

Banking Risks' Impact on Credit Facilities Mentioning Latter's Volume, Their Relationship and Determinants at Conventional Banks Operating in Yemen

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Abstract---Conventional banks in Yemen remained registered engaging in accepting various deposits, to invest them with the bank's other sources in whole or in part or at any other manner provided by law, referred as the financial institutions aimed to profit by collecting different deposits and re-investing them in various areas, or an intermediary for accepting deposits from surplus units and granting loans to those units encountered deficit or in the field of investment. Recent governmental and financial instability observed in the region arose the need to study the impact of banking risks on credit facilities. Financial data was gathered from four banks during the period 2012-2021, and analysis was done studying variables utilizing the regression method through a significant test. The analysis included performance assessment by inspecting the sample banks and reviewing the financial indicators of credit risks and liquidity risk. Statistical tools were used to identify the relationship between banking risks and credit facilities using statistical packages for Social Sciences (SPSS). It was found, there remains an inverse relationship between credit risks and credit facilities, also there was an inverse relationship between liquidity risks and credit facilities, and it was found, increased credit risk leads to lower credit facilities in banks.

Keywords-Commercial Bank, Credit risks, Liquidity risks.

1. INTRODUCTION

1.1 Banking risks:

Commercial banks were referred as an intermediary for accepting deposits from surplus units and granting loans to the units those encountered deficit or in the field of investment, they were found subjected to banking risks which were defined as the market volatilities of the institution. Described as possibility of loss either directly due to loss of business results or loss of capital or indirectly due to constraints that restrict the Bank's capability to achieve its goals and objectives. Credit risk, Liquidity risk, Capital risk, Interest rate risk and Operational risks were collected as types. The credit risks increased as loans increased (credit risks occurred as a result of non-payment in full) and on due dates, causing financial loss to the bank [1].

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1.2 Credit risks:

They were the risks when the bank was unable to recover interest and the principal of the amount borrowed or both of them. As a result, it can be said that credit risks are the risks that are resulted of non-payment in full and on date, resulting in a large financial loss [2]. The credit risks increased as loans increased (credit risks occurred as a result of non-payment in full) and on due dates, causing financial loss to the bank [3]. Credit risks were categorized as direct credit risks: those which were default of the credit amount and its interests and profits and delay in payment. Indirect credit risks were the risks associated with the indirect credit such as documentary credit/letter of credit and collaterals, which can turn into direct risks all over the life of the credit and collaterals.[4]. Credit risks came generally through customer's activity, the nature of the financed operations, the customer himself, and the bank's failure or by the common economic and commercial conditions. Internal sources were Lack of credit policy: The lack of inadequate and inefficient credit policy was one of the sources of credit risks and one of the main reasons of high risk. Excessive reliance on collaterals: the collateral should not be the influential and determining factor in decisions of granting bank credit. Overdrafts: It has its special technical rules and principles and is always granted in a provisional, exceptional and infrequent form. The customers have excellent financial and credit positions based on an extensive credit study [5].Inadequacy of financial analysis of customer centers is one of the major sources of credit risks and reasons of high credit risks and severe competitiveness to attract some customers.

II. MATERIALS AND METHODS:

Identifying, measuring, monitoring and responding to these risks in order to limit their impact on the Bank's required and ongoing profitability rose as a necessity. The proposed study will show the impact of banking risks on credit facilities and the nature of the relationship between banking risks and credit facilities. Analysis was done, ranging from selection of variables to Regression through a significant test was performed on the financial indicators i.e., the respective ratios.

The generalized form of equations used to find out dependency on each other.

$$b_{xy} = \frac{N\sum XY - (\sum X)(\sum Y)}{N\sum Y^2 - (\sum Y)^2}$$

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When doing regression, the cases-to-Independent Variables (IVs) ratio should ideally be 20:1; that is 20 cases for every IV in the model. The lowest ratio should be 5:1 (i.e., 5 cases for every IV in the model). Lower than that the dependability will be lost. The data was taken from the financial statements of mentioned banks and the reports of the Central Bank of Yemen as at the end of the analyzed years 2012-2021.

