

Based on the foregoing mineral resources (stocks of minerals) that meet the criteria of the asset in its dynamic interpretation (in accordance with the dynamic theory of accounting) fit in objects of accounting:

- 1) that are controlled by entity;
- 2) from which economic benefits are expected.

Thus, the inclusion of mineral resources (stocks of minerals) in asset composition will allow mining companies to disclose the resource potential and its depletion, that in turn will provide the necessary information base for reliable determination of the index of national wealth and the calculation of macroeconomic indicators for sustainable development of the country, describing the connection between the quality of the environment, depletion of natural resources and economic growth.

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#### DISCLOSURE CREDIT TRANSACTIONS. THE DEVELOPMENT OF CREDIT RISK IN THE CONDITIONS OF INFORMATION ASYMMETRY

**KATE MESCHERYAKOVA, SVETLANA IZMAILOVICH**  
Polotsk State University, Belarus

*The article considers the phenomenon of information asymmetry in the banking business. Availability determines the existence of information asymmetry and the increase in banking risk. The effect of asymmetric information on the lender and the borrower is defined. A number of problems associated with the presence of information asymmetry are considered. Having trouble of transaction costs and the problem of increasing credit risk in the bank as a result of the negative impact of information asymmetry is marked.*

A prerequisite for the existence of credit transactions is the existence of economic rules, rules that define the possible forms of economic organization in which individual participants interact with each other. From the perspective of O. Williamson, contracts governing transactions between economic agents should reflect three components exchange: the price, the specificity of resources and precautions [1, p. 141]. According to A. Auzan, peculiarities of a contract are directly linked with the characteristics of transactions – with their level of uncertainty, the degree of asset specificity and frequency [2, p. 163].

During the credit transaction and the conclusion of the relevant contract, primarily the right to use material goods is delegated. A distinctive feature of the credit transaction is a high level of risk to participants, in turn, generated by asymmetric information. At first glance, the greatest uncertainty arises from the lender, because originally it was he who fulfills its promises, transmits the value but to count on its return movement he can only after a certain time. However, the borrower may suffer if the lender refuses to commitments in full or in part. It may be, if the borrower has already made full or partial investment of the project, incurred certain costs, and the creditor requires early refund.

The contract allows interaction between participants unrelated with informal relations, as well as not always having mutual and complete trust for each other. The loan agreement regulates not only the conditions of the transaction and specificity transferred resources, but also captures the precautions that should protect participants from the breach of the transaction. In particular, collateral that will be alienated in favor of the creditor as a result of default by borrower commitments is the way to reduce the risk to the lender. The contracted refusal of remuneration payment (percentage) can be a safeguard against early claim for refund on the part of the borrower. For example, a client opens a term deposit in the bank, decided to return the money to its expiry, the bank usually applies in such cases, certain punitive measures – a reduction or lack of interest.

A contract between parties legally confirms the inherent loan repayment transmission resources.

## Economics

Temporary nature of credit transactions is specific. It should be noted that when exchanging specific rights for credit, it is the third stage of the transaction, when participants perform their commitments and stop interaction is especially important and also the most problematic. The specifics of this stage for lending transactions is that the fulfillment of obligations for the parties differs over the time: in the commodity exchange transactions rights tend to occur almost simultaneously, then in the credit transaction, one participant (the lender) fulfills his obligations much earlier than his counterparty. This gives reason to say that the third stage has two phases in the credit transaction:

- at the first phase (WA) – the first party (lender) performs actions, according to the agreement he performs his duties, i.e. transfers the cost;
- at the second (ST) – the other party (borrower) returns a specified value, otherwise implementation of procedures that will restore the violated rights of the creditor begins (for example, alienation of collateral occurs). At this stage, the relationship between the parties either terminated as a result of fulfilment of all obligations by the parties or, in the case of non-compliance, will be continued with the involvement of a third party by legal means.

If the contract describes the options for such action, they come to life at the third stage of credit transaction.

For bank credit transactions these stages can be demonstrated as follows: the customer comes to the bank to obtain a loan to purchase real estate. Rather, in this case, we can talk about mortgage loans. At the first stage of negotiations the client provides information about his financial situation. The bank represented by its employees introduces a potential borrower with its conditions, rates, requirements and regulations. At this stage the client and the bank take a decision whether to continue their relationship. The second stage involves the signing of the contract, where all the rights and obligations of each party will be given, as well as the use of sanctions if the parties fail to fulfill the required conditions is provided. In the third stage the treaty comes into force, each of the parties honors their commitments: FOR - the bank provides agreed funds to the borrower; ST – the borrower carries repayments from a certain period. The transaction is completed at this stage, if the client completely paid off the bank, the mortgage on the property held by the Bank (if it was) is canceled [3].

Transaction information asymmetry that can adversely affect all agents of the transaction may be present at all of these stages.

