A sustainable lending strategy considering the impact of dispositive factors

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Abstract. The article analyses the factors of credit relations of an organisation under modern economic conditions. The purpose of the study is to find ways to ensure sustainable development and improve bank credit activities. The relevance is determined in connection with the rapid growth of the population’s debts and the accumulation of multiple risks. As a result of the research, ways of perfection of credit relations of the bank on the basis of consideration of dispositive factors, including creation of clear system of subordination and further development of service system and development of the bank, analysis and estimation of solvency of the client are presented.

1 Introduction

Sberbank is recognised as a leader in the domestic banking market, strengthening its competitive position every year. However, despite the positive dynamics in a number of indicators, there are still some “risk areas” in the bank’s activities. These will be considered in the process of identifying and developing measures to improve the efficiency of the bank’s lending relations with individuals.

It is worth noting the rapid growth of lending in 2019-2021 in general, and of retail lending in particular, accompanied by an increase in arrears (Figure 1).

![Fig. 1. Dynamics of the volume of loan and overdue debt of individuals and the problem ratio of Sberbank in 2019-2021.](image-url)

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume of retail loan portfolio before provisions for credit losses, RUB bn.</th>
<th>Overdue debt, RUB bn.</th>
<th>Problem rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>7,857.40</td>
<td>9,255.30</td>
<td>0.0531</td>
</tr>
<tr>
<td>2020</td>
<td>11,384.20</td>
<td>545.2</td>
<td>0.054</td>
</tr>
<tr>
<td>2021</td>
<td>12,002.20</td>
<td>520.2</td>
<td>0.055</td>
</tr>
</tbody>
</table>
Certainly, the fact that the problem ratio at the end of 2021 showed a decrease is good for the quality of the loan portfolio, but the overall increase in the volume of individuals in the current environment entails an increase and accumulation of risks. This is because borrowers' income and ability to make scheduled payments determine the financial gains or losses of the bank. The negative trend in retail overdue loans at the end of the current year is expected not only due to the overheating of the consumer lending market but also against the background of the events in February 2022, when the Russian economy faced harsh sanctions from western countries.

2 Methods

In this study, the following research methods were used: analytical review of theoretical information; analysis and processing of statistical information; review of the legal and regulatory framework for risk management in the banking sector; summary and presentation of the research results graphically.

3 Results and discussion

Dispositive macroeconomic factors caused a weakening of the national currency, substantial inflation, and a subsequent economic downturn. Global uncertainty caused a simultaneous increase in credit risks and the volume of overdue payments among the population, the main drivers of which were unemployment and a decline in real incomes [1].

Today, "the reduction in the volume of overdue retail debt is not seen in any region of the Russian Federation" [2].

According to preliminary expert estimates, in the three quarters of 2022 the increase in overdue debts will be greater than at the end of 2021, but on a smaller scale compared with the period of the pandemic coronavirus infection. According to the forecast of the National Association of Professional Collecting Agencies, at the end of the current calendar year the total growth rate of overdue loans in the banking system will range from 16% to 18% against 6% the year before. As a consequence, against the background of growth in the volume of overdue loans there will be a decline in the average profitability of retail lending [3].

Despite the growth in nominal terms, there is a general decline in the profitability of lending operations in the period under study, which is due to a consistent decline in interest rates. Thus, the yield on lending operations fell from 11.5 per cent to 10.1 per cent in three years, and their profitability reached 6.6 percent.

Fig. 2. Dynamics of profitability and profitability of Sberbank’s lending activities in 2019–2021, %

<table>
<thead>
<tr>
<th>Year</th>
<th>Profitability of lending operations</th>
<th>Profitability of lending operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>11.5</td>
<td>6.8</td>
</tr>
<tr>
<td>2020</td>
<td>10.0</td>
<td>6.7</td>
</tr>
<tr>
<td>2021</td>
<td>10.1</td>
<td>6.6</td>
</tr>
</tbody>
</table>
Summarising the above material, with regard to the quality of retail loans, it should be noted that low- and low-risk loans prevail in the bank’s loan portfolio. Their cumulative share in the total structure is about 90%. Among other things, it should be noted that the quality of the bank’s retail loan portfolio has improved significantly over the past two years compared to 2019. Defaulted assets also exist on the bank’s balance sheet, but in aggregate terms, their share does not exceed 5% and has decreased from 4.6% to 4.0% of the total for the period [4].

In summary, the data obtained indicate that during the period under consideration, Sberbank PJSC has low credit risks on all categories of borrowers. Consequently, it can be reasonably asserted that the bank has an effective credit policy and the quality of the loan portfolio can be assessed as satisfactory.

It is worth noting that digitalisation, by speeding up and simplifying the process of customer interaction with credit institutions, has led to a “softening” of customer requirements when applying for banking products [5]. As a consequence, insufficient analysis of the financial situation of potential clients entails an increase in the risk of non-repayment of borrowed funds by borrowers. The process of assessing creditworthiness is also hampered by the presence of “grey” and “black” incomes, which do not allow forming a complete picture of the real financial situation of the borrower. As for the individuals themselves, it should be noted that such income does not allow documenting stable sources of income to the required extent.

