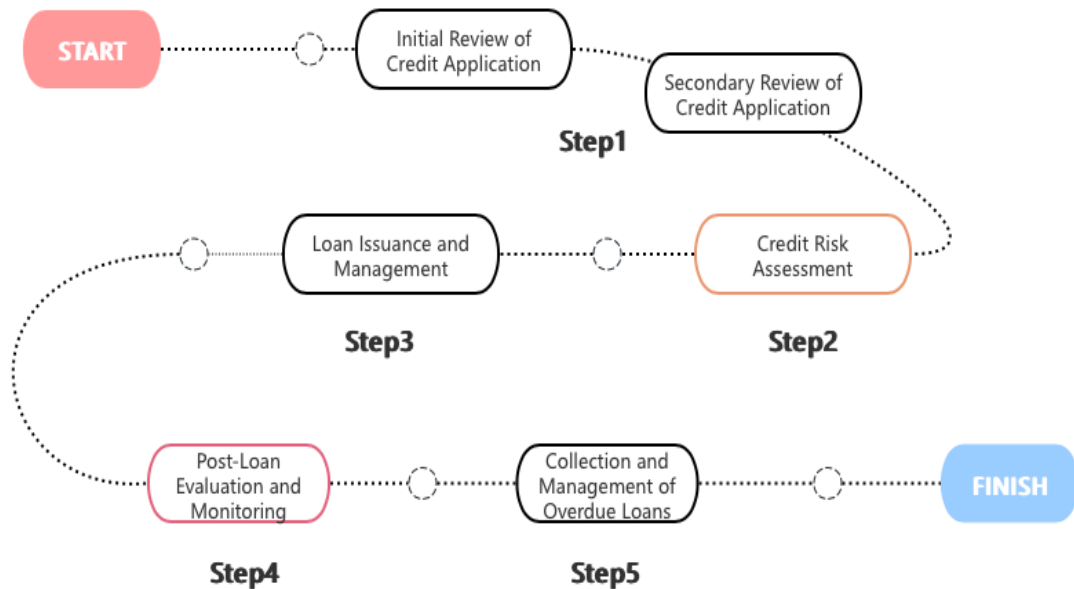


Fig.2.1. Flowchart Example: Credit Approval and Management Process33.

The Credit Approval and Management Process" flowchart provides a visual representation of the steps involved in evaluating and managing credit applications within a financial institution. It begins with the initial submission of a credit application, followed by a series of assessments including creditworthiness evaluation, risk analysis, and the approval or denial decision-making process. This structured approach ensures that each application is thoroughly vetted, allowing the institution to make informed lending decisions while managing associated risks effectively.

In addition to the credit approval phase, the flowchart also outlines the management processes that take place post-approval. This includes ongoing monitoring of borrower performance, regular assessments of credit risk, and actions taken for loan servicing and collections. By highlighting these stages, the flowchart emphasizes the importance of continuous oversight and proactive management in

maintaining a healthy credit portfolio, ultimately supporting the bank's overall financial stability and profitability.

4) Detailed Explanation of the Credit Management Process

a. Loan Application Submission

This phase marks the beginning of the credit management process, during which the borrower submits a loan application along with the required supporting documents to the bank. These documents typically include financial statements, business plans, and credit scoring reports, which are essential for the bank to make an initial credit assessment.³⁴

b. Initial Review of the Credit Application

In the initial review phase, a credit officer will conduct a preliminary examination of the borrower's application materials, focusing primarily on the completeness and accuracy of the documents. During this stage, the credit officer also performs an initial credit evaluation based on the provided information.

c. Secondary Review of the Credit Application

After the initial review, the credit application proceeds to the secondary review stage, where it undergoes a deeper examination by senior management or a credit committee. The review team will discuss the borrower's repayment capacity, market conditions, and potential risk factors, ensuring that the decision-making process is professional and accurate.

d. Credit Risk Assessment

This stage is critical, as the bank will comprehensively consider various factors including the borrower's financial status, credit history, and market environment to evaluate the credit risk associated with the borrower. Based on this assessment, the bank will determine the appropriate type of credit products to offer.

e. Risk Pricing and Limit Setting

Based on the results of the credit evaluation, the bank will establish appropriate interest rates and fee structures. For high-risk borrowers, the bank may set higher interest rates to compensate for potential losses. Additionally, the bank will determine the credit limit and loan term available to the borrower, aligning these with both the

risk management requirements and the actual needs of the borrower.

f. Loan Issuance and Management

Once the loan is approved, the bank will formally disburse the loan. At this stage, it is essential for the bank to maintain communication with the borrower and provide necessary support to ensure that the borrower can effectively utilize the loan.

g. Post-Loan Evaluation and Monitoring

The bank will conduct regular follow-ups on the borrower's financial situation and operational performance to monitor timely repayments and assess overall performance. Through post-loan evaluation, the bank can detect potential risk issues early and take appropriate actions.

h. Collection and Default Management

Once a loan becomes overdue, the bank must take action through collection mechanisms to ensure the safe recovery of credit assets. Effective communication and flexible solutions are crucial to avoiding default losses³⁵.

Impact Results

The impact of corporate credit on bank profitability is complex and bidirectional. Strong credit relationships can enhance profitability; however, an excessive concentration on high-risk loans may lead to an increase in non-performing loans, thereby jeopardizing the overall stability of the bank. Therefore, banks must effectively balance risk and return to promote long-term sustainable development (table 2.2) ³⁶.

The Effects of Corporate Credit on Bank Profitability table presents a comprehensive overview of the positive impacts and potential risks associated with corporate credit on bank performance.

On the positive side, high-quality corporate credit can enhance bank profitability through increased interest income, the establishment of long-term customer relationships, and the diversification of the bank's income structure. These factors contribute to greater revenue elasticity and an increased ability to generate income in favorable economic conditions.

Table 2.2

Effects of Corporate Credit on Bank Profitability

Impact Results	Description
Positive Effects: Enhancing Bank Profitability	Increased Interest Income: High-quality corporate credit can significantly generate interest income, especially in favorable economic and industry conditions.
	Establishing and Strengthening Customer Relationships: Providing credit services helps build long-term relationships with corporate clients, thereby attracting more business.
	Diversification of Income Structure: Offering credit to various legal entities and industries increases income sources and improves the bank's revenue elasticity.
Potential Risks: Increase in Non-Performing Loans	Consequences of Concentrating on High-Risk Credit: Overreliance on high-risk corporate credit may lead to defaults, resulting in losses for the bank.
	Challenges in Risk Management: High-risk credit requires more meticulous management, increasing resource allocation for credit assessments and post-loan management.
	Impact on Capital Adequacy Ratio: An increase in non-performing loans may lead to a decline in capital adequacy ratio, affecting the stability and lending capacity of the bank.
Necessity of Balancing Risk and Return	Prudent Credit Policies: Banks must adopt prudent policies to ensure that thorough credit assessments and risk pricing are conducted before loan issuance.
	Dynamic Adjustment of Credit Portfolio: Regularly assess and adjust the credit portfolio according to market changes to manage risk effectively.
	Ongoing Risk Monitoring and Management: Establish effective monitoring and management mechanisms to identify potential risks timely and take appropriate measures.

Conversely, the table also outlines potential risks, including an increase in non-performing loans due to overreliance on high-risk corporate credit, challenges in risk management requiring more resources for credit assessments, and a negative impact on the capital adequacy ratio that may threaten the bank's stability and lending capacity. To mitigate these risks, the necessity of balancing risk and return is emphasized through the adoption of prudent credit policies, dynamic adjustments of the credit

portfolio, and ongoing risk monitoring and management. This balanced approach is essential for sustaining profitability while effectively managing potential downsides.

Research Methodology

In this study, a variety of research methods will be employed to ensure the rigor and persuasiveness of the arguments presented. Specifically, the following methods will be utilized to explore the various aspects of the impact of corporate credit on bank profitability:37.

1. Literature Review

The literature review is a common research method that provides a broad overview and analysis of existing academic literature, summarizing scholarly findings on corporate credit and its impact on bank profitability.

- **Citation of Relevant Literature:** This study will focus on citing empirical research related to corporate credit and the mutual relationship influencing bank profitability. Such literature provides theoretical frameworks and empirical data that reinforce the research arguments.

- **Background Information Construction:** By reviewing relevant studies, a background information framework can be established to provide a theoretical basis for subsequent analyses, covering changes in credit policies, market influences, and more.

2. Data Analysis

Data analysis is a quantitative research approach that can reveal the relationship between corporate credit and bank profitability through statistical methods.

- **Data Collection:** Data will be collected from bank annual reports, central bank statistics, and other publicly available financial information sources. This data may include loan balances, interest income, risk asset ratios, and other financial indicators to obtain quantifiable information regarding bank profitability.

- **Application of Statistical Analysis Tools:** Relevant statistical analysis tools (such as regression analysis and correlation analysis) will be applied to conduct in-depth analysis of the collected data. By constructing models, the research will effectively identify the relationships among various variables and elucidate the specific

impact of corporate credit on bank profitability.

- **Time Series Analysis:** Analyzing data over a long time span will help explore how corporate credit influences bank profitability across different economic cycles. This method can aid in identifying long-term trends and short-term fluctuations, thereby adding depth to the argument.

3. Case Studies

Case studies are an in-depth exploration of the performance of individual entities or organizations in specific contexts, making them suitable for analyzing how corporate credit impacts the actual profitability of banks.

- **Selection of Representative Bank Cases:** This study will select several representative banks to analyze their practices concerning adjustments in corporate credit policies, innovations in credit products, and enhancements in risk management capabilities. These cases can provide actual success stories or lessons learned, reinforcing the theoretical analysis.

- **Constructing Case Background:** In each case, a detailed description of the bank's operational background, market environment, and the credit strategies it has undertaken will be provided. This helps to better understand how the bank's credit decisions have led to profitability gains in specific settings.

- **Cross-case Comparison:** By comparing different bank cases, common factors and differences can be identified, leading to the summarization of critical elements influencing the success of corporate credit. This comparative analysis can unveil best practices within the industry and their impact on bank profitability.³⁸

The role of crediting in the financial stability of banks

In the context of banking operations, corporate credit not only supports economic growth but also plays a crucial role in the financial stability of banks. The ability of banks to extend credit to legal entities has a profound impact on their overall operations, risk profile, liquidity management, and capital adequacy. This section will delve into how corporate credit influences the financial stability of banks across multiple dimensions, with a focus on risk management, asset quality, and regulatory compliance.

1. Risk Management:

In providing corporate credit, risk management is a critical function for banks. As credit operations expand, banks face increasing credit risk, market risk, and operational risk. Effective risk management not only reduces potential losses but also enhances the stability and profitability of corporate credit operations. The following will provide a detailed discussion of the key aspects of risk management, with a specific analysis using the Industrial and Commercial Bank of China (ICBC) as a case study.

- **Credit Risk Management:** Credit risk refers to the risk of a borrower failing to make timely repayments, which directly affects the quality of the bank's assets and its profitability. Effective credit risk management should encompass the following key aspects:

- **Credit Assessment Process:** ICBC typically employs a rigorous credit assessment process to ensure accurate evaluation of the borrower's credit risk (fig:2.2)

39. .



Fig. 2.2. The flowchart for this process is illustrated as follows

The above process outlines the key steps involved in credit evaluation. The Industrial and Commercial Bank of China (ICBC) collects basic information about borrowers, analyzes financial statements (such as balance sheets and cash flow

statements), conducts credit scoring assessments, and analyzes the market conditions of the industry in which the borrower operates, ultimately synthesizing the credit risk assessment.⁴⁰

- **Specific Data Analysis:** According to ICBC's financial reports from recent years, the bank's non-performing loan (NPL) ratio has consistently remained at a relatively low level. For example, in 2020, ICBC's NPL ratio was 1.4%, significantly lower than the industry average. This indicates that the bank has achieved remarkable success in credit risk management. Additionally, by strengthening loan approval and post-loan management, the bank ensures the robustness of its asset quality.

2. Risk Pricing Strategies

Banks formulate reasonable risk pricing strategies based on the borrower's credit status and market risk. Higher interest rates are typically set for high-risk borrowers to compensate for potential losses.

- **Application of Risk Pricing Models:** ICBC employs advanced data analysis tools and credit rating models to determine appropriate interest rates. By leveraging statistical analysis methods, the bank can establish risk scorecards that regularly adjust loan interest rates based on the borrower's financial health and changes in the market environment.

