



## CREDIT ASSESSMENT SKILL SMALL AND MEDIUM ENTERPRISE (SME)



### **Background**

Advancing credit facilities to small/medium enterprises is one of the major functions of banks and financial institutions (BFIs), particularly at their branch level. Considering the situation majority of the employees that are designated for booking or managing such credits should have fundamental as well as specific knowledge with regards to assessing such credit proposals, which would typically include understanding the borrowing cause, type of credit facilities and associated risks, terms of credit facilities, pricing of credit facilities, financial and non-financial risk assessment, security and security documents, terms/conditions/covenants, monitoring, key compliance requirements etc.

#### Program Details:

**Date & Time:** 2nd-9th June, 2022 (7am-10.15am) (No classes on 4th & 6th June, 2022)

**Duration:** 12 sessions (18hrs; 1 session=1.5hrs)+1hr examination will be conducted at the end of the program

**Venue:** NBI Hall

**Target Audience:** All Staff involved in managing retail and SME credit (business portfolios) or credit risk officer (independent risk assessment).

# Course Outline

## 1. Principles of Advancing Credit Facilities

## 2. Types of Credit Facilities and Risks

- Funds based - overdraft and loans.
- Non-funds based - letter of credit, guarantee etc.

## 3. Basic Fundamentals of Product-Based (Standardized) Credit Exposure (SME)

- Credit facilities that can be managed/controlled by way of a standard product document.
- Equated monthly or quarterly installment (EMI, EQI etc.) for repayment.
- Pricing of risk.

## 4. Standalone Credit Exposure (SME Focused)

- Basic Information required to process standalone credit exposure.
- Credit risks based on externalities.
- Credit risks based on internal environment and management of the enterprise
- Borrowing cause and possibility of diversion of funds.
- Assessment of limits for credit facility.
- Terms of credit facility - revolving or terminating, tenure, interest rate and fees etc.
- Use of spreadsheets to analyze financial statements.
- Risk assessment - non-financial risks, financial and cash flow risks, facility structure risk, