

"The new economy" today comprises industries with high specific weight of non-material, human capital, such as information-communicative technologies, education, science and intellectual services (consulting). New economy received enormous benefits, including fast growth of productivity, income, low unemployment and moderate inflation.

As a new order of socioeconomic relations the new economy has the following characteristics:

- dynamics. Fast changes in the market occur constantly (new players, improved technologies, products, etc., force out the old ones), and its rates are only accelerated;
- innovations. New business approaches and management methods, new developments and flexibility become the major attributes of successful businesses;
- mass production develops qualitatively – new economy merges with specialization according to the demand of each separate consumer;
- effective application of information-communicative technologies becomes of vital necessity for competitiveness, both for separate enterprises and the country as a whole.

This article reveals the essence of economic growth. From the above mentioned information we found out that economic growth leads to the increase in level and quality of life because the amount of goods and services grows per citizen of the country on average. There are two ways of economic growth. The first (extensive) way consists in increasing quantity of resources used with invariable efficiency of their use, which does not give high indicators and has a stagnant character. The second (intensive) way presupposes efficiency increase with invariable quantity of resources used, which is considered more optimal as it is provided with factors of economic growth.

Economic growth provides production increase that is used for the solution to internal and international social and economic problems of any state.

Considering the types of economic growth it is necessary to note that extensive economic growth is accompanied by the reduction of unemployment rate, the full employment of the population which allows increasing production growth. But this phenomenon is temporary as the full employment condition cannot be filled annually and the next year growth rate will be same. Hence, the given way of development has a stagnant character; actually, there is no technical progress. However, it is necessary to mention that the extensive way has given birth to a new type of development – intensive. Having created the basis for development of new economic relations, the extensive way has made a great contribution to the development of the national economy of the whole world. Currently it is impossible to find the pure type of economic growth in industrially developed countries. They are combined in a certain ratio depending on the prevailing method of increase in production of goods and services. In the Republic of Belarus the intensive type of economic growth prevails.

Economic growth is determined by the following major factors: natural resources, manpower, capital, technologies. State regulation of economy and measures for its constant growth are necessary for the realization of social policy of any state.

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#### **FLEXIBILITY ASSESSMENT OF CREDIT RESOURCES OF CORPORATE LOAN PORTFOLIO OF BELARUSSIAN BANKS**

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*The article describes basic conditions of development of bank lending sector of the Republic of Belarus. Flexibility of comprehensive corporate loan portfolio is assessed. Measures to increase the flexibility of credit resources are presented.*

An effectiveness of banks' credit functions determines the condition of the overall economy. Bank loans contribute to productivity increasing and work quality, expanded reproduction, implementation of investment projects, etc. Therefore, the improving of the level of bank credit resources distribution, the increasing of the flexibility of banks' loan portfolio is a prerequisite for building a strong, stable economic system.

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Taking into account all the topicality of those problems, the authors consider:

- introduce a new "credit resources flexibility" definition – the ability of banking institutions to react quickly on changing market conditions (the possibility to generate quickly sufficient financial resources, as well as use the available resources in more effective ways);
- estimate the flexibility of the corporate loan portfolio of banks of Belarus and bring recommendations to increase it.

Let's start with analyzing of the basic conditions for the development of bank lending market of Belarus.

As we can see, the dynamic of the volumes of credit investments in enterprises of the Belarusian economy during the analyzed period has significantly changed. Prior to the crisis of 2011 the volume of credit injections into the economy had been growing by 33.0% annually. Further, the situation had changed dramatically: to restrain the economic recession the refinancing rate of the National Bank dramatically increased, which was immediately reflected on the volume of lending. In 2012, the amount of credit banks injections into the economy of the Republic of Belarus fell to the level of 2009, exceeding it by only 2.62%.

It should be noted loans were issuing, in the Republic of Belarus in the period from 2009 to 2010, as lending growth had exceeded growth in output (GDP). In the short term, this had led to increase of economic growth, but this effect had not been long. That demonstrates the following statistics: in 2011 the Belarusian ruble was devaluated to 278.33% and the inflation rate was 108.7%, with the predicted 7.5 – 8.5%.