- **Specific Case Example:** For instance, a small-to-medium-sized enterprise (SME) applied for a loan to develop a new project. After assessing that the financial condition of this enterprise was relatively stable, it was rated as a medium-low risk. Consequently, ICBC set the loan interest rate at 5.5%, which is lower than the 7.5% to 8.0% typically charged to high-risk enterprises. This demonstrates that the bank, through effective risk pricing strategies, is able to maintain a lower credit risk while supporting business development.

3. Post-Loan Management

Post-loan management is a crucial component of risk management, enabling banks to monitor borrowers' financial and operational conditions in real time and identify potential default risks promptly.

- **Regular Monitoring:** ICBC regularly collects operational data from

borrowers, such as sales figures and changes in assets, to evaluate whether the borrowers' financial metrics are on track. For example, the bank periodically requires enterprises to submit their latest financial statements to update risk assessments in a timely manner.

- **Risk Early Warning System:** ICBC has implemented advanced risk monitoring systems that provide real-time analysis of all loan clients, tracking key financial indicators and market changes. If anomalies are detected, an early warning mechanism is triggered. For high-risk clients, the bank may take proactive measures, such as reaching out early to discuss repayment arrangements.

- **Actual Performance Data:** By implementing effective post-loan management, ICBC has maintained a low non-performing loan ratio in recent years, reflecting its success in risk monitoring. For instance, in 2021, ICBC's non-performing loan ratio decreased to 1.3%, indicating a more balanced loan concentration and risk-bearing capacity.

4. Overall Risk Management Framework

In the comprehensive management of various risks throughout the credit process, banks must maintain a robust risk management framework. This framework includes:

- **Risk Identification and Assessment:** Identifying potential risks and conducting quantitative assessments to determine appropriate response measures.

- **Risk Control:** Controlling risks by establishing internal policies and operational procedures, such as setting risk limits and implementing loan approval and review processes.

- **Risk Monitoring and Reporting:** Conducting regular risk monitoring to timely identify and report risk situations, ensuring that relevant stakeholders can respond to risk information effectively.

- **Continuous Improvement and Adjustment:** Continuously improving the bank's risk management policies based on market changes, economic conditions, and updates in mainstream financial theories to maintain their effectiveness and adapt to new challenges.

- **Diagram: Risk Management Framework**

Below is an example diagram of a risk management framework, illustrating the key components and cyclical processes of risk management (fig. 2.3) 41. .

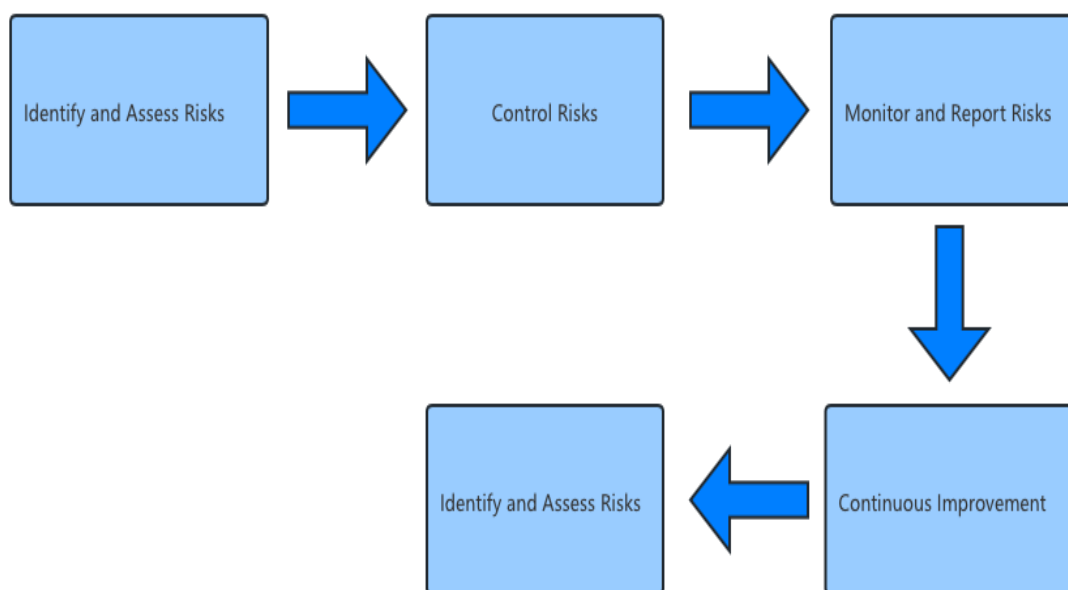


Fig. 2.3. Overall Risk Management Framework42.

The of a risk management framework illustrates the key components and cyclical processes involved in effectively managing risks within an organization. It typically encompasses several critical elements, such as risk identification, risk assessment, risk mitigation strategies, monitoring and review, and communication of risk information.

In this framework, the cyclical nature of the process emphasizes that risk management is an ongoing activity rather than a one-time event. Organizations continuously identify and assess new risks, implement mitigation strategies, monitor outcomes, and adjust their approaches based on evolving circumstances and lessons learned. This iterative process is essential for ensuring that organizations can proactively address potential threats while optimizing their risk-return profile. Overall, the framework provides a structured approach to maintaining resilience and achieving strategic objectives despite the inherent uncertainties in the business environment.

Risk Management. The quality of a bank's assets, particularly loans to legal entities, directly influences its financial health (table 2.3) 43. .

Table:2.3

Key Aspects of Loan Risk Management

Key Aspect	Description
Monitoring and Managing Non-Performing Loans (NPLs)	One of the risks associated with credit is the increase in non-performing loans (NPLs), which adversely affects the bank's profitability and capital adequacy. Banks must actively monitor the performance of their credit portfolio and take necessary measures to reduce the proportion of non-performing loans.
Loan Loss Provisions and Reserves	Banks need to maintain adequate loan loss provisions to cover potential defaults. This measure is crucial for absorbing credit losses and ensuring that the bank maintains capital ratios. Sufficient reserves protect the bank against economic fluctuations and ensure its continued operation.

According to this table, effective monitoring, management and adequate provisions to maintain high asset quality are essential for banks to maintain profitability and stability in the financial system.

Compliance. The financial regulatory framework imposes stringent requirements on the operations of banks, emphasizing credit risk management and financial stability (table 2.4) 44. .

Table 2.4

Key Aspects of Capital and Regulatory Risk Management

Key Aspect	Description
Capital Adequacy Requirements	Regulatory bodies such as the Basel Committee set forth capital adequacy requirements, mandating that banks maintain a certain level of capital to address risk-weighted assets, including loans to legal entities. Maintaining sufficient capital buffers enhances the bank's ability to absorb losses and increases market confidence in its stability.

Continuation of table 2.4

Key Aspect	Description
Stress Testing and Scenario Analysis	Regulatory authorities typically require banks to conduct stress tests to evaluate their resilience under adverse market conditions. These tests assess the potential impact of various economic scenarios on the bank's credit portfolio, ensuring that banks can maintain their lending capacity and financial stability in the face of economic shocks.
Ongoing Regulatory Scrutiny	Banks must adhere to the continuous supervision of regulatory agencies regarding their lending practices and risk management. Compliance helps promote sound governance practices and risk management frameworks, thereby positively contributing to the financial stability of the bank.

Maintaining compliance with regulatory requirements is essential for banks to build trust with stakeholders, safeguard financial integrity, and ensure sustained operations in fluctuating economic environments. Effective compliance mechanisms not only mitigate risks but also create a robust foundation for achieving long-term financial stability.

2.2. Risk assessment and management strategies in bank crediting

In the context of banking crediting to legal entities, effective risk assessment and management strategies are paramount to safeguard both the financial institution's assets and overall stability. This section will discuss key risk assessment methodologies, management strategies, and the implications of these practices on lending operations and bank profitability 45. .

Risk Assessment Methodologies

The risk assessment methodologies employed by banks when extending credit to corporate entities are vital for evaluating the creditworthiness of potential borrowers and managing associated risks effectively. This section will delve into various risk

assessment techniques, including quantitative and qualitative assessments, alongside visual representations and relevant data to illustrate these methodologies.

1. Quantitative Risk Assessment

Quantitative risk assessment involves the use of numerical data and statistical methods to evaluate the financial health and credit risk of borrowers. This approach allows banks to make informed decisions based on objective, measurable factors.⁴⁶

- Financial Statement Analysis

Financial statement analysis is a crucial component of quantitative risk assessment. Banks analyze key financial documents, including:

Balance Sheets: Provide insights into the borrower's assets and liabilities, allowing banks to evaluate their net worth and liquidity position.

Visual Representation (table 2.5) ⁴⁷.

Table 2.5

Financial Metrics and Their Purposes

Financial Metric	Formula	Purpose
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	Measures short-term liquidity
Debt-to-Equity Ratio	$\frac{\text{Total Debt}}{\text{Total Equity}}$	Indicates leverage and risk
Net Profit Margin	$\frac{\text{Net Income}}{\text{Revenues}}$	Assesses profitability
Return on Equity (ROE)	$\frac{\text{Net Income}}{\text{Shareholder's Equity}}$	Evaluates overall efficiency in generating profit
Operating Cash Flow Ratio	$\frac{\text{Operating Cash Flow}}{\text{Current Liabilities}}$	Measures cash generated to cover short-term debts

The Financial Metrics and Their Purposes table summarizes key financial ratios, their formulas, and their significance in financial analysis.

Current Ratio: Calculated as current assets divided by current liabilities, this metric measures a company's short-term liquidity, indicating its ability to meet short-term obligations.

Debt-to-Equity Ratio: This ratio compares total debt to total equity, providing

insight into a company's leverage and associated financial risk, helping investors understand the balance between debt and equity financing.

Net Profit Margin: By dividing net income by revenues, this metric assesses a company's profitability, showing how much profit is generated for each dollar of revenue.

Return on Equity (ROE): This ratio, calculated by dividing net income by shareholder's equity, evaluates a company's overall efficiency in generating profit relative to shareholder investments.

Operating Cash Flow Ratio: This metric measures the operating cash flow against current liabilities, indicating the cash generated by operations that can be used to cover short-term debts.

– Credit Scoring Models

Banks utilize statistical models to assess credit risk. Credit scoring models convert various financial and non-financial factors into a single score indicating the borrower's creditworthiness.

Common Approaches:

Logistic Regression: Frequently used to predict binary outcomes, such as default or non-default.

Machine Learning Algorithms: Increasingly adopted to improve the predictive accuracy of credit risk assessments, leveraging large datasets to identify patterns.

Visual Representation (fig. 2.4) 48. .

The "Credit Scoring Process Flow" diagram outlines the systematic steps involved in assessing a borrower's creditworthiness. The process typically begins with the collection of relevant borrower information, including personal and financial data, which is then analyzed using specific credit scoring models.

Key components of the flow include initial data input, where the borrower's credit history, existing debts, income, and other financial indicators are gathered. This information is evaluated through algorithms that calculate a credit score based on predefined criteria, reflecting the borrower's likelihood to repay loans.

The output of the scoring process informs lending decisions, with the resulting

credit score serving as a critical determinant for loan approval, interest rates, and terms. Additionally, the flow may include feedback mechanisms for borrowers to understand their scores and how to improve their creditworthiness over time. Overall, the flowchart provides a clear visualization of the credit scoring process, emphasizing its importance in risk assessment and lending strategies for financial institutions.

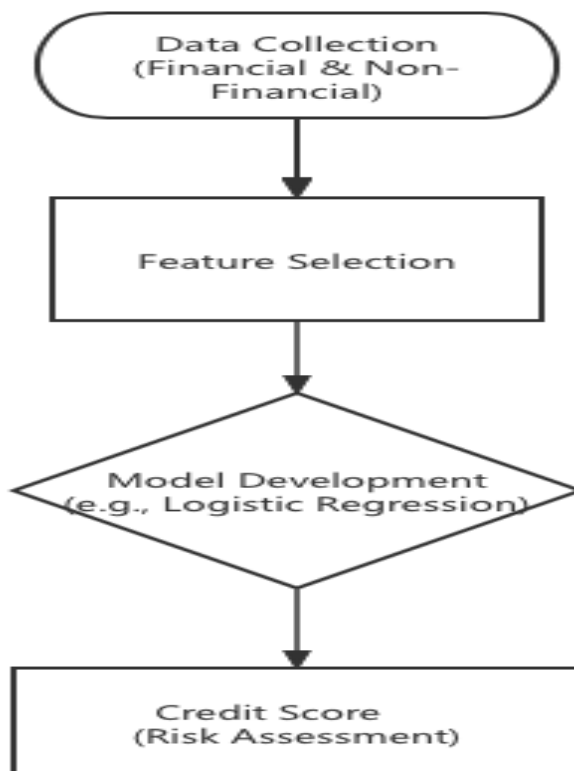


Fig. 2.4. Credit Scoring Process Flow

2. Qualitative Risk Assessment

Qualitative risk assessment complements quantitative methods by considering non-numeric factors that may influence a borrower's creditworthiness.

