

Credit Management

I. Subject Overview and Objective

Grant of credit is a core business of banks and other financial intermediary institutions and, therefore, their performance and business sustainability largely depend on the how efficient credit is managed. The management of credit involves from decision to lend, delivery and recovery of loans, loan/credit risk management, credit governance and bank-borrower relationship building. Therefore, a large number of employees are engaged in credit business line of banks and financial institutions at both decision making and operational levels. Credit management techniques and practices have been evolving extensively in the credit business literature. Therefore, this is a specialized professional subject which consists of both technical and practical knowledge. Accordingly, this subject is designed to provide a comprehensive knowledge in credit management to banking and financial professionals.

11. Recommended Subject Coverage

- (a) Description of Credit Products: Definition and role of the credit in financial/banking business and economy, operational aspects of credit products (customer types, features, collaterals, basic terms and conditions, etc.) fund- based credit facilities(overdrafts, mortgages, pawning, leasing. working capital loans, bills discounting, bills purchase, packing credit, trust receipts loans, credit card facilities, refinance, credit, etc.) and fee based facilities (letters of credit, guarantees, acceptances, etc.)
- (b) Credit Appraisal Process: The 6Cs (Character, Capacity, Capital, Condition, Collateral, Cash Flow), pattern of cash generation (liquidity risk, break-even analysis), corporate credit appraisal (management, commercial, financial, economic appraisals), credit ratings (internal rating models and external ratings), credit pricing
- (c) Credit Policy and Governance: Coverage of credit policy document (credit products, target markets, collaterals, approving limits, board credit committee, executives), credit administration documentations, management information system (MIS) and reporting, Central Bank Directions and requirements of accounting standards on credit risk (impairment)
- (d) Credit Risk Monitoring/Post-Sanction follow up: Monitoring of periodic borrower information /statements, inspections (Internal/External Agency), loans rescheduling, recovery actions, use of credit derivatives (securitization, credit- default swaps.etc), Basel credit risk modeling and allocation of capital