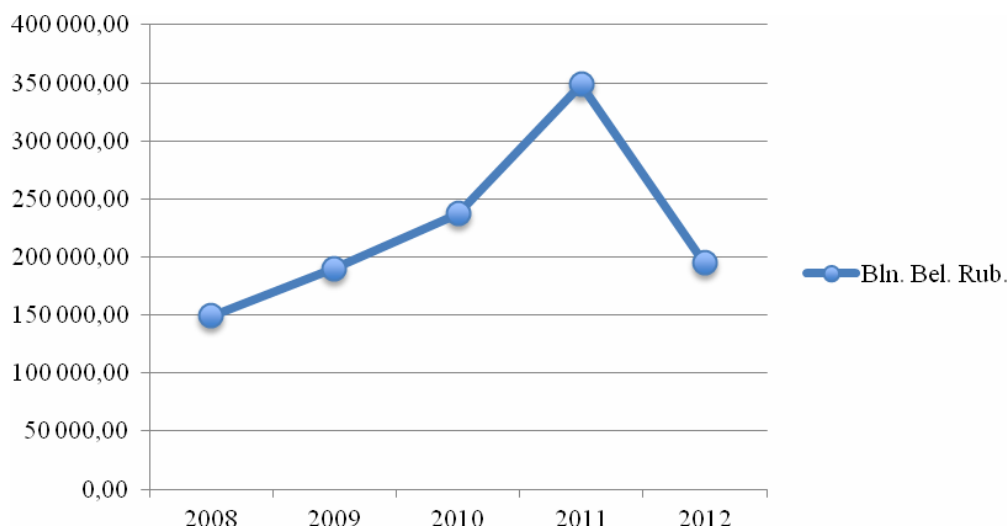


Fig. 1. Dynamics of the volume of credit investments in enterprise sectors of the Republic of Belarus for 2009 – 2012.

Source: own development based on [1]

The structure of credit investments is characterized by the following facts:

- share of long-term loans ranged from 73.0% in 2009 to 75.4% in 2011;
- from 2007 to 2010 it had been permanent reduction in the share of loans issued in foreign currency. Basically, this trend was due to the effect of inflation expectations. However, in 2011 the situation had changed radically: the devaluation of the Belarusian ruble and increase of refinancing rate of the National Bank contributed to increased demand for foreign currency loans by economic entities. As of 01.10.2013 the share of foreign currency loans is 58.7% of the total credit banks' portfolio. The benefit of using credit in foreign currency is simple: the interest rates on these loans 2.9 times are lower than the rates on loans in Belarusian rubles.

• since 2011 there has been a tendency of a small increase in the share of assets subjected to credit risk in the assets of banks of the Republic of Belarus. As of 01.09.2013, the 68.7% of the bank assets was placed in credit. It should be noted that the share of interest income in total income of the Belarusian banks is 32.6%, it means that 68.7% of assets generating just 32.6% of the income of all the banks, which again confirms the topicality of the chosen topic.

The structure of credit resources distribution presented in table 1.

Table 1 – Structure of comprehensive corporate loan portfolio of banks of the Republic of Belarus for 2012

Agriculture	Mining	Manufacturing	Production and distribution of electricity, gas and water	Construction	Trade	Real estate transactions	other
13.8%	1.1%	44.9%	3.1%	4.0%	14.3%	10.8%	8.1%

Source: own development based on [1]

This structure is characterized by a high concentration of credit resources just in a few sectors of the economy. In 2012, the share of enterprises of agriculture (13.8%), manufacturing (44.9%), trade (14.3%), real estate (10.8%) accounted for more than 80% of all credit granted by banks. During the period from 2009 to 2012 the total structure of the corporate loan portfolio of Belarusian banks had not changed so much – the maximum fluctuation were observed within 11.5 percentage points.

GDP volume is determining factor in the volume of credit investments in the economy. To analyze the flexibility of credit resources of comprehensive corporate loan portfolio it is necessary to evaluate how the dynamics of GDP and the dynamics of the volume of granted credit are corresponded to each other. The correlation between these variables is 0.75, suggesting a positive and strong relationship. In 2012, the share of loans in the country's GDP reached the mark of 51.3%. Share of bank loans in Belarus GDP had a stable trend to increase.

Degree of dependence between volume of credit investments and GDP can be analyzed by the elasticity coefficient. Using the data from 2011 and 2012 we can find that the elasticity index is 3.28, means then every 1% of GDP growth leads to increase loans amount by 3.28%. This indicates a direct dependence of the volume of loans from gross domestic product.

Intuitively, the degree of flexibility of credit investments in the areas of economy of the Republic of Belarus on the level of profitability and risk can be estimated using Figure 2.

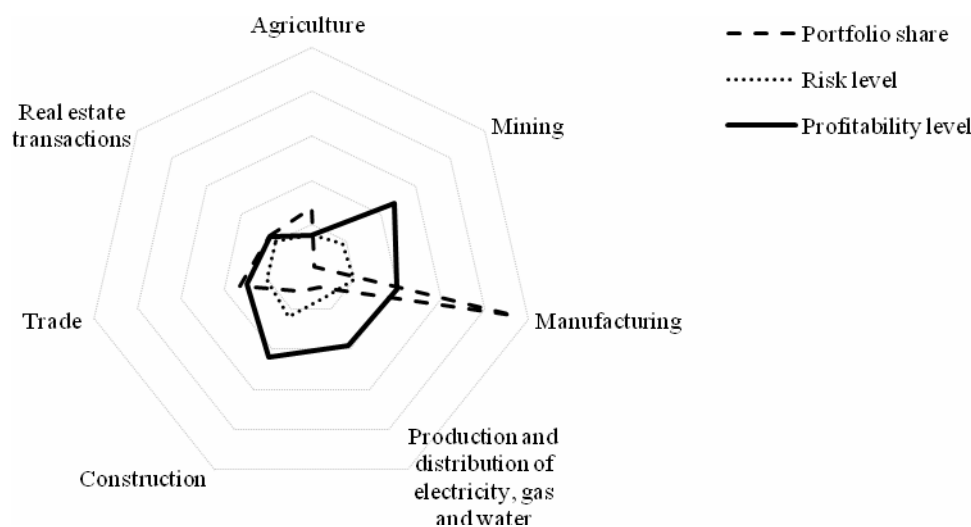


Fig. 2. Evaluation of flexibility of the comprehensive corporate loan portfolio of commercial banks of the Republic of Belarus for 2012

Source: own development

Based on the fig. 2 we can make the unequivocal statement: the structure of the comprehensive corporate loan portfolio of banks of the Republic of Belarus is not flexible. This is evidenced by the absence of reaction on the level of profitability for such areas as mining, manufacturing of electricity, gas and water, and sphere of construction. In these sectors maximum values of interest rates are observed, but they account for slightly more than 10.0% of bank credit resources.

Also, the ratio of risk and return does not match the volume of lending of some industries. For example, the share of lending to sphere of enterprises of electricity, gas 2.8 times less than the share of lending to enterprises engaged in real estate transactions, despite the fact that the lending of last one is 62% less than profitable and 30% more risky.

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This structure of the comprehensive corporate loan portfolio of banks of Belarus is not optimal in terms of its flexibility to the level of risk and return. Proof of this is the statistics on enterprises in the sphere of agriculture: despite minimum profitability level (7.5%), they account 14% of credit resources. However, this fact can be corrected for plurality of concessional lending programs to this sector.

According to the analysis it can be concluded that the structure of the loan portfolio is not optimal: this is evidence of a correlation analysis, as well as calculated criteria of optimality of credit resources structure.

Increasing the credit support to effective enterprises and usage of various economic sanctions, reducing the amount of granted loans to enterprises that do not use borrowed resources effectively can help to improve the flexibility of credit resources of banks.

Management of credit resources flexibility implies an existence of financial tools to influence the borrowers, if they do not comply with the terms of the loan agreement. Possible sanctions should include:

- increase in interest rates in case of overdue loan;
- application of penalties in case of failure to comply with the loan agreement;
- imposition of economic restrictions, directly regulating business activity of the enterprises;
- loans guaranteed by the parent organization, etc.

To reduce the credit risk level it is necessary to exercise lending by money, which secured by goods and services. To do this at the state level it is necessary to create a program of economic development directed to stimulation and increasing the production.

To improve the quality of the loan portfolio it is also necessary to implement following measures:

- formation of the loan portfolio in line with market conditions;
- selection of highly qualified personnel who are able to assess properly the creditworthiness of the borrower and estimate the risks associated with lending;
- development of a system of credit analysis process for continuous monitoring for credit assets status.

Active use of the Credit Bureau database that includes information about all the loans. According to international research results, the active use of information from the credit bureau is able to reduce the number of problem assets in the assets subject to credit risk, by 12.8% [3].

An important activity for banks in the near future is to increase credit support for effective enterprises and use various economic sanctions, reducing the amount of loans issued to entities that do not use borrowed resources rationally. Implementation of programs of reduction the numbers of credits that are associated with a greater risk will reduce the level of credit risk in general, have a positive impact on the quality of the comprehensive corporate loan portfolio of banks of the Republic of Belarus.

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**MARKETING: WHAT IT REALLY IS AND HOW TO DO IT**

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*Real marketing, the kind that is successful, is “fighting in the trenches.” It means the following things (many of them are bad): meeting people who are not particularly nice to you (some of whom you don’t really like) face to face, writing reports, developing contacts, and working in a hospitality suit for 10 hours while you have sore feet and are surrounded by people who are tipsy, loose-tongued, and tight enough to think they are funny. It is very hard work and quite unlike a business where the customer comes to you.*

In addition, there is the integration of advertising and public relations with sales and business plans, sales goals (boggies), and the pressure to keep expenses down while productivity stays up and inventory stays down.