In this sense, it would be reasonable for Sberbank PJSC to implement a more restrictive lending policy despite the high demand for loan funds on the part of individuals to prevent the overall quality of the loan portfolio from deteriorating and the volume of default assets from increasing.

Thus, in order to improve the bank’s ability to absorb losses, it would be advisable for the bank to use a larger information base to create a “portrait” of the client prior to making a decision on loan disbursements. The proposed mechanism for assessing the creditworthiness of individuals at Sberbank should be used in conjunction with the scoring methodology already in use. In the process of lending to persons who are already clients of the bank, it is proposed to investigate receipts and debits from debit and credit cards on a dynamic basis. This will provide a picture of the borrower’s “real” disposable income and spending patterns in terms of obligatory payments (utilities, taxes, etc.) and current expenditures. Among other things, it is useful to assess available funds in savings and investment accounts, deposits, frequency of their replenishment.

The “scenarios” for credit risk management of current loans should be discussed in more detail. In general, this model can be presented in terms of two key stages, namely “pre-trial” and “trial.” The first stage is a set of preventive measures, the main task of which is to conduct ongoing monitoring to identify potential and real threats to the quality of the bank’s loan portfolio. In this case, specialists should focus on identifying dispositive factors that may adversely affect the performance of a borrower’s loan obligations, namely: deterioration of its financial position, depreciation of collateral, presence of external debts to government agencies, and lower overall borrower rating. Having such information, a bank will be able to develop a set of measures to prevent problem loans. For example, if we identify deterioration of a client’s financial position, it would be reasonable to offer restructuring of the existing loan.

In addition, one of the effective methods of influence on “forgetful” clients is to warn the client about the need to pay money through various communication channels in accordance with his payment schedule [6, 7].

Thus, at the pre-trial stage the main reasons for overdue payments on the loan are identified and possible options for resolving this issue are developed before going to court.
Table 1. Sberbank's credit risk management model.

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of stage</th>
<th>Contents</th>
<th>Recommendations on timing</th>
<th>Daily</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Carrying out ongoing monitoring of the loan portfolio</td>
<td>Study of changes in the creditworthiness and solvency of borrowers, reassessment of collateral, monitoring of the timely fulfilment of obligations by borrowers</td>
<td>At least once a month</td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>Involvement of the risk management service</td>
<td>Notifying borrowers of overdue payments and the need for repayment</td>
<td>Several times during the week</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Second stage: judicial</td>
<td>Insurance is an important area of credit risk management among consumer lenders. It is proposed to expand the number of insurable events that are subject to indemnification. Thus, today it is predominantly loss of capacity to work and death of the borrower that are insured. It is also advisable to include in this list situations with complete or partial deterioration of the financial condition of the borrower (e.g., loss of employment) [8]. However, it should be noted that the use of additional types of insurance and insurance as such will increase the cost of the products offered.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The next point to note is that Sberbank, as one of the largest banks in our country, has a complex organisational structure, which is characterised by a pathological tendency to become overarching and fragmented, contrary to the desire for flexibility of functioning and strengthening of internal links. As a consequence, a "silo syndrome" occurs in the organisation. In this regard, it is advisable to provide a system for managing financial flows in the context of functional blocks, both in the operational and tactical, and in the strategic direction [9, 10].

An important area of work is to optimise the system for storing operational information in the context of key risks and threats for all structural units of the bank. Therefore, it is proposed to consolidate data on risk situations in the context of each structural unit on the basis of the Risk Committee. A clear accountability system and redistribution of powers will allow us to take a fresh look at the existing risk areas and promptly respond to changes.

In the context of the current macroeconomic challenges, in order to improve the efficiency of Sberbank's lending relations with individuals, it is advisable to initially start working from the inside, namely with internal business processes. To this end, it is proposed to provide...
additional training for employees involved in the lending and credit risk management process. It is important that employees who are not formally involved in the risk management function understand their role and importance in managing risk, acting as the first line of defence.

Fig. 3. A strategic map for Sberbank

Fig. 3

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4 Conclusion

It has been found that the sustainable development of the organisation is hindered by dispositive factors such as weakening of the national currency, significant inflation and subsequent economic downturn, which lead to an increase in overdue loan arrears. The monitoring mechanism of potential and real threats proposed in the article will allow identifying the causes of arrears. A number of strategic mechanisms, such as insurance, restructuring of functional management units, classification of operational information according to risk, and training of staff should become additional tools for sustainable development.

References

1. E.A. Savinova, L.A. Kovalerova, V.V. Mandron, Trends in the development of Russia's banking system (Kursk, ZAO “University Book”, 2022)


7. A. Mandrykin, Y. Pakhomova E3S Web Conferences 244, 10003 (2021) https://doi.org/10.1051/e3sconf/202124410003