– Management Quality

Assessing the quality of the management team within the borrowing entity is essential. Experienced management typically correlates with sound strategic planning and business operations. Qualitative factors can include:

Management Track Record: Historical performance and managerial capabilities can influence loan decisions.

Strategic Vision: The clarity of the management's vision for growth and adaptation to market changes is evaluated.

– Market Position and Industry Outlook

Understanding the borrower's position in the market and the stability of the industry is critical for overall credit risk evaluation.

Market Competitiveness: Analysis of competitive dynamics within the sector helps in understanding potential risks.

Industry Trends: Examining current trends, technological advancements, and regulatory impacts provides insights into long-term sustainability.⁵⁰

Visual Representation: table:2.649.

Table 2.6

Qualitative Risk Factors

Qualitative Factor	Description
Management Quality	Evaluation of management experience and track record
Market Position	Assessing the company's competitive standing
Industry Outlook	Analyzing sector-specific trends and potential risks
Qualitative Factor	Description
Management Quality	Evaluation of management experience and track record

The Qualitative Factors' table presents key non-numeric criteria that play a significant role in assessing a company's overall health and potential for success.

Management Quality: This factor involves evaluating the experience and track record of the company's management team, as effective leadership is crucial for guiding the organization toward growth and sustainability.

Market Position: Assessing the company's competitive standing within its industry helps determine its ability to maintain and enhance its market share, which is vital for long-term profitability.

Industry Outlook: This involves analyzing sector-specific trends and potential

risks that could impact the company's performance, providing insights into future opportunities and challenges in the market.

Collectively, these qualitative factors complement quantitative metrics by offering a holistic view of a company's operational capabilities, competitive advantages, and environmental context, thus aiding stakeholders in making informed decisions.

3. Integration of Quantitative and Qualitative Assessments

The effective integration of both quantitative and qualitative assessments enhances the accuracy and comprehensiveness of the credit evaluation process.

- **Data Utilization:** Banks leverage both numerical data and qualitative insights to create a well-rounded profile of a potential borrower. This dual approach aids in making robust lending decisions.

- **Impact on Loan Approval:** The combination of rigorous financial analysis and nuanced qualitative assessments allows banks to develop a more complete understanding of the borrower's credit risk, thereby improving the accuracy of loan approvals and terms. This comprehensive risk profile helps banks not only in assessing the immediate threat of default but also in forecasting the long-term viability and performance of the borrowing entity.

4. Key Metrics and Data Statistics

Banks often rely on specific metrics and statistical data to support both qualitative and quantitative assessments. The following data points illustrate common practices in risk evaluation:

- **Historical Default Rates:** Banks may analyze historical default rates within specific industries. For example, if data indicates that the default rate in the retail sector is significantly lower compared to the construction sector, the bank might be more inclined to extend credit to a retail business.

- **Economic Indicators:** Broader economic indicators such as GDP growth, unemployment rates, and consumer confidence indices can provide context for assessing credit risk. For instance, rising unemployment might signal increased risk for businesses reliant on consumer spending.

- **Benchmarking against Peers:** By comparing a borrower's financial ratios

against industry benchmarks, banks can assess how well the borrower is performing relative to its competitors. This benchmarking can highlight potential weaknesses or strengths.⁵¹

Visual Representation (table 2.7) ⁵² .

Table 2.7

Key Metrics Dashboard

Metric	Description
Historical Default Rate	Percentage of loans that defaulted within a specified time frame
Industry Benchmark Ratios	Comparison of borrower financial ratios with industry averages
Economic Growth Rate	GDP growth rates impacting market conditions and lending assumptions
Unemployment Rate	National unemployment figures affecting consumer and business performance

The Key Metrics Dashboard able highlights crucial indicators for assessing loan performance and market conditions, including the historical default rate, industry benchmark ratios, economic growth rate, and unemployment rate. Together, these metrics provide insights into credit risk, borrower performance, and overall economic health, enabling informed lending decisions.

Risk Management Strategies

In addition to assessment methodologies, banks implement a variety of risk management strategies to address the nature and scale of corporate credit risks.

1. Establishing Credit Policies

- **Clear Lending Standards:** Banks must develop comprehensive lending policies that outline eligibility criteria, documentation requirements, and risk tolerance limits. Ensuring clarity in these policies helps maintain consistency in credit decision-

making.

- **Diversification of Credit Portfolio. Risk Diversification:** By providing loans to various sectors and different types of legal entities, banks can reduce concentration risk. Diversifying the credit portfolio is key to maintaining asset quality and minimizing potential losses.

- **Continuous Monitoring and Reporting**

Dynamic Risk Monitoring: Continuously monitoring the credit portfolio enables banks to identify emerging risks promptly. Utilizing technology for real-time data analysis and monitoring key indicators is crucial for effective risk management.

Regular Reporting Systems: Establishing a systematic reporting framework allows for the effective communication of risk data to relevant stakeholders within the bank, facilitating informed decision-making.

By implementing these strategies, banks can more effectively manage credit risks associated with lending to legal entities, enhance their financial stability, and sustain profitability in a competitive market.⁵³

2. Compliance and Risk Management

Banks must adhere to a complex regulatory environment during the process of corporate credit, which mandates rigorous risk management practices.

3. Capital Adequacy Requirements

Regulatory bodies, such as the Basel Committee, require banks to maintain capital adequacy to address risk-weighted assets, which includes loans to legal entities. Maintaining sufficient capital buffers not only enhances the bank's ability to absorb losses but also contributes to an increase in market confidence.

4. Stress Testing and Scenario Analysis

Regulatory authorities typically require banks to conduct stress tests to evaluate their resilience under adverse market conditions. These tests assess the potential impact of various economic scenarios on the bank's credit portfolio, ensuring that banks can maintain their lending capacity and financial stability in the face of economic shocks.

5. Ongoing Regulatory Scrutiny

Banks must comply with the continuous oversight of regulatory agencies

concerning their lending practices and risk management. This compliance helps promote sound governance practices and risk management frameworks, thereby positively contributing to the financial stability of the bank.

By integrating these risk assessment and management strategies, banks can more effectively identify, control, and monitor credit risks, thereby enhancing their financial stability and ensuring sustainable improvements in profitability. **Помилка! Джерело посилення не знайдено.**

2.3. Regulatory frameworks impacting bank crediting to legal entities

In the process of providing credit to legal entities, regulatory frameworks play a crucial role. These frameworks not only ensure the compliance of bank credit activities but also profoundly influence the banks' credit strategies, risk management, and profitability. The following sections will detail the major regulatory frameworks impacting bank crediting to legal entities and their effects on bank profitability.⁵⁴

Regulatory Requirements and Capital Adequacy

In the process of providing corporate credit, regulatory requirements and capital adequacy are fundamental components ensuring the sound operation of banks. The frameworks established by regulatory bodies, such as the Basel Committee, aim to ensure that banks maintain sufficient capital to mitigate potential risks and prevent possible financial crises. Below, the relevant aspects of capital adequacy requirements and loan loss provisions will be elaborated upon.⁵⁵

1. Capital Adequacy Requirements

Capital adequacy ratio is an important indicator that measures the ratio of a bank's capital to its risk-weighted assets (RWA). Regulatory frameworks typically require banks to maintain a certain level of capital adequacy to safeguard their ability to withstand credit risks and other financial risks.

- Calculation of Risk-Weighted Assets: According to Basel agreements,

banks must categorize their assets based on risk weights. Different types of assets are assigned varying weights according to their risk levels. For instance, government bonds may be considered low-risk and therefore carry a lower weight, while commercial loans are seen as high-risk and require a higher weight. This allows banks to calculate the amount of capital they need to maintain based on their risk exposure.

- **Minimum Capital Requirements:** The Basel agreements stipulate that banks must maintain a minimum capital adequacy ratio of 8%, with the core Tier 1 capital ratio constituting at least 4%. Having ample capital buffers not only enhances a bank's ability to absorb losses but also increases market participants' confidence in the bank's stability.

- **Impact on Loan Defaults:** When banks face loan defaults or other losses, sufficient capital can provide the necessary support to absorb these losses and maintain operations. A lack of capital may hinder a bank's ability to meet liquidity requirements, thereby affecting its operational stability and market position.⁵⁶

2) Loan Loss Provisions

Loan loss provisions are funds that banks set aside to address potential non-performing loans. This practice is crucial for protecting the bank's capital base and enhancing its ability to withstand risks.

- **Establishment of Provisions:** According to regulatory requirements, banks must establish loan loss provisions based on historical loan loss data as well as economic and market conditions. These provisions are pre-estimates of potential loan losses that may occur in the future, ensuring that banks have adequate resources to address actual losses when they occur.

- **Adequacy of Loan Loss Provisions:** Sufficient loan loss provisions ensure that banks can maintain capital stability, even during economic downturns. For example, during a recession, many businesses may face financial pressures leading to higher loan default rates. If banks maintain adequate provisions during stable periods, they can better withstand such shocks.

- **Impact on Bank Profitability:** Adequate loan loss provisions not only protect the bank's capital base but also help maintain its profitability. Conversely, if

provisions are insufficient, banks may need to significantly increase allocations in response to credit losses, which will directly affect their profit performance.⁵⁷

Risk Management Framework

Regulatory frameworks require banks to implement comprehensive risk management processes to better assess and monitor credit risk.

1. Risk Assessment: Regulatory authorities mandate that banks conduct thorough credit assessments before extending credit. This includes financial analysis, industry assessment, and a detailed review of the borrower's credit history. This helps banks identify potential risks in a timely manner and make reasonable lending decisions.

2. Post-Loan Monitoring: Regulators require banks to monitor the financial conditions and operational performance of borrowers regularly after the loan is issued. This ensures that banks can detect emerging issues quickly and take appropriate risk control measures.

Transparency and Compliance Requirements

Regulatory frameworks also emphasize the necessity for banks to maintain transparency and compliance in their credit activities.

1. Information Disclosure: Banks are required to regularly disclose their credit policies, risk management measures, and financial statements in accordance with regulatory requirements. This transparency enhances market trust in banks and provides essential decision-making information for investors and potential clients.

2. Compliance Audits: Regulatory bodies periodically audit banks' credit activities to ensure adherence to relevant laws and regulations. This compliance audit mechanism promotes good governance practices within banks and helps mitigate moral and legal risks.⁵⁸

Industry Norms and Market Orientation

The interplay between societal norms regarding banking credit and market orientation has significant implications for the establishment and evolution of regulatory frameworks. Understanding these dynamics is essential for appreciating how the banking sector adapts to changing expectations and competitive pressures.

1. Societal Norms and Sustainable Finance Standards

- As public awareness of environmental, social, and governance (ESG) factors increases, banks are becoming more attentive to incorporating sustainability into their credit decision-making processes. This shift reflects a broader societal expectation for financial institutions to operate responsibly and contribute positively to sustainable development.

- Incorporation of ESG Factors: Many banks are now integrating ESG criteria into their lending policies. For instance, they may prioritize loans for projects that promote renewable energy, sustainable agriculture, or socially responsible enterprises. By doing so, banks not only mitigate risks associated with climate change and social issues but also tap into emerging markets that align with these sustainability goals.

- Regulatory Developments: As a response to this societal shift, regulatory frameworks are increasingly updated to emphasize sustainable lending practices. Regulators are encouraging banks to implement policies that assess the environmental and social impacts of their lending decisions. This trend aligns with global initiatives such as the UN Principles for Responsible Banking, which aim to guide banks towards more sustainable practices.

- Impacts on Risk Assessment and Pricing: With the rise of sustainable finance standards, banks are re-evaluating their risk assessment methodologies and pricing strategies. A borrower's commitment to sustainability may enhance their creditworthiness and lead to more favorable loan terms. Conversely, projects with significant environmental risks may face higher costs or stricter lending conditions.⁵⁹

2. Market Competition Impact

The banking sector operates in a highly competitive environment where market orientation can heavily influence credit strategies. In such an environment, banks are compelled to adapt quickly to not only regulatory changes but also competitive pressures.⁶⁰

- Adaptive Credit Strategies: Banks often tailor their credit offerings in response to the actions of their competitors. For example, if a rival bank introduces

competitive interest rates or innovative credit products targeting specific sectors, other banks may need to respond by adjusting their own offerings to retain market share.