TABLE I. INDICATORS FOR ANALYSIS OF CREDIT PERFORMANCE OF CACB FOR THE PERIOD OF (2012-2021) %

Item/year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total direct credit facilities / total assets	56.5	32.4	37.7	37.1	30.0	27.7	29.3	14.0	11.0	15.4
Total direct credit facilities / total deposits	72.3	37.5	40.5	39.8	32.5	29.8	32.2	16.5	12.2	17.5
Credit facilities classified / total credit facilities	12.2	9.3	4.5	3.9	6.6	11.3	14.6	21.2	20.0	16.3
Risk Assets / Total Assets	44.6	46.6	41.8	53.5	32.9	30.6	30.3	13.7	12.2	17.0
Provision for doubtful debts / total direct credit facilities	12.3	14.9	9.3	6.4	9.8	9.5	17.4	35.9	36.5	30.1
Provision for doubtful debts / total credit facilities classified	37.4	51.1	85.7	76.8	64.0	44.2	67.0	76.7	82.6	90.0
Credit facilities substandard / total rated facilities	0.0	30.3	31.3	8.7	28.0	57.4	23.2	16.8	10.7	7.6
Doubtful credit facilities / total classified facilities	0.0	13.7	5.1	7.1	8.9	1.8	24.5	14.1	2.3	2.4
Poor credit facilities / total classified facilities	0.0	56.0	63.6	84.2	63.1	40.8	52.3	69.1	87.0	90.0

Compiled : central bank reports and the annual balance sheet of CACB.

TABLE II. AVERAGE CREDIT RISK GROWTH RATES FOR CACB %

Item/year	2012-2017	2018-2021	2012-2021
Total direct credit facilities / total assets	36.9	17.4	27.2
Total direct credit facilities / total deposits	42.1	19.6	30.8
Credit facilities classified / total credit facilities	8	18	13
Risk Assets / Total Assets	41.6	18.3	30
Provision for doubtful debts / total direct credit facilities	10.4	30	20.2
Provision for doubtful debts / total credit facilities classified	59.9	79.1	69.5
Credit facilities substandard / total rated facilities	23.1	14.8	18.9
Doubtful credit facilities / total classified facilities	9	10.8	9.9
Poor credit facilities / total classified facilities	68	75	71

Calculated on the basis of table 1 data

Evaluation of the performance of CACB:

Table 1. shows that the direct credit facilities granted by the bank decreased during the period of study, where it is clear that the average rate for the period 2012-2017 was 36.9 % and then decreased to 17.4 % during the period 2018-2021, where the average during the study period 27.2 %, which is higher than the sector average of 22.2 % and larger than the average sector average Morphological by an increase of 4.7 %, reflecting an increase in the relative importance represented by direct credit

facilities. The table 2.shows the evolution of the risk assets of CACB ,the annual average of the risk assets faced by CACB was 41.6 % for the period 2012-2017 and then declined to 18.3 % for the period 2018-2021. The annual average was 30 % during the study period, which is higher than the sector average of 21.6 %, the result of this indicator is the decline in the ratio of risky assets during the period 2018-2021, due to the increase in total assets exceeding the increase in risky assets during the last years of the study. Figure 1.shows the evolution of credit risk growth in CACB during the period of study. It indicates the increasing level of credit risk incurred by the Bank as a result of the credit

facilities granted to others. The average annual growth during the study period is positive 22.3 %. The result refers to the low efficiency of credit performance.

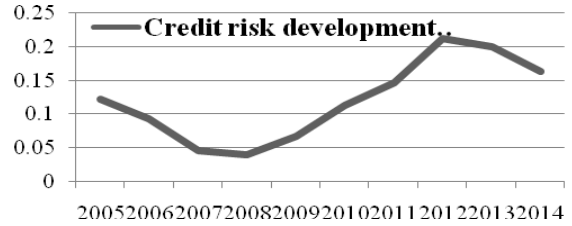


TABLE III. INDICATORS FOR ANALYSIS OF CREDIT PERFORMANCE OF YBRD FOR THE PERIOD (2012-2021) %

Item/year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total direct credit facilities / total assets	19.3	16.9	13.1	12.4	12.4	16.8	13.3	11.5	8.8	12.9
Total direct credit facilities / total deposits	21.9	19.2	15.8	14.9	14.7	20.2	16.3	13.7	10.6	15.5
Credit facilities classified / total credit facilities	21.2	17.1	15.2	18.1	11.3	12.8	10.8	12.7	12.0	10.5
Risk Assets / Total Assets	12.4	12.1	14.6	13.3	14.2	18.9	15.8	14.5	11.8	16.4
Provision for doubtful debts / total direct credit facilities	50.3	42.7	31.4	32.6	28.7	18.6	26.2	26.2	32.2	23.0
Provision for doubtful debts / total credit facilities classified	99.2	92.8	68.7	63.2	85.7	59.7	85.3	70.3	75.5	76.7
Credit facilities substandard / total rated facilities	1.5	7.4	26.7	16.1	26.1	32.3	28.0	4.8	13.6	9.9
Doubtful credit facilities / total classified facilities	0.9	1.0	3.3	24.7	1.4	5.1	5.6	7.6	17.4	10.8
Poor credit facilities / total classified facilities	97.7	91.6	70.1	59.2	72.5	62.6	66.4	87.6	69.0	79.3

Compiled : Central bank reports and the annual balance sheet of YBRD.

TABLE IV. THE AVERAGE CREDIT RISK GROWTH RATES FOR YBRD %

Item/year	2012-2017	2018-2021	2012-2021
Total direct credit facilities / total assets	15.2	11.6	13.4
Total direct credit facilities / total deposits	17.8	14.0	15.9
Credit facilities classified / total credit facilities	16.0	11.5	13.7
Risk Assets / Total Assets	14.3	14.6	14.4
Provision for doubtful debts / total direct credit facilities	34.1	26.9	30.5
Provision for doubtful debts / total credit facilities classified	78.2	77.0	77.6
Credit facilities substandard / total rated facilities	18.3	14.1	16.2
Doubtful credit facilities / total classified facilities	6.1	10.4	8.2
Poor credit facilities / total classified facilities	75.6	75.5	75.6

Calculated on the basis of table 3 data.

Evaluation of the performance of YBRD:

Table 3. shows the evolution of direct credit facilities to the volume of deposits, which reached 21.9 % in 2012 and then declined to 15.5 % in 2021, reaching an annual average of 17.8 % for the period 2012-2017, and then decreased to 14 % for the period 2018-2021. The average annual rate was 15.9 % during the study period. This ratio is lower than the sector average of 25.7 % and the average of the banking sector's negative ratio of 9.8 %. This reflects the low relative importance represented by credit facilities. Table 4. Shows the credit performance of YBRD through its credit risk level. The Bank's credit portfolio includes irregular credit facilities at very high levels. The average credit facilities are classified as 16 % for the period 2012-2017 and then

decreased to 11.5 % for the period 2018-2021, where the average annual rate was 13.7 % for the period 2012-2021, which is lower than the sector average of 0.2 %. The result of this indicator indicates a slight improvement in the efficiency of the credit performance of this bank to follow up and collect its classified credit facilities. Figure 2. shows the development of credit risk growth in YBRD during the period 2012-2021, which reflects a fluctuating growth and a decrease in the efficiency of the credit performance of this bank. The average growth during the study period is positive 5.7 %. Indicate an improvement in performance efficiency during the study period.

TABLE V. INDICATORS FOR ANALYSIS OF CREDIT PERFORMANCE OF IBY FOR THE PERIOD (2012-2021) %

Item/year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total direct credit facilities / total assets	7	27.8	26.0	30.8	24.9	24.2	23.3	3	23.0	18.8
Total direct credit facilities / total deposits	34.8	30.4	28.4	34.8	28.4	28.2	29.3	27.6	26.6	23.8
Credit facilities classified / total credit facilities	9	8.6	22.8	21.9	12.7	19.2	17.3	21.7	25.3	34.0
Risk Assets / Total Assets	13.9	23.6	21.1	25.5	19.1	21.2	15.3	16.1	14.2	11.1
Provision for doubtful debts / total direct credit facilities	23.0	19.6	21.2	22.8	31.5	31.1	26.8	33.8	33.9	44.0
Provision for doubtful debts / total credit facilities classified	116.6	100.0	45.0	46.9	107.1	81.7	88.2	104.3	85.2	78.7
Credit facilities substandard / total rated facilities	2.0	21.8	52.6	14.3	4.3	10.6	7.5	1.4	11.1	9.8
Doubtful credit facilities / total classified facilities	23.7	35.3	12.4	3.5	11.0	18.2	9.0	11.8	10.2	8.9
Poor credit facilities / total classified facilities	74.3	42.8	35.0	82.2	84.7	71.2	83.5	86.8	78.7	81.3

Compiled : central bank reports and the annual balance sheet of IBY.

TABLE VI. THE AVERAGE CREDIT RISK GROWTH RATES FOR IBY%

Item/year	2012-2017	2018-2021	2012-2021
Total direct credit facilities / total assets	27.6	22.3	24.9
Total direct credit facilities / total deposits	30.8	26.8	28.8
Credit facilities classified / total credit facilities	15.8	24.6	20.2
Risk Assets / Total Assets	20.7	14.2	17.5
Provision for doubtful debts / total direct credit facilities	24.9	34.6	29.7
Provision for doubtful debts / total credit facilities classified	82.9	89.1	86.0
Credit facilities substandard / total rated facilities	17.6	7.5	12.5
Doubtful credit facilities / total classified facilities	17.4	10.3	13.8
Poor credit facilities / total classified facilities	65.0	82.6	73.8

Calculated on basis of the table 5 data.

Evaluation of the performance of IBY

The table 5. shows the evolution of direct credit facilities to the volume of deposits, which reached 34.8 % in 2012 and then decreased to reach 23.8 % in 2021, where it is clear that the average annual rate reached 30.8 % for the period 2012-2017 and then decreased to 26.8 % for the period 2018-2021 where the annual average was 28.8 % during the study period, this ratio is larger than the sector average of 25.7 % and higher than the sector average of 3.1 % for the banking sector. This reflects the improvement of the Bank's efficiency in the utilization of available resources in the areas of credit during the period 2012-2017 on the other hand and the low efficiency of the Bank in the utilization of available resources during the period 2018-2021. Table 6.shows the credit performance of IBY, where the level of credit risks it bears. The credit portfolio of this bank includes credit facilities classified as the average annual rate of classified credit facilities was 15.8 % for the period 2012-2017. This

percentage rose to 24.6 % for the period 2018-2021. The average annual rate was 20.2 % during the study period. This percentage is higher than the sector average of 13.9 % and higher than the sector average of 6.3 %. The result of this indicator indicates the low efficiency of this bank during the study period. Figure 3.shows the growth in credit risk at IBY during the period 2012-2021, which reflects the fluctuating growth in the efficiency of the credit performance of this bank. The average annual growth during the study period is positive 41.7 %. There is significant decrease in efficiency of credit performance during the study period.

Liquidity risks:

The liquidity risk was considered as the ability of the bank to find the appropriate amount of liquidity needed to face the risks resulting of the inadequate liquidity or in the case of surplus liquidity to satisfy its liabilities during the inadequate liquidity, or investment in the case of surplus liquidity. Bank liquidity has two types of risk. Liquidity financing risk is the risk that the when bank is not able to adequately fulfill expected and unforeseen cash flows, whether the existing or future, and collateral requirements without affecting the day-to-day operations or the financial position of the bank [6].The liquidity market risk is the other type which is when the bank is not able to open or exclude an open financial position easily and at a market price due to insufficient market depth or a defect in the market itself. Factors those affected the liquidity, the internal factors were Poor planning of liquidity in terms of lack of coordination between assets and liabilities in terms of maturity, Poor distribution of assets to the uses of varying levels of potential for shifting into liquid assets, Sudden shift of some contingent liabilities into real liabilities which its value must be fulfilled without sufficient liquid resources because of the lack of appropriate hedging [7]. The external factors were the status of economic recession or the economic decline that takes place in

the national economy and the subsequent default of some projects that failed to pay their liabilities to the credit banks on the maturity dates. The bank's liquidity is also affected by the clearing balance between the bank, leading to the increase in the bank liquidity if the balance of its current account is creditor to the Central Bank as a result of settling its accounts with the other banks in the country. In this case, new cash resources are added to its cash reserves with the Central Bank which thereby increase its cash balances. Liquidity risk management was carried out by ensuring the bank's priorities, objectives and setting the limits on the cumulative increase of short-term liabilities on assets, reliance on short-term financing, maintaining the minimum ratio of public debt instruments to deposits in the local currency and liabilities with the proportions of the determined gaps in accordance with the system of benefits scale and submitting a report on the general state of liquidity on a regular basis as a requirement of the Central Bank. It was also addressed by adopting quantitative objectives such as a minimum limit of liquidity ratio in each currency the bank operates with, qualitative objectives related to the need to maintain financial strength and ability to withstand emergency conditions and stress factors.

Liquidity risks were measured by the following ratios:

TABLE VII. DEVELOPMENT OF LIQUIDITY RATIOS FOR (2012-2021) %

Year / Item	CACB	YBRD	IBY	YCB
Liquid Assets / Total Assets				
2012	55.4	87.6	86.1	70.1
2013	53.4	87.9	76.4	66.0
2014	58.2	85.4	78.9	68.0
2015	46.5	86.7	74.5	69.6
2016	67.1	85.8	80.9	70.2
2017	69.4	81.1	78.8	76.1
2018	69.7	84.2	84.7	75.9
2019	86.3	85.5	83.9	84.6
2020	87.8	88.2	85.8	81.8
2021	83.0	83.6	88.9	81.1
Averages				
2012-2017	58.4	85.7	79.3	70.0
2018-2021	81.7	85.4	85.8	80.8
Liquid assets / total deposits				
2012	71.0	99.8	94.5	80.7
2013	61.8	99.9	83.5	78.6
2014	62.6	103.5	86.0	81.6
2015	49.9	103.7	84.1	79.4
2016	72.7	101.9	92.4	80.7

2017	74.6	97.5	92.0	85.9
2018	76.6	102.8	106.4	87.6
2019	101.2	101.8	95.4	94.8
2020	96.9	105.9	99.3	95.4
2021	94.2	100.5	112.6	95.2
Averages				
2012-2017	65.4	101.0	88.7	81.1
2018-2021	92.2	102.7	103.4	93.2
Liquidity ratios according to the standards of the Central Bank of Yemen				
2012	-	77.9	72.8	44.0
2013	-	76.8	62.2	39.1
2014	42.1	81.5	67.9	45.9
2015	35.8	84.3	60.7	43.8
2016	53.0	82.2	69.5	51.2
2017	60.4	80.7	73.6	53.5
2018	64.7	85.9	82.0	57.6
2019	83.1	84.0	84.6	71.3
2020	83.8	87.9	84.2	69.8
2021	77.2	81.4	89.7	68.2
Averages				
2012-2017	44.1	80.6	67.8	46.3
2018-2021	77.2	84.8	85.1	66.7

Source: Compiled from the annual balance sheet reports of Yemeni banks

Table 7. Indicates the evolution of liquid assets to total assets of banks during the study period. The average annual rate ranged from 58.4 % to 85.7 % for the period 2012-2017. YBRD achieved 85.7 % the highest percentage in the study sample, IBY achieved 79.3 %. YCB achieved 70 %. CACB achieved 58.4 % and is considered the lowest in the study sample but is higher than the standard rate of 25 %. Ratio of liquid assets to total deposits of banks: Average annual percentage ranged from 65.4 % to 101 % for the period 2012-2017. YBRD achieved 101 % the highest percentage in the study sample, IBY achieved 88.7 %, YCB achieved 81.1 % and CACB achieved 65.4 % and is the lowest in the study sample. The table also shows the evolution of the liquidity ratio in accordance with the instructions of the Central Bank of Yemen for the sample banks. The average liquidity ratio ranged from 44.1 % to 80.6 % for the period 2005-2010. CACB achieved 44.1 % the lowest in the study sample which is higher than the standard. YCB achieved 46.3 %, IBY achieved 67.8 %, higher than the standard of 25 %. YBRD achieved 80.6 %, the highest percentage of the study sample, which is much higher than the 25 % standard. Figure 4. shows the average growth rate of the liquidity ratio according to the standards of the Central Bank of Yemen for the sample banks, the growth rate was 3.8 %. The growth rate in liquidity ratio. In

the distribution of its assets and the retention of a large proportion of its assets in liquid form, this affects their investments. Therefore, on their profitability and their non-participation in economic development effectively on the one hand and on the other hand the increase in this ratio to reduce the liquidity risk in banks sample study.

III. RESULTS

When analysis to the financial data carried out through Regression, and the statistical tools were used to identify the relationship between banking risks: Credit Risk and Liquidity Risk and Credit facilities, it was found: there remains an inverse relationship between credit risk and credit facilities

TABLE VIII. RESULT OF THE FIRST PROPOSED STUDY

R	R Square	F	Sig.	Beta
0.856	0.733	21.943	0.002	-0.856

Source: Analysis from financial statements of banks

Table 8. Shows that there is an inverse relationship between credit risk and credit facilities. The correlation coefficient R (0.856) was at the level of significance (.05). The R Square coefficient explains (0.733) of the difference in the value of (0.733) of the changes in credit facilities due to the credit risk. The value of the effect was β (- 0.856) An increase of (1) in credit risk leads to credit facilities with a value of (0.856). The significance of this effect is the calculated value of F (21.943), which is a function at the level of significance (0.05). This could be interpreted as "there is an inverse relationship between credit risk and credit facilities."

TABLE XI. RESULT OF THE FIRST PROPOSED STUDY

R	R Square	F	Sig.	Beta
0.829	0.688	17.627	0.003	-0.829

Source: Analysis from financial statements of banks

Table 9.shows, there remains an inverse relationship between liquidity risk and credit facilities. The correlation coefficient R (0.829) was at a level of significance (0.05). The R Square coefficient explains (0.688) of the variance in the value of (0.688) of changes in credit facilities resulting from liquidity risk. The value of the effect was β (-0.829). An increase of (1) in liquidity risk leads to a negative impact of credit facilities (0.829). The significance of this effect is the calculated F value of (17.627) which is a function at the level of significance (0.05). This could be interpreted as "There remains an inverse relationship between liquidity risk and credit facilities."

IV. DISCUSSION

Analysis of the financial data concluded: there remains an inverse relationship between credit risk and credit facilities, and liquidity risk and credit facilities. Following discussion elaborates the credit facilities, the impact of banking risks on

credit facilities, the volume and determinants of credit facilities describing the study objective.

A. Credit facilities:

Banks provided the necessary funds against the borrower's pledge to pay those funds, due interests and commission in fixed installments and a single payment. Bank negotiated with the customer on the amount of credit. They frequently implemented the credit facility in conjunction with closing a round of equity financing or raising money by selling shares of its stock, or based on collateral that may be sold or substituted without altering the terms of the original contract at bank's discretion. The contract opened with the basic contact information for each of the parties involved, followed by a summary and definition of the credit facility itself and addressed the legalities that may arise under specific loan conditions, such as a company defaulting on a loan payment or requesting a cancellation. The time period for repaying the loan was flexible and like other loans, depended on the credit situation of the business and how well they have paid off debts in the past. Factors considered at credit facilities were agreements those detailed the borrower's responsibilities, loan warranties, lending amounts, interest rates, loan duration, default penalties, and repayment terms and conditions. They were classified to long-term, medium-term, short-term credit facilities, moreover they were grouped as economic facilities and personal facilities.

B. Impact of banking risks on credit facilities:

Impact included the identification of four areas, corporate governance exerted the greatest impact, followed by diversification, which played a significant role, hedging and, finally, the bank's Capital Adequacy Ratio [8]. The term hedging signals the protection of a business's investments by limiting its level of risk, for example, by purchasing an insurance policy. Diversification is the allocation of financial resources in variety of different investments and has also long been understood to minimize such risk. The capital adequacy ratio is a measure of a bank's capital maintained to absorb its outlying risks.

C. Volume of credit facilities:

Credit facilities were extended into two branches, short term facilities as working capital requirement and long-term facilities required for capital expenditure or acquisition-related expenses. Former facilities included short term loans and trade finance which included

1. Export credit: This kind of loan which was granted by government agencies to export houses to enhance the growth of exports
2. Letter of credit: Where three parties were involved Bank, supplier, and company. Bank guaranteed the payment from the company to the supplier, and this is a much more secure form of credit facility. The bank issued the letter of credit based on the collateral from the company, and this type

of arrangement is more preferred by suppliers as it mitigates the risk of default to a great extent.

3. Factoring: Factoring is a more advanced form of borrowing, where a company would involve a third party (Factor) to sell its account receivables at a discount to help them transfer the credit risk from their books. It helps the company to remove the receivables from its balance sheet, which can further act as a source to fulfill its cash requirements.
4. Credit from suppliers: This is more of a relationship-based where the supplier who has a strong relationship with its customers will be in a better position to provide credit after good negotiation of the payment terms to secure a profitable transaction.

And cash credit and overdraft were types of facility where a borrower can withdraw money/funds more than what it has in its deposit. Interest rates apply to the extra amount, which has been withdrawn apart from the amount in its deposit. The borrower's credit score plays a crucial role in the size of credit and interest rate charged. Long term facilities were unsecured and raised from capital markets. They were costlier to compensate the elevated credit risk lenders were willing to take. They included bank loans, the most common forms of credit facility where the amount, tenure, and repayment schedule are predefined. These loans can be secured (high-risk borrowers) or unsecured (investment grade borrowers) and are usually given on floating interest rates. Before giving such loans, banks need to perform crucial checks or due diligence to mitigate credit risk. A bridge loan is a loan which is utilized by companies for working capital requirements for an interim period when a company awaits long term financing or source of fund. Mezzanine debt is a blend of equity and debt. This type of capital is usually not guaranteed by assets and is lent solely based on a company's ability to repay the debt from free cash flow. Securitization is a technique is pretty much similar to factoring. The only distinction is the institution involved and liquidity of the assets [9].

D. Determinants of credit facilities:

Various factors while considering credit facilities such as personal factors which include Sufficient investment awareness of the customer, awareness of administration and techniques to run their business, sufficient information offered to the bank, customer commitments to pay premiums at maturity date, availability of personal guarantors, the customer's reputation taken into consideration when granting the loan, the size of the market share of the client are taken into account when granting the loan, the diversity of the client activities taken into account when granting the loan, economic feasibility studies are prepared for Projects to be financed, the customer credit history studied when granting the loan. Customer borrowing factors include, the customer's reputation taken into consideration when granting the loan, the customer credit history is studied when granting the loan, financial customers should be suitable, the diversity of the client activities taken into account when granting the loan, the

size of the market share of the client are taken into account when granting the loan. Credit Policy factors include making sure documentation of debt is accurate and legal, Loan guarantees are assessed accurately and credibly, availability of collateral is a key factor in the granting of loans, officials of credit are able to analysis credit, credit policy is drawn through the case study. Central management of loans factor include No excesses by loan administration of credit policy instructions, The central credit management has effective methods to control the risks of loans, Loan committees formed by central loan administration are strong and effective, there are sufficient powers with branch management of provision of any type of loans, there are properly processing by management regarding the scheduling and settlement of bad debts for some customers. Environmental conditions of the local economy factor include department of Credit facilities deals honestly and credibility with legislations and laws issued by monetary policy. Government decisions affecting the financial and marketing capabilities of customers [10]. Thus, credit facilities have a lot of importance from a business point of view. One of the best things about a credit facility is that no one dictates how the cash should be utilized, unlike a bank loan. Sometimes certain loans come with clauses attached where the financier has full authority on how the cash has to be utilized. They are much more flexible as whenever a need arises; businesses can make use of it. Also, a business needs to build a strong credit history, which makes it easy to obtain such facilities. Being charged low-interest rates as compared to credit cards, these are highly beneficial to the company.

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