Thus, credit transactions, the occurrence of which resulted in the establishment of the institute of credit, have a special place in the modern economic system. The essence of the credit transaction is shown in non-gratuitous transmission of rights for the use of the transferred property.

It should be noted that significant transaction costs of credit transactions due to high risks because of insufficient protection of the rights of their members, lead to unnecessary redistribution of property, undermine the incentives to participate in such transactions, reduce the efficiency of the entire economic system.

The need to reduce such losses in credit transactions involves the development and implementation of mechanisms, both market and government that will protect the interests of the participants and overcome these negative trends in the national economy.

Nowadays, the main types of banking risks are the credit, interest rate, foreign exchange, investment, operational, market, etc. Credit risk is acting as the main threat to financial stability of the bank that the loans granted to non-financial organizations and individuals make up a large part of the assets of the banking system. Credit risk is compounded by the existence of asymmetric information in all phases of the credit transaction. Thus, we must consider all aspects of the impact of asymmetric and incomplete information on credit activity of the bank.

During the analysis we found that the asymmetry of information affects not only the banks but also their customers. In both cases, more often than not, this is a deliberate asymmetry. Consider the manifestation of information asymmetry on the part of the lender and the borrower (Table).

Table – Information about asymmetry (from the perspective of the lender and the borrower)

The Lender	<ul style="list-style-type: none"> <li>– adverse selection problem;</li> <li>– the actual purpose of the loan;</li> <li>– the technical condition of the collateral;</li> <li>– the anticipated decline in revenue</li> </ul>
The Borrower	<ul style="list-style-type: none"> <li>– the asymmetry of information distribution based on banking secrecy;</li> <li>– incompleteness of the treaty;</li> <li>– a situation in which a bank may require full repayment of the loan;</li> <li>– the real deadline for the consideration of the application for credit</li> </ul>

Source: author's own development.

*The problem of adverse selection.* The lender, which does not have complete and accurate information about the borrower may unintentionally give credit creditworthy borrower, whereby it will lead to an increase in credit risk.

*The actual purpose of the loan.* Even if the lender made a favorable choice of creditworthy borrower, further concealment of information about the actual use of debt can lead to the phenomenon of moral risk. This situation, when two parties have different levels of information on the subject of their relationship, in its turn, the asymmetry of information is a prerequisite for the emergence of moral hazard.

*The anticipated decline in revenue.* The creditor cannot be fully sure that the borrower has a permanent and stable income. The borrower can provide information about his income, and its validity can be verified only with the passage of time.

*The asymmetry of information distribution based on banking secrecy.* The lender's seeking to get an excess profit to the detriment of the borrower is a manifestation of the lender's opportunistic behavior. The asymmetry of information distribution in this case is based on banking secrecy, i.e., the private nature of relations in the market of bank loans. The borrower's opportunities to assess credit conditions of similar projects are severely limited, because the content of specific treaties is confidential. However, the bank has the ability to manipulate the interest rate on credit, depending on the urgency of the borrower's needs for money, possible return of the financed project, the availability of banking services to the borrower, etc. [4].

*Incompleteness of the treaty.* Another factor creating moral hazard on the part of borrowers is incomplete contract, when the obligations of the parties are described formally, partly. This creates the space for the opportunistic behaviour of contracting parties to one another. Because of the confidential nature of credit relations the bank can apply unfair advertising, i.e. effective interest rate on the loan is generally known only after signing of the loan agreement and all related agreements. There is also a practice of "small print" where is, at times, the most important information that the borrower should know in order not to incur further losses. As far as the borrower, one of the risks of the group is "extortion" on his part. Opportunities for it appear when the customer is the key for the bank. Thus, the client can dictate his terms to the bank, threatening to jump to competitors. This introduces imbalance into the risks of the bank, since the bank is forced to issue loans on more favorable terms, including the area of risk assessment. The client may intentionally mislead the bank about his financial and economic status, appealing his importance and years of joint cooperation [5].

The possible *consequences of the impact of information asymmetry* on the Bank's activities include:

- deterioration in the quality of the loan portfolio;
- the loss of competitiveness;
- increase in the volume of distressed and hopeless credits;
- the bank's security levels drop due to high risk operations;
- additional transaction costs;
- threat to the banking system as a whole.

So, summing up, we can say that the asymmetry of information leads to the emergence of moral hazard from both the borrower and the lender, enlarges the bank risks in the credit sector, which affects the financial condition of the bank. We can say that it is the bank, not its clients that will receive the greatest number of adverse effects of information asymmetry. Because of the existence of information asymmetry in the borrower's behavior, the bank has to bear the additional transaction costs for the collection, processing and verification of information as well as to monitor the borrower after the transaction. All this is necessary, because the bank is not interested in increasing risks that could lead to its bankruptcy.

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