

JEL CLASSIFICATION E59; G34; D81

## THE ECONOMIC ESSENCE OF PROBLEM BANK CREDITS AND THEIR CLASSIFICATION

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*Summary. The article considers the essence of the concept of a «problem credit» and its impact on the stability of the banking sector. Analysis of the classification of problem debts has been done as well*

*as the characteristic of its species has been given. The necessity of credit portfolio quality analysis has been proved.*

**Key words:** bank, problem credit, real credit debt, potential credit debt, quality of the loan portfolio.

An important component of the development of the banking system in general and the individual bank is the development of the high-quality loan portfolio. The imperfect risk of the credit operations management, which results in increased level of credit debt, negatively impacts the liquidity and the financial stability of the bank. All this gives grounds to state that the analysis of problem credit debt, especially understanding the essence of the problem credit is a topical task, the solution of which depends on the competitiveness and trust not only to banks but also to the whole banking system of the country.

Today there is no single approach to understanding the essence of the "problem credit", because theoretical and practical aspects of this concept are insufficiently developed.

The analysis of the definition provided by the international agencies, Ukrainian economists gives an opportunity to examine the essence of problem credits in the narrow (real problem accounts payable) and in the broad sense (aggregate of real and potential problem accounts payable). This has allowed allocate the main features of the problem credits: change the value of provision, deterioration of the financial condition of the borrower, overdue term of the main debt/interest payment, organizational problematic features, the use of which will allow time to take measures to prevent the emergence of problem loans. Therefore, based on the proposed definition of problem loans has developed its classification, the use of which will increase the effectiveness of the quality management of the loan portfolio of banks.

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