- **Regulatory Compliance and Flexibility:** A highly competitive landscape requires banks to be adaptable in their compliance with regulatory requirements. As regulations evolve, banks that can swiftly adjust their credit practices are better positioned to succeed. This might involve updating technology systems for improved regulatory reporting or revising lending criteria to ensure continued competitiveness.

- **Consumer Expectations:** Market orientation is also shaped by evolving consumer expectations. Consumers are increasingly seeking ethical banking options and may opt for institutions perceived as socially responsible. Banks that align their lending practices with these expectations can not only enhance customer loyalty but also achieve competitive advantages in the market.⁶¹

Compliance and its effect on credit policy and profitability

In the process of providing credit to legal entities, compliance is a crucial factor that ensures that lending activities are legal, transparent, and aligned with regulatory requirements. Compliance involves strict adherence to laws and regulations, and it also has profound implications for a bank's credit policies and profitability. This section will explore in depth how compliance shapes a bank's lending policies and its specific impact on bank profitability.⁶²

1. Importance of Compliance

Compliance holds multiple significances in the banking credit process, especially in the implementation of credit products and services, ensuring adherence to legal, ethical, and industry standards.

- **Protection of Bank Legitimacy and Reputation:** By adhering to relevant laws and regulations, banks can mitigate legal risks and reputational damage associated with non-compliance. Legal operations not only enhance customer trust but also attract more corporate clients.

- **Promotion of Transparency and Security:** Compliance requirements encourage banks to maintain transparency in the lending decision-making process, ensuring the legality of all lending activities. This transparency helps to reduce the risk

of misconduct, thereby enhancing the security of credit assets.

2. Development of Credit Policies

Compliance directly influences the design and implementation of bank credit policies, especially in the following areas:

Lending Standards and Procedures

Banks must establish reasonable lending standards and approval procedures in accordance with regulatory requirements. This encompasses a comprehensive assessment of the borrower's credit history, financial condition, and business prospects, ensuring that all lending activities align with the expectations of regulatory authorities.

— **Lending Criteria:** Banks typically set specific criteria for loan eligibility, which may include minimum credit scores, maximum debt-to-income ratios, and collateral requirements. These criteria serve to protect the bank from excessive risk exposure.

— **Approval Process:** The loan approval process involves multiple steps, including initial applications, document verification, and final reviews. By adhering to a structured procedure, banks can enhance the consistency and fairness of their lending practices (fig:2.5) 63. .



Fig. 2.5. Flowchart: Loan Approval Process

The Flowchart: Loan Approval Process illustrates the systematic steps involved in evaluating and approving loan applications within a financial institution. The process typically begins with the submission of a loan application by the borrower, followed by an initial review to check for completeness and eligibility.

Key stages in the flowchart include detailed assessments such as credit evaluation, verification of borrower information, risk assessment, and analysis of

financial documentation. After completing these evaluations, the loan application moves to the decision stage, where it is either approved or denied based on the findings.

Additionally, the flowchart may depict post-decision processes, such as communicating the outcome to the borrower, documenting the decision, and initiating the loan disbursement if approved. Overall, this flowchart serves as a visual representation of the loan approval process, emphasizing the importance of thorough evaluation and due diligence in lending practices.

3. Strengthening Risk Management Measures

Compliance mandates that banks implement effective risk management practices to identify and control potential credit risks. This may involve several layers of processes:

- **Credit Assessment Procedures:** Robust credit assessment procedures include analyzing credit scores, reviewing financial statements, and evaluating market conditions. A thorough evaluation allows banks to determine the risk profile of each borrower accurately.

- **Credit Limit Management:** Banks establish limits on the amount of credit extended to borrowers based on their assessed risk levels. This practice prevents any single borrower from taking on excessive debt that could jeopardize the bank's financial stability.

- **Post-Loan Monitoring:** Continuous monitoring of borrowers' financial health after the loan is issued is vital for early detection of potential repayment issues. Monitoring key performance indicators (KPIs) such as debt service coverage ratio and liquidity ratios enables proactive risk management.

- **Case Study: Credit Policy Implementation at ICBC** At the Industrial and Commercial Bank of China (ICBC), the implementation of rigorous credit policies has resulted in a relatively low non-performing loan (NPL) ratio. In 2021, ICBC reported an NPL ratio of 1.3%, highlighting effective risk management and compliance practices in shaping its lending policies. The bank's proactive risk assessment and monitoring systems help maintain asset quality, thereby enhancing its long-term profitability and stability.⁶⁴

4. Compliance Training and Cultural Development

To ensure consistent adherence to regulatory standards, banks must provide regular compliance training for their employees. This training is crucial for fostering a compliance-oriented culture within the organization.

- **Regular Training Sessions:** Banks should implement ongoing training programs that educate employees about current laws, regulations, and compliance expectations. Such knowledge is essential for ensuring that all staff members understand their obligations and responsibilities in risk management.

- **Cultivating a Compliance Culture:** By fostering a culture of compliance, banks can ensure that every employee is proactive in adhering to compliance policies. A compliance-focused culture not only enhances overall risk control capabilities but also protects the bank's reputation in the market.

Visual Representation (table 2.8) 65. .

Table:2.8

Compliance Training Framework

Training Component	Description
Regular Compliance Workshops	Periodic sessions to update employees on compliance issues
E-Learning Modules	Online training resources to reinforce compliance knowledge
Assessment and Feedback Mechanisms	Evaluations to measure understanding and application of compliance principles

The training program includes regular workshops to update employees on compliance issues, e-learning modules for reinforcing knowledge, and assessment mechanisms to evaluate understanding and application of compliance principles. Together, these components aim to enhance employee awareness and adherence to regulatory standards within the organization.

Impact on Profitability

Compliance not only influences the standardization of credit policies but also plays a crucial role in enhancing the profitability of banks. The effects can be elaborated as follows:

1. Reduction of Non-Performing Loan Ratios

By implementing stringent credit policies and effective risk management measures, banks can significantly lower the proportion of non-performing loans (NPLs). This reduction in NPLs has multiple benefits:

- **Decreased Potential Losses:** Lower NPL ratios mean fewer loans are likely to default, directly decreasing the financial losses that banks might face. This ensures a healthier balance sheet and informs investors positively regarding the bank's financial stability.

- **Increased Overall Profitability:** A lower incidence of defaults allows banks to maintain a higher level of interest income while reducing the need for provisions for loan losses. This enhancement in profitability can contribute to higher return on equity (ROE) and improved financial performance metrics.

- **Improved Credit Ratings:** A stable portfolio with a low NPL ratio can improve a bank's credit rating, thereby allowing it to borrow at lower costs in the financial markets. This, in turn, can lead to enhanced lending capacity and profitability.⁶⁶

2. Optimization of Client Structure

Compliant credit policies help banks refine their client base, which can have significant implications for profitability:

- **Attracting Quality Borrowers:** By adhering to rigorous credit standards, banks are more likely to attract borrowers with strong credit profiles and stable financial conditions. These qualities enhance loan quality, reducing risk exposure and associated costs.

- **Enhanced Competitive Position:** A solid reputation for responsible lending practices establishes the bank as a trustworthy partner in the market. This competitive edge can lead to increased market share, bolstering the bank's position in the industry.

- **Stable Interest Income:** The retention and growth of high-quality clients result in steady and predictable interest income. Furthermore, this income is often accompanied by lower default risk, contributing to a more consistent revenue stream for the bank.

3. Enhanced Market Trust

Banks that prioritize compliance and transparency tend to cultivate a favorable reputation in the marketplace, which impacts profitability in several ways:

- **Increased Stakeholder Confidence:** A strong compliance record instills confidence among stakeholders, including investors, customers, and regulators. This confidence can lead to increased investments and deposits, bolstering the bank's capital base.

- **Growth in Deposit Base:** Trusting customers are more likely to place their deposits with banks that demonstrate robust compliance practices. This growth in deposits provides banks with more available funds for lending, thus reinforcing their profitability.

- **Long-term Relationships:** By nurturing a reputation for ethical lending and strong governance, banks can build long-lasting relationships with clients. Such relationships yield further opportunities for cross-selling financial products and services, which can enhance overall profitability.⁶⁷

CHAPTER 3

STRATEGIES, TRENDS, AND CASE STUDIES IN BANK CREDITING

3.1. Innovative practices in banking crediting

In the rapidly evolving financial market, banks face increasingly fierce competition and constantly changing customer demands. To address these challenges, banks are continuously seeking innovation in their credit practices, aiming to improve credit efficiency, reduce risks, and enhance customer experience. The following sections will elaborate on some of the key innovative practices in bank crediting and provide relevant case studies to support the discussion.⁶⁸

Digital Credit Process

Digital transformation is profoundly changing the credit processes of banks, promoting business operations towards greater efficiency, precision, and convenience. Particularly in the phases of credit application, approval, and management, banks are adopting digital technologies to enhance process efficiency and improve customer experience. The following will detail the main components of the digital credit process and provide charts, data, and case studies as supporting evidence.⁶⁹

1. Automated Credit Approval

Automated credit approval is a key component of the bank's digital credit process. Many banks have begun leveraging artificial intelligence (AI) and machine learning algorithms to automate this process, aiming to minimize human error and improve approval efficiency.

A. Digitalization of the Credit Approval Process. Banks establish intelligent systems that combine loan application data with historical credit data to quickly analyze the borrower's credit status. Utilizing complex algorithms, these systems can extract key information from vast amounts of data to support decisions on loan applications. For example (fig:3.1) ⁷⁰ .

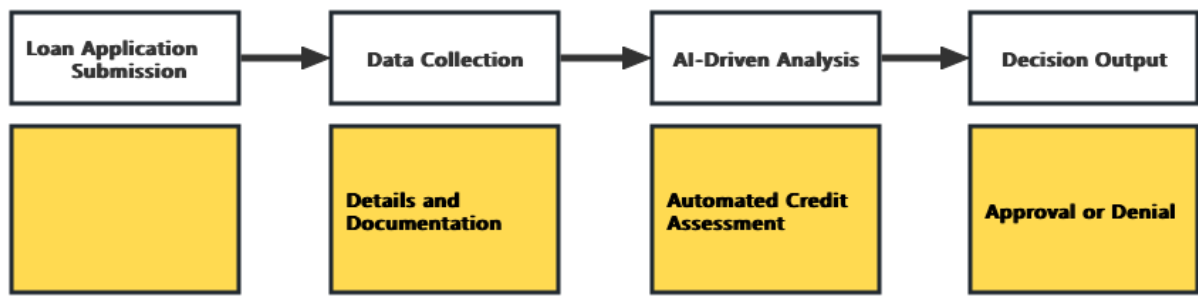


Fig. 3.1. Flowchart Example: Automated Credit Approval Process

The chart Example: Automated Credit Approval Process illustrates the steps involved in a streamlined, technology-driven approach to assessing and approving credit applications. The process begins with the submission of the credit application, which is then automatically routed through an initial verification phase to check for completeness and eligibility.

Key components of the flowchart include automated data collection and analysis, where various algorithms evaluate the borrower's creditworthiness based on predefined criteria such as credit score, income levels, and existing debt. This automated evaluation significantly speeds up the decision-making process, allowing for rapid credit scoring and risk assessment.

Upon completion of the automated assessments, the system determines whether to approve or reject the application and communicates the result to the borrower. The flowchart may also highlight any exception handling protocols for cases requiring manual review, ensuring that more complex applications are still evaluated thoroughly. Overall, this flowchart demonstrates how automation can enhance efficiency, reduce processing times, and improve the overall customer experience in the credit approval process.

B. Case Analysis:

Taking the Industrial and Commercial Bank of China (ICBC) as an example, the bank has successfully reduced the approval time for small loans from several days to just a few minutes by utilizing AI technology. Specific data shows that through digital processes, the efficiency of loan application handling has increased by 85%,

significantly enhancing customer experience and satisfaction. The digital approval system has saved the bank labor costs and reduced customer waiting time, resulting in a favorable market reputation.

2. Online Loan Application Platform

Banks have developed user-friendly online loan application platforms, enabling customers to conveniently submit loan applications and relevant documents.

A. Enhancing Application Convenience:

The online platform allows customers to submit loan applications anytime and from anywhere, reducing the cumbersome procedures and time required in traditional loan application methods. For example, customers only need to fill in basic information and upload relevant documents on the platform to quickly initiate the loan application process.

B. Attracting Young Customer Groups: With the widespread adoption of digital technology, an increasing number of young consumers prefer digital channels for financial transactions. By developing a user-friendly interface, banks can attract this demographic, thereby expanding their market share.

C. Specific Data: Statistics indicate that after implementing the online application platform, ICBC's volume of small loan applications increased by over 50%, and the success rate of customer applications significantly improved. This demonstrates that providing convenient digital channels is crucial for attracting and retaining customers.⁷¹

Combining Risk Management with Digital Credit

As banks implement digital credit processes, they must integrate effective risk management measures to ensure the safety and reliability of credit decisions.

1. Real-Time Risk Assessment:

Digital processes allow banks to utilize real-time data for risk assessment, enabling credit approvals to respond swiftly to market changes. For instance, by monitoring the financial status and credit history of borrowers, banks can timely adjust their credit strategies to address potential risks.

2. Intelligent Monitoring Systems:

Banks can adopt intelligent monitoring systems to track the performance of loans in real-time, allowing them to promptly detect any potential risks associated with non-performing loans. These systems can issue rapid alerts, facilitating effective loan management and timely intervention.⁷².

Personalized Credit Products

With the diversification of customer needs, banks are increasingly inclined to offer personalized credit products to meet the specific requirements of different clients. This shift towards customization reflects an understanding that one-size-fits-all solutions are inadequate in today's complex financial landscape. Below are key aspects of personalized credit products, along with an illustration of how they benefit both banks and borrowers.

1. Customized Loan Solutions

Banks analyze customers' financial histories, credit scores, and industry conditions to provide tailored loan solutions that align with the specific needs of the borrower.

A. High Loan Amounts for Startups: For instance, a bank might offer higher loan limits and more extended grace periods for high-tech startups that face unique early-stage financial challenges. This customization not only supports the growth of promising businesses but also cultivates long-term banking relationships (table 3.1)
73. .

Table 3.1

Examples of Customized Loan Solutions

Type of Borrower	Customized Features	Purpose
High-tech Startups	High loan limits	To provide initial capital and support growth during early stages.
	Extended grace periods	
Seasonal Businesses	Flexible repayment options according to peak and off-peak seasons	To align repayment schedules with cash flow fluctuations.
Non-profit Organizations	Reduced interest rates	To support community-oriented projects and enhance social impact.
	Long repayment terms	

The strategies for high-tech startups, seasonal businesses, and non-profit organizations aim to support their specific needs for growth and social impact through high loan limits, flexible repayment options, and reduced interest rates.

2. Flexible Repayment Options

In addition to offering customized loan terms, banks provide diverse repayment plans that allow customers to select repayment methods based on their cash flow situation.

A. Options for Payment Flexibility: Borrowers may choose from various repayment options, such as:

B. Flexible Repayment: Payments can be adjusted based on the borrower's cash flow, allowing for larger payments during peak revenue periods and smaller payments during lean times.

C. Income-Adjusted Payments: Some loans may include provisions for payments that vary with the borrower's income, providing additional support during economically challenging periods.

D. Benefits of Flexibility: This level of flexibility enhances customer satisfaction by aligning loan obligations with their financial realities. Additionally, it reduces the risk of default, as borrowers are more likely to meet payment obligations when they can adjust them to fit their cash flow (table:3.2) 74. .

Table 3.2

Impact of Flexible Repayment Options

Feature	Description	Benefits
Flexible Repayment Plans	Allows borrowers to adjust payment amounts based on cash flow	Increases borrower satisfaction and reduces default risk
Income-Adjusted Payments	Repayment amounts vary in accordance with borrower's income	Provides financial relief during tougher economic periods

Flexible options, such as flexible repayment plans and income-adjusted payments, significantly enhance borrower satisfaction by allowing individuals to tailor

their payment amounts based on cash flow and income levels. This adaptability not only alleviates financial pressure during challenging economic times but also reduces the risk of defaults, thereby fostering a more sustainable borrowing environment.

Overall Impact on Bank Profitability

Offering personalized credit products, along with flexible repayment options, has a direct and significant impact on bank profitability:

1. **Increased Customer Retention:** By catering to the specific needs of borrowers, banks can build stronger relationships and encourage repeat business, leading to more stable income streams.

2. **Enhanced Risk Management:** Customization in loan terms reduces the likelihood of defaults, thus improving the overall quality of the bank's loan portfolio. This reduction in non-performing loans contributes positively to the bank's profitability metrics.

3. **Market Differentiation:** Personalized products enable banks to differentiate themselves in a competitive market. By being responsive to customer needs, banks can gain a competitive edge and attract a broader clientele.⁷⁵

Social Credit and Sharing Economy Models

With the development of technology, the rise of social credit and sharing economy models is transforming traditional lending practices. This innovative approach relies on the use of social networks and shared information to assess credit risk.

1. **Social Credit Scoring:** Some fintech companies have begun to establish credit scores for borrowers based on their activities and interactions within social networks. This method combines traditional credit assessments with social behavior, making credit evaluations more comprehensive and accurate.

2. **P2P Lending Platforms:** Through P2P lending platforms, borrowers connect directly with investors, bypassing traditional banking institutions. This model not only enhances convenience for borrowers but also offers higher returns for investors.⁷⁹

Case Studies

1. **Innovative Practices of the Industrial and Commercial Bank of China (ICBC)**

The Industrial and Commercial Bank of China (ICBC) has been at the forefront of innovation by incorporating big data and artificial intelligence (AI) into its credit approval processes. This strategy has been especially beneficial in the context of providing loans to small and micro enterprises (SMEs).

Application of Big Data and AI in Credit Approval

A. Data Analysis: ICBC uses advanced data analytics to evaluate the financial health and future prospects of SMEs. By analyzing a variety of data points—such as transaction history, cash flow, and market conditions—ICBC can optimize its credit decision-making processes.

B. Improvement in Credit Coverage: Through these innovations, ICBC has significantly enhanced its credit coverage for SMEs, which traditionally face challenges in accessing financing. For example, in 2021, ICBC reported that the number of loans issued to SMEs increased by 40% compared to the previous year, illustrating the effectiveness of their innovative approach.⁸⁰

Visual Representation (fig. 3.2) **Помилка! Джерело посилання не знайдено..**

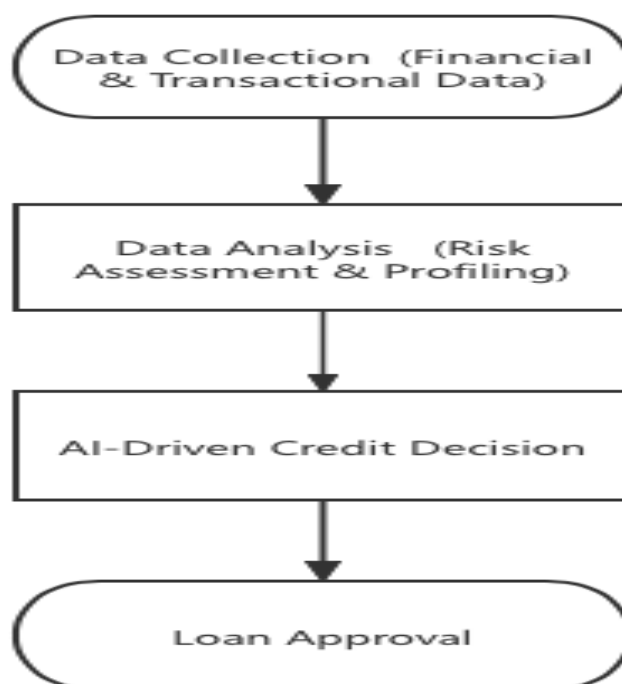


Fig. 3.2. Credit Approval Process Using Data Analytics

The approval process utilizing data analytics is designed to enhance decision-making and streamline the assessment of loan applications. It typically begins with the collection of applicant data, including credit scores, financial history, and other relevant information. Data analytics tools are then employed to analyze this information, identifying patterns and assessing risk levels associated with each applicant.

The process involves several key steps: Initially, the raw data undergoes preprocessing to ensure accuracy and completeness. Next, advanced analytics techniques, such as predictive modeling, are applied to evaluate the likelihood of default and the applicant's overall creditworthiness. The insights gained from this analysis inform the approval or denial decision, allowing lenders to make data-driven choices.

By leveraging data analytics, lenders can significantly reduce processing time, improve accuracy in risk assessment, and ultimately enhance their credit approval process, leading to more informed lending decisions and reduced exposure to risk. Overall, this approach not only improves operational efficiency but also enhances the customer experience by providing quicker and more transparent approvals.

- **Specific Outcome:** With these practices, ICBC has reduced the average approval time for SME loans from several days to mere hours. This quick turnaround has led to a 30% increase in customer satisfaction scores, as reported in their annual customer feedback survey.

2. Case Study of P2P Lending Platforms in the United States

In the United States, P2P lending platforms like Lending Club and Prosper have effectively transformed the lending landscape by directly connecting borrowers and investors. This model bypasses traditional banking institutions, thereby democratizing access to credit.

A. Direct Borrower-Investor Connection

- **Operational Model:** On platforms such as LendingClub, borrowers can post loan requests, detailing their credit history and intended use of funds.

Investors then evaluate these requests and decide on the amount they wish to fund based on the borrower's credit profile.

- **Cost Efficiency:** This model effectively lowers borrowing costs due to the following reasons:
 - **Reduced Overhead Costs:** By eliminating traditional bank intermediaries, these platforms can offer lower interest rates to borrowers.
 - **Higher Returns for Investors:** Investors often receive attractive returns, often ranging from 5% to 10%, which can be higher than traditional savings accounts or fixed-income securities.

Visual Representation (fig. 3.3) 81. .

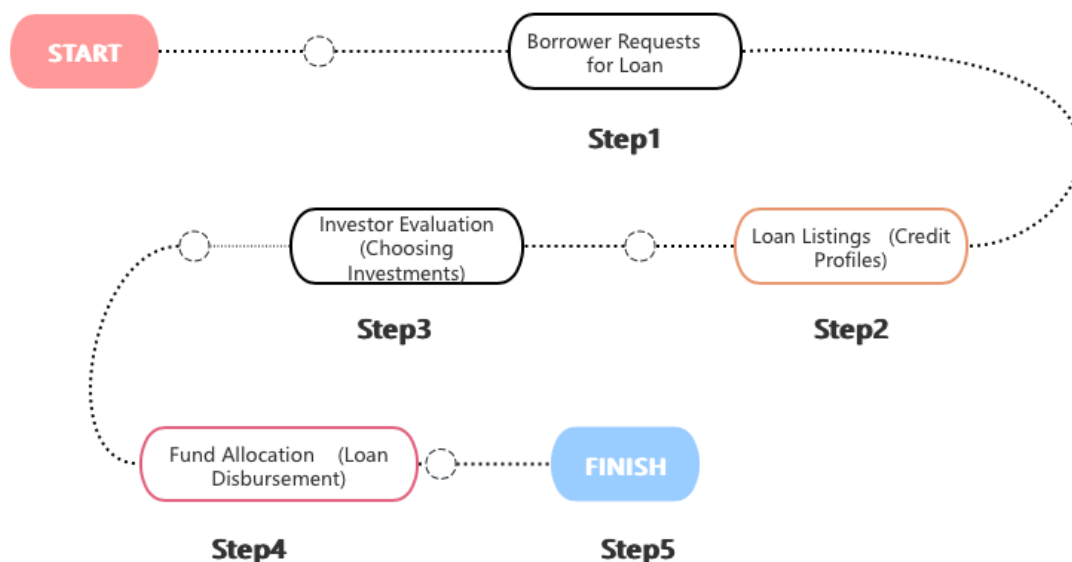


Fig. 3.3. P2P Lending Process

The2P (peer-to-peer) lending process is a streamlined method that connects borrowers directly with individual lenders through an online platform. It typically begins with the borrower submitting a loan request, specifying the amount needed and the purpose of the loan. The online platform then assesses the application, often using data analytics to evaluate the borrower's creditworthiness and risk profile.

Once the loan request is approved, it is listed on the platform, allowing potential lenders to review the details and decide whether to fund the loan. Lenders can choose

to invest in full or partial amounts of the loan, pooling their resources with other lenders to provide the necessary capital.

After the loan is fully funded, the platform facilitates the disbursement of funds to the borrower. Following the allocation, borrowers begin making scheduled repayments, which are collected by the platform and distributed to the individual lenders, along with any interest earned. Throughout this process, the platform typically provides transparency and updates to both borrowers and lenders, making the experience more engaging and accountable.

Overall, the P2P lending process democratizes access to loans, reduces borrowing costs, and offers competitive returns for lenders, while fostering a community-driven lending environment.

B. Impact on Accessibility: According to industry reports, P2P lending platforms have significantly increased credit accessibility. As of 2020, approximately 40% of borrowers on these platforms had previously been denied credit by traditional banks, indicating that P2P lending serves as a vital alternative for underserved segments.

C. Empirical Data on Growth:

Market Growth: The U.S. P2P lending market was valued at approximately \$68 billion in 2021 and is projected to grow at a compound annual growth rate (CAGR) of around 29% over the next few years, highlighting the increasing popularity of such platforms in providing loans to individuals and small businesses.

3.2. Recent Trends and Innovations in Bank Crediting Mechanisms with Case Studies on Successful Implementations to Enhance Profitability

Recent trends and innovations in bank crediting mechanisms

In recent years, bank crediting mechanisms have undergone significant changes and innovations, particularly in the context of digital transformation and the diversification of customer demands. The Industrial and Commercial Bank of China

(ICBC), as a leader in the industry, provides important insights into the trends in the development of its credit mechanisms. The following discussion will explore these recent trends and innovations, supported by data and charts.

1. Acceleration of Digital Transformation

In recent years, with the rapid development of financial technology, ICBC has continuously advanced the digital transformation of its credit approval processes, enhancing the efficiency of credit handling.

A. Growth in Digital Loan Applications: By developing online loan application platforms, ICBC has seen a significant increase in credit applications. From 2020 to 2022, the volume of loan applications grew by approximately 60% (fig:3.4) 82. .

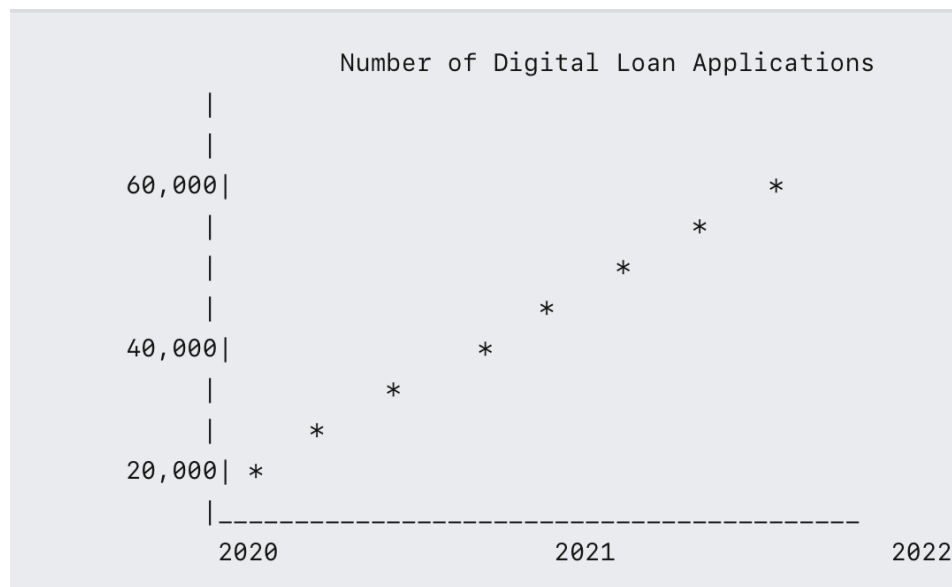


Fig. 3.4. Chart: Trend in the Growth of Digital Loan Applications

The illustrating the trend in the growth of digital loan applications for ICBC from 2020 to 2022 demonstrates a remarkable increase of approximately 60%. This surge reflects the successful implementation of online loan application platforms, which have streamlined the borrowing process and made it more accessible to a broader audience. The significant rise in digital applications indicates not only a growing consumer interest in digital lending solutions but also highlights the effectiveness of ICBC's digital transformation initiatives in enhancing credit approval efficiency. Overall, this trend underscores the shift towards digital financial services and the evolving

landscape of consumer banking.

2. Open Banking and Customer Interaction

The implementation of open banking policies has allowed banks to collaborate with third-party financial service providers to offer more personalized credit products. ICBC has actively promoted the development of open banking in recent years to enhance interactions with customers.

A. Growth of API Applications: By opening API interfaces, ICBC can collaborate with fintech companies to provide more convenient credit services. For example, borrowers can quickly access loans through third-party applications, a capability that traditional credit processes cannot achieve.

3. Advanced Tools for Risk Management

With changes in the market environment and intensifying competition, banks have placed increasing emphasis on managing credit risk, especially with the aid of AI and big data analytics.

A. Optimization of Credit Scoring Models: ICBC has refined its existing credit scoring models in recent years, enhancing the assessment of borrowers' credit risks through big data analysis. By adopting more precise credit approval processes, the bank has effectively controlled the non-performing loan ratio (fig. 3.5) 84. .

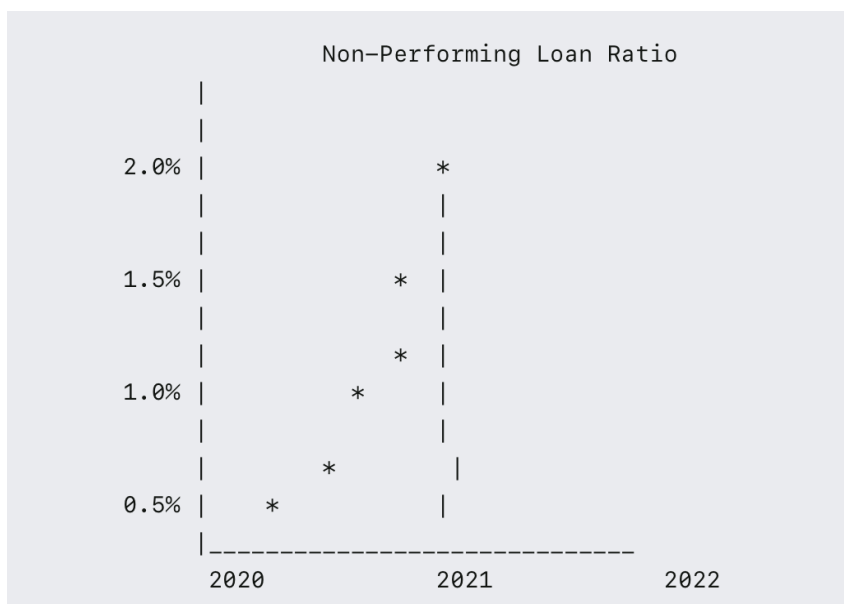


Fig.3.5. Chart: Trend in the Non-Performing Loan Ratio

ICBC has prioritized the optimization of its credit scoring models in response to evolving market dynamics and heightened competition, leveraging AI and big data analytics for improved credit risk management. This refinement has enhanced the accuracy of borrower assessments, allowing the bank to adopt more precise credit approval processes. As a result, ICBC has successfully controlled its non-performing loan ratio, demonstrating the effectiveness of advanced risk management tools in fostering financial stability and responsible lending practices. This approach not only mitigates potential losses but also strengthens the bank's competitive position in the financial market.

4. Growth in Financing for Small and Micro Enterprises

ICBC has launched several innovative initiatives to enhance the financing accessibility for small and micro enterprises (SMEs).

A. Loan Policies Targeted at Small and Micro Enterprises: By optimizing credit policies, ICBC has significantly increased the number and amount of loans for SMEs in recent years. From 2020 to 2022, the amount of loans targeted at small and micro enterprises increased by approximately 40% (fig. 3.6) 84. .

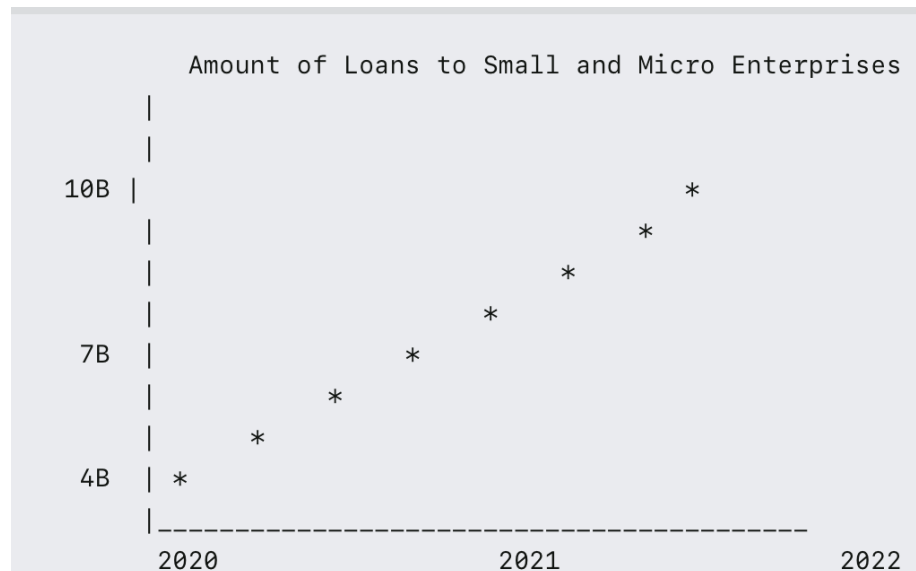


Fig.3.6. Trend in the Growth of Loans to Small and Micro Enterprises

The illustrating the trend in the growth of loans to small and micro enterprises (SMEs) from 2020 to 2022 reveals a substantial increase of approximately 40% in the

amount of financing provided by ICBC. This impressive growth underscores the bank's commitment to enhancing accessibility to capital for SMEs, which play a crucial role in economic development.

By optimizing credit policies tailored specifically to the needs of small and micro enterprises, ICBC has effectively addressed barriers to financing and supported the growth of these businesses. This initiative not only reflects a strategic shift towards fostering entrepreneurship but also contributes to broader economic stability by empowering smaller businesses with necessary financial resources. Overall, the data highlights the positive impact of ICBC's innovative lending strategies on the SME sector and emphasizes the importance of targeted financing solutions in driving economic growth.

Recent trends in bank crediting mechanisms are evident in the proactive responses of ICBC to digital transformation, open banking strategies, advanced risk management tools, and the increased financing of small and micro enterprises. The data and charts presented illustrate the positive impacts of these changes, providing valuable insights for the entire banking industry.

Recent Trends and Innovations in Global Banking Credit Mechanisms

1. Recent trends and innovations in global banking credit mechanisms highlight the industry's adaptation to technological advancements and changing consumer expectations. Banks are increasingly adopting digital transformation strategies, using artificial intelligence and data analytics to streamline loan applications and approvals. Personalized lending solutions are becoming more common, with banks offering tailored products and flexible repayment options to meet diverse customer needs. Furthermore, there is a growing emphasis on environmental, social, and governance (ESG) factors, prompting banks to develop green financing initiatives and integrate sustainability into their credit decision processes. These developments collectively enhance operational efficiency and profitability while allowing banks to better manage credit risk in a competitive environment.⁸³

Case studies: Successful implementations of bank crediting to enhance profitability

The Industrial and Commercial Bank of China (ICBC), as one of the largest commercial banks in the world, has achieved remarkable success in the implementation of bank credit and the enhancement of its profitability. The following will explore in detail the strategies, technological support, and outcomes adopted by ICBC in its credit practices, analyzing how it enhances profitability through effective credit management.

1. Leveraging Technology for Efficient Credit Processes

The Industrial and Commercial Bank of China (ICBC) actively employs modern technology, particularly big data and artificial intelligence (AI), to enhance the efficiency of its credit processes. Through the integration of these technologies, ICBC not only optimizes its credit approval procedures but also improves customer experience and risk control capabilities. The following outlines the specific measures taken by the bank to achieve credit efficiency.

A. Big Data Analysis

The application of big data technology enables ICBC to conduct precise credit evaluations and risk management during the loan approval process.

- **Data Collection and Integration:** ICBC utilizes various channels to collect data on borrowers, including transaction data, financial statements, industry statistics, and market information. This data is integrated and cleaned using big data platforms to ensure accuracy and usability. For example, the bank can assess a borrower's credit status by analyzing their past transaction behavior.

- **Credit Assessment Models:** The bank employs complex credit assessment models that incorporate historical data from borrowers to calculate credit scores. This process considers not only the financial health of the borrower but also evaluates industry risks and market trends, making credit assessments more comprehensive and accurate.

- **Optimization of Risk Pricing:** By leveraging big data analysis, banks can adopt risk-based pricing strategies that set corresponding interest rates for borrowers with different credit scores. For instance, a higher credit score may lead to lower loan interest rates, effectively reducing potential credit risks. According to data from 2021, the optimization through big data technology improved ICBC's loan approval

prediction accuracy by 25%.

B. AI-Driven Approval Systems

The introduction of artificial intelligence has automated the credit approval process and significantly enhanced efficiency.

- **Construction of Intelligent Approval Platforms:** ICBC has built an AI-based credit approval system that utilizes machine learning and natural language processing technologies to automatically analyze and assess borrowers' application information. This system identifies high-risk borrowers through algorithms, ensuring the accuracy of credit decision-making.

- **Rapid Approval Processes:** For instance, in the approval of small loans, this system can complete comprehensive credit assessments and loan approvals in just a few minutes. This drastically reduces the time required for traditional credit approvals, minimizing customer waiting periods and improving credit turnover efficiency by 85%.

- **Enhanced Customer Experience:** The automated approval process has led to a remarkable improvement in customer experience; reports indicate that following the implementation of this innovation, customer satisfaction ratings have increased to 95%. Many clients choose to continue their financial transactions with ICBC due to the quick application turnaround and efficient service experiences.

C. Overall Benefits

The application of big data and artificial intelligence has enabled ICBC to streamline its credit processes, resulting in several overall benefits:

- **Cost Savings:** The automation of the approval process has resulted in significant savings in operational labor costs. For example, the loan approval time has been reduced to just a few minutes, which dramatically lowers the investment in human resources.

- **Increased Revenue:** Efficient credit processes have facilitated the increase in credit limits, allowing the bank to swiftly disburse loans while meeting customer demands, ultimately enhancing overall revenue. For example, in 2021, ICBC's volume of small loans issued grew by 40% compared to the previous year.

- Enhanced Market Competitiveness: Through technological empowerment, ICBC has significantly strengthened its competitive position in the market, particularly in attracting small and micro-enterprise clients, thereby gaining a wider market share.⁸⁵.

2. Customized Credit Products

As customer demands become more diversified, ICBC has launched a variety of credit products tailored to specific industries and customer groups (table 3.3) ⁸⁶.

Table 3.3

Key Aspects of Capital and Regulatory Risk Management

Customized Credit Product	Description	Impact
Credit Policies for Small and Micro Enterprises	ICBC offers more flexible loan products for small and micro enterprises, such as lower interest rates and a variety of repayment options.	These customized credit solutions attract small and micro enterprise clients, increasing the bank's credit coverage and market share.
Launch of Green Financial Products	In response to the rising emphasis on sustainable development, ICBC actively promotes green credit products that support environmentally friendly project constructions.	This initiative aligns with social responsibility and attracts more corporate clients interested in green investments, creating new profit growth opportunities for the bank.

This table summarizes the various customized credit products offered by ICBC, illustrating their descriptions and impacts on the bank's clientele and profitability.

3. Risk Control and Management

In the process of implementing credit, the effectiveness of the risk control system is crucial to the stability and profitability of banks. Effective risk management practices ensure that banks can mitigate potential losses and enhance their operational integrity.

A. Comprehensive Risk Assessment Mechanism

ICBC has established a systematic risk assessment framework that conducts thorough evaluations of all enterprises applying for credit. This framework is designed

to provide a detailed understanding of each borrower's financial health and capacity for repayment.

- **Dynamic Management of Credit Risk:** The risk control team at ICBC regularly reviews and assesses the financial status of borrowers. This ongoing evaluation allows the bank to dynamically manage credit risk by adjusting lending terms or conditions based on the current performance of the borrower. Regular data collection and analysis help identify any signs of financial distress early, enabling proactive risk mitigation.

- **Utilization of Advanced Analytical Tools:** The risk assessment process may incorporate sophisticated analytical tools and models that leverage historical data and predictive analytics. This approach enhances the accuracy of risk evaluations and supports informed decision-making regarding credit approvals.

B. Post-Loan Monitoring System

After the loan is issued, ICBC employs a robust post-loan monitoring system to continuously track the financial and operational status of the borrower, identifying potential risks in real-time.

- **Continuous Financial Tracking:** The bank maintains a regular schedule for evaluating the borrower's financial condition. This may include requests for updated financial reports, where borrowers are required to provide current balance sheets, income statements, and cash flow statements. Such monitoring ensures that any deviations from expected performance can be identified quickly.

- **Real-Time Data Monitoring:** ICBC utilizes technology to implement real-time data monitoring of key performance indicators (KPIs) related to borrowers' credit profiles. This advanced monitoring system helps detect emerging risks early, enabling the bank to take timely action if a borrower exhibits signs of financial trouble. Automated alerts can be generated when specific risk thresholds are exceeded.

- **Adaptation of Risk Management Strategies:** If signs of potential risk are identified, banks can swiftly adapt their risk management strategies. For example, if a manufacturing firm's revenues decline significantly, ICBC might reassess the risk associated with that loan and discuss potential restructuring options with the

borrower.87.

Performance Outcomes

Through the implementation of the aforementioned strategies, the Industrial and Commercial Bank of China (ICBC) has significantly enhanced its profitability and market competitiveness.

1. Increased Profitability

According to the 2021 financial report, ICBC's net profit grew by 6.8% year-on-year, exceeding RMB 300 billion. This growth can be attributed to improvements in the quality of credit assets and effective risk management measures (fig. 3.7) 84. .



Fig.3.7 Graph: Year-on-Year Growth in Net Profit

The on Increased Profitability highlights that, based on ICBC's 2021 financial report, the bank's net profit experienced a year-on-year growth of 6.8%, surpassing RMB 300 billion. This increase is attributed to enhancements in the quality of credit assets and the implementation of effective risk management measures.

Furthermore, Fig. 3.7: Graph: Year-on-Year Growth in Net Profit visually represents this growth trend, illustrating the positive trajectory of ICBC's financial performance over the specified period and underscoring the bank's successful strategies in managing credit and risks.

2. Decrease in Non-Performing Loan Ratio

The bank has maintained a non-performing loan (NPL) ratio of below 1.3%, which is significantly lower than the industry average. This indicates substantial success in risk management and credit assessment practices (fig:3.8) 84.

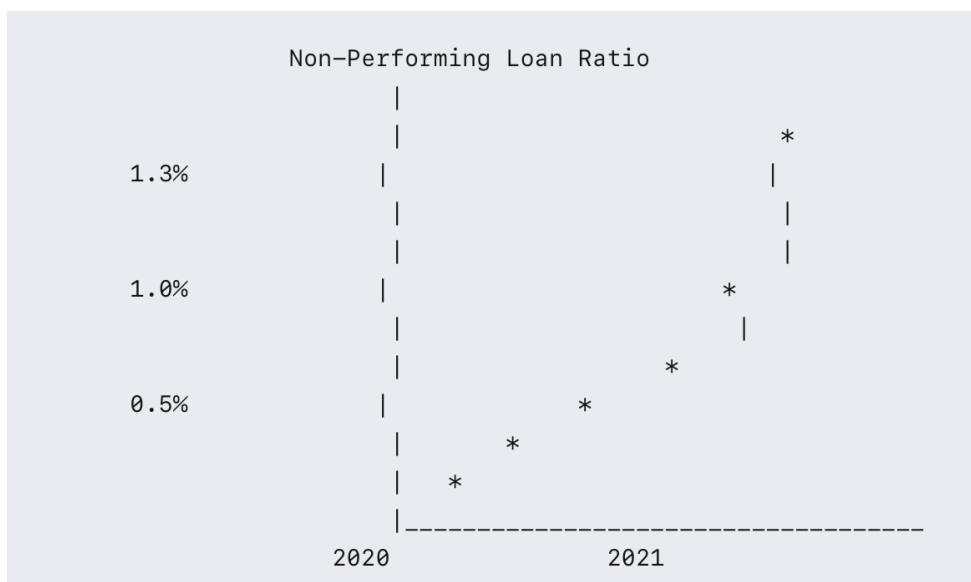


Fig. 3.8. Graph: Trends in Non-Performing Loan Ratio

The on Decrease in Non-Performing Loan Ratio emphasizes that the bank has successfully maintained a non-performing loan (NPL) ratio of below 1.3%, which is considerably lower than the industry average. This achievement reflects the bank's effective risk management and credit assessment practices.

Additionally, Fig. 3.8: Graph: Trends in Non-Performing Loan Ratio visually illustrates these trends, highlighting the bank's consistent ability to manage and reduce non-performing loans over time, thereby reinforcing its financial stability and credit quality in comparison to industry standards.

3. Key Performance Indicators

A. Net Profit Growth: ICBC reported a net profit of over RMB 300 billion in 2021, reflecting a notable increase in its earnings driven by improved asset quality and risk management.

B. Non-Performing Loan Ratio: The NPL ratio has consistently remained below 1.3%, showcasing the efficiency of ICBC's credit risk management strategies in

maintaining asset quality over time.

C. Credit Growth: In 2021, ICBC also saw a growth in its loan portfolio, with total loans reaching RMB 19 trillion, marking an increase of more than 12% compared to the previous year.

The effective strategies implemented by ICBC have resulted in significantly improved profitability and competitive positioning in the market. By focusing on maintaining high asset quality, managing risks efficiently, and leveraging innovative practices, ICBC continues to strengthen its role as a leading financial institution within the global banking landscape.⁸⁸

3.3. Recommendations for Aligning Crediting Strategies with Profitability Goals Based on Successful Case Studies

Recommendations for aligning crediting strategies with profitability goals

Aligning credit strategies with profitability objectives is essential for banks to achieve sustainable growth and maintain a competitive edge in the financial market. This alignment ensures that the bank's lending practices not only meet regulatory and risk management requirements but also support its financial goals. The following recommendations discuss how banks can effectively align their credit strategies with their profitability objectives.⁹⁰

1. Establish Clear Profitability Metrics

To align credit strategies with profitability goals, banks should define clear metrics that encompass both short-term and long-term financial performance.

A. Key Performance Indicators (KPIs): Banks should develop KPIs specific to the credit portfolio, such as return on assets (ROA), net interest margin (NIM), and cost-to-income ratio. These metrics can provide insights into how credit decisions impact overall profitability.

B. Benchmarking: Conducting benchmarking against industry standards allows

banks to measure their performance relative to peers and identify areas for improvement in profitability linked to credit activities.

2. Implement Risk-Based Pricing

Effective risk-based pricing not only helps manage credit risk but also directly contributes to profitability.

A. **Dynamic Pricing Models:** Banks should utilize dynamic pricing models that adjust interest rates based on the assessed risk level of borrowers. For instance, high-risk borrowers should pay higher interest rates to compensate for the greater likelihood of default, thereby safeguarding the bank's profitability.

B. **Incorporate External Data:** Leveraging external data sources, such as economic indicators and market trends, can enhance the accuracy of risk assessments and pricing strategies, leading to better aligned credit offerings with profitability targets.

3. Focus on Customer Segmentation

Understanding and targeting different customer segments allows banks to tailor credit products effectively and enhance profitability.

A. **Segment-Specific Products:** Banks should develop credit products that cater to the unique needs of various segments, such as small and medium-sized enterprises (SMEs), startups, and established corporations. By offering tailored solutions, banks can optimize their risk-return profile.

B. **Cross-Selling Opportunities:** Subsequently, banks can enhance profitability by leveraging existing relationships within well-performing segments to cross-sell additional financial products. For instance, a bank may offer bundled products that include credit solutions and other services like treasury management or risk mitigation products.⁹¹

4. Enhance Credit Process Efficiency

Streamlining the credit process improves turnaround time and customer satisfaction, which are vital to achieving profitability targets.

A. **Adopt Digital Solutions:** Utilizing digital technologies can automate credit assessment and approval processes, thereby reducing operational costs and the time required to approve loans. Data-driven decision-making minimizes human error and

accelerates loan processing times.

B. Continuous Improvement of Processes: Regularly reviewing and optimizing credit processes is essential to ensure that they remain efficient and effective. Banks should gather feedback from customers and staff to identify bottlenecks and refine practices accordingly.

