
Corporate qualitative and quantitative assessment from credit risk perspective

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Abstract

Until a few decades ago, the decision power to deny or grant a loan laid in the hands of a single individual: the credit analyst. Some of the bad experiences of banks losses or even failures were attributed to bad decisions made by credit analysts, who based their decision on personal knowledge, their information about the potential customer and the trust placed in the customer.

After the financial crisis, two key concerns have been raised regarding banks' activities: "too little, too late" provisioning for loan losses and "too big to fail". The credit risk management subject became not only a compliance exercise for banks, but also a key item considered when establishing the strategy and execution path. Our intention within this paper is to discuss some of the specific issues related to credit risk management, considered by commercial banks when analysing a corporate client. The result of this research is a web application named CISS (Credit Institution Scoring System), which represents a proof of concept for a bank credit scoring system. The application was developed using HTML, MySQL and PHP solutions.

Keywords: Credit risk, scoring, multidimensional model, database, application, corporate clients.

JEL Classification: G21.

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