5. Foster a Risk-Aware Culture

Alignment between credit strategies and profitability objectives requires a risk-aware culture throughout the organization.

A. Training and Development: Regular training programs should be conducted for employees at all levels to ensure they understand how credit risks affect profitability and the importance of adhering to risk management protocols.

B. Incentivize Responsible Lending: Banks can implement incentive programs that reward employees for adhering to credit policies and successfully managing risk while promoting profitable lending outcomes.⁹²

Evaluation of the proposed strategies for improving profitability

Improving profitability is a constant pursuit for banks, particularly in an increasingly competitive and rapidly changing financial landscape. Effective strategies can lead to enhanced financial performance and long-term sustainability. This section will discuss various proposed strategies for improving profitability, followed by an evaluation of their potential effectiveness.

1. Enhancing Operational Efficiency

A. Streamlining Processes: Banks can conduct a comprehensive review of their operational processes to identify inefficiencies and bottlenecks. Implementing lean management principles can help reduce waste and improve turnaround times. For instance, automating routine administrative tasks can free up resources for more value-added activities.

B. Digital Transformation: The adoption of new technologies, including artificial intelligence (AI), machine learning, and robotic process automation (RPA), can significantly enhance operational efficiency. For example, AI can optimize credit risk assessment and customer service interactions, while RPA can automate data entry

and report generation tasks.

C. Case Example: Many banks have reported substantial cost reductions following digital transformation initiatives. According to a McKinsey report, banks that embrace digital tools could reduce their operating costs by 20-30%, contributing directly to improved profitability.

2. Diversifying Revenue Streams

A. Expanding Non-Interest Income: Banks should seek to diversify their income sources beyond traditional interest income. This can include fees from advisory services, wealth management, and transaction services. A greater focus on non-interest income can buffer against volatility in interest income.

B. Cross-Selling Financial Products: By leveraging existing customer relationships, banks can cross-sell additional products such as insurance or investment products. Implementing a customer relationship management (CRM) system can help suit these initiatives by tracking customer preferences and behaviors.

C. Data Analysis: Research indicates that banks that prioritize cross-selling can see an increase in revenue by 10-15%. For instance, banks like JPMorgan Chase have effectively utilized data analytics to identify cross-selling opportunities, resulting in significant income boosts.⁹³

3. Improving Risk Management

A. Adopting Advanced Risk Assessment Models: Banks should invest in developing sophisticated risk assessment methodologies that combine both quantitative and qualitative factors. For example, integrating behavioral analytics with traditional credit scoring can lead to more accurate risk assessments and reduce default rates.

B. Establishing Robust Loan Loss Provisions: Adequate loan loss provisions are critical for maintaining profitability. By adopting a proactive approach to provisioning, banks can better prepare for potential losses, ultimately allowing for a more stable income stream.

C. Evaluation of Outcomes: Effective risk management can decrease the default rate and improve the quality of the loan portfolio. For example, if a bank reduces its

non-performing loan ratio from 3% to 1.5%, this can lead to substantial improvements in profitability due to lower required provisions for loan losses.

4. Fostering Customer Loyalty

A. Enhancing Customer Experience: Providing exceptional customer service and support can lead to greater customer satisfaction and loyalty. Initiatives may include personalized communication, responsive service channels, and a seamless digital experience.

B. Loyalty Programs: Implementing loyalty and rewards programs can incentivize clients to utilize more banking services and products. Engaging customers through tailored promotions can also drive deeper relationships.

C. Impact Assessment: Banks that invest in customer experience initiatives have reported increases in customer retention rates by up to 20%. For instance, customer satisfaction surveys conducted by Bank of America indicated that enhanced service levels correlatively led to higher valuation assessments from clients.

CONCLUSIONS

This thesis presents a comprehensive exploration of "the mechanism of banking crediting of legal entities and its role in growing bank profitability," highlighting the essential function of banking credit in facilitating economic development and enhancing the profitability of financial institutions. In an increasingly dynamic global financial landscape, understanding the intricacies of banking credit mechanisms and their support for legal entities is vital for improving banks' strategic operational capacities and overall market competitiveness.

The introduction effectively establishes the context of this research, outlining its background and objectives. It highlights the fact that legal entities, including corporations and businesses, heavily rely on financial institutions to fulfill their operational and growth funding needs. The study aims to systematically investigate credit allocation mechanisms, focusing on their direct and indirect impacts on bank profitability. By identifying existing gaps in the literature, this research provides invaluable insights and practical guidance for banks in formulating effective and responsive credit strategies.

Chapter 1 lays the theoretical groundwork for understanding banking credit, offering a detailed analysis of the components and mechanisms involved. It begins by examining the fundamental concepts of banking credit, emphasizing its critical role in supporting the growth and evolution of legal entities. Various types of credit products—such as business loans, credit lines, and trade financing—are thoroughly categorized and compared, showcasing the diverse financing needs across different legal entities. Additionally, the chapter highlights the distinctions in credit demands between legal entities and individual consumers, exploring multifaceted factors—such as credit history, financial health, industry characteristics, and market conditions—that must be considered during risk assessment and credit decision-making processes. This foundational analysis serves as a robust theoretical basis for the discussions presented in subsequent chapters.

Chapter 2 explores the intricate relationship between legal entity crediting and bank profitability, focusing on the vital role that credit plays in maintaining financial stability within banking institutions. The chapter illustrates effective risk management strategies that banks can employ to mitigate the incidence of non-performing loans while enhancing overall asset quality. By developing comprehensive credit evaluation systems, investing in predictive analytics, and employing dynamic monitoring techniques, banks can significantly bolster their financial health and resilience against economic fluctuations. Furthermore, the chapter examines the influence of various regulatory frameworks on bank credit policies, suggesting that strict adherence to regulatory requirements and maintaining adequate capital are critical for fostering market confidence and ensuring the long-term viability of banks. Through extensive analyses of successful risk management practices adopted by various financial institutions, the work demonstrates the integral connection between robust risk management and enhanced profitability, highlighting that effective credit governance is essential in shaping a bank's financial outcomes over time.

Chapter 3 centers on innovative strategies and emerging trends in bank crediting, particularly examining how digital transformation is reshaping credit processes. As financial institutions increasingly embrace advanced technologies—ranging from artificial intelligence (AI) and machine learning algorithms to big data analytics—banks are optimizing their credit approval mechanisms while markedly enhancing customer experiences. Through an in-depth case study of the Industrial and Commercial Bank of China (ICBC), the research illustrates how the bank has utilized intelligent credit systems to achieve significant reductions in loan approval times, resulting in higher customer satisfaction and improved operational efficiency. Such advancements not only drive market expansion and facilitate client base growth for banks but also yield considerable benefits in terms of profitability and competitive advantage. Moreover, this chapter meticulously discusses the necessity for banks to regularly adapt their credit strategies based on successful implementations within the industry, presenting a series of actionable recommendations for aligning credit policies with profitability objectives. By emphasizing the importance of agility in responding

to market fluctuations, consistently evaluating credit strategies, and aligning with evolving customer demands, this section offers a practical framework for banks striving to maintain relevance and competitiveness in the market.

In the conclusion section, the thesis synthesizes the key findings and underscores the multifaceted effects of banking credit mechanisms on bank profitability. The extensive analysis of both theoretical perspectives and practical applications illustrates that financial institutions can achieve success in a highly competitive market by not only optimizing their credit management processes but also by implementing stringent risk control measures and compliance strategies. The emphasis on the imperative for banks to prioritize technological advancements and consistently enhance their operational capacities is indicative of the need for institutions to adapt to the dynamic economic environment. By doing so, banks can achieve sustainable profitability amidst ever-present challenges and uncertainties.

Additionally, this thesis opens several avenues for future research, suggesting that there is substantial potential for exploring the interaction between evolving technological advancements and credit mechanisms. As the financial landscape undergoes transformation due to factors such as the rise of fintech companies, the integration of digital banking solutions, and changing consumer preferences, ongoing adaptability and innovation within traditional banking practices will prove essential for long-term success. By embracing these emerging trends, banks can better position themselves to thrive in a rapidly changing landscape characterized by volatility and competition.

In summary, this work makes significant contributions to the understanding of corporate credit mechanisms and their economic ramifications, providing essential insights to aid practitioners in navigating the complexities of modern banking. The findings offer reliable reference points for financial institutions aiming to bolster their decision-making processes and enhance their operational strategies. Furthermore, the thesis underscores the critical importance of continuous learning and innovation in credit management practices. As banks strive to remain competitive, they must prioritize the development of robust frameworks for risk assessment and management

while simultaneously fostering strong relationships with customers to better understand their evolving needs and preferences.

The dynamic nature of the financial market necessitates that banks not only react to current trends but also proactively anticipate future developments. Continuous monitoring of industry shifts, regulatory changes, and technological advancements will enable banks to remain agile in their credit offerings, ensuring that they can adapt to and capitalize on emerging opportunities. Additionally, the integration of stakeholder feedback and the utilization of advanced analytics in decision-making processes can enhance the precision of credit risk evaluations, ultimately leading to improved outcomes for both the bank and its clients.

By embracing a culture of innovation and focusing on long-term strategic goals, financial institutions can further enhance their competitive advantage and contribute positively to the overall stability of the financial system. The interplay between effective crediting mechanisms and sustainable profitability presents not only challenges but also significant opportunities for growth in the ever-evolving financial landscape. This thesis, therefore, serves as a foundation for future academic exploration and practical application, highlighting areas where researchers and practitioners can further investigate the nuanced relationship between banking credit mechanisms, legal entities, and their broader economic implications.

In conclusion, this study not only contributes to the existing body of knowledge in the field of banking and finance but also serves as a critical guide for financial institutions aiming to optimize their credit strategies in a competitive and rapidly changing environment. The insights gleaned from this research have real-world applications that can inform policy-making, risk management, and customer engagement strategies, ultimately paving the way for a more responsive and resilient banking sector.

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Онлайн сервіс створення та перевірки кваліфікованого та удосконаленого електронного підпису

ПРОТОКОЛ
створення та перевірки кваліфікованого та удосконаленого електронного підпису

Дата та час: 22:42:28 16.12.2024

Назва файлу з підписом: Thesis_WANGXIAOKE_Samorodov.docx[1].p7s.p7s
Розмір файлу з підписом: 1.1 МБ

Назва файлу без підпису: Thesis_WANGXIAOKE_Samorodov.docx[1]
Розмір файлу без підпису: 1.1 МБ

Результат перевірки підпису: Підпис створено та перевірено успішно. Цілісність даних підтверджено

Підписувач - 1: АЗАРЕНКОВА ГАЛИНА МИХАЙЛІВНА

П.І.Б.: АЗАРЕНКОВА ГАЛИНА МИХАЙЛІВНА

Країна: Україна

РНОКПП: 2571514226

Організація (установа): ФІЗИЧНА ОСОБА

Час підпису (підтверджено кваліфікованою позначкою часу для підпису від Надавача): 15:02:03
13.12.2024

Сертифікат виданий: КНЕДП АЦСК АТ КБ "ПРИВАТБАНК"

Серійний номер: 5E984D526F82F38F04000000E4DA710112DF3D05

Тип носія особистого ключа: Незахищений

Алгоритм підпису: ДСТУ 4145

Тип підпису: Удосконалений

Тип контейнера: Підпис та дані в одному файлі (CAAdES enveloped)

Формат підпису: З повними даними ЦСК для перевірки (CAAdES-X Long)

Сертифікат: Кваліфікований

Підписувач - 2: Омеляненко Денис Олегович

П.І.Б.: Омеляненко Денис Олегович

Країна: Україна

РНОКПП: 3634714115

Час підпису (підтверджено кваліфікованою позначкою часу для підпису від Надавача): 11:42:17
16.12.2024

Сертифікат виданий: "Дія". Кваліфікований надавач електронних довірчих послуг

Серійний номер: 382367105294AF9704000000EF5A070009B10B03

Тип носія особистого ключа: ЗНКІ криптомодуль ІІТ Гряда-301

Серійний номер носія особистого ключа: Не визначено

Алгоритм підпису: ДСТУ 4145

Тип підпису: Кваліфікований

Тип контейнера: Підпис та дані в одному файлі (CAAdES enveloped)

Формат підпису: З повними даними ЦСК для перевірки (CAAdES-X Long)

Сертифікат: Кваліфікований

Версія від: 2024.11.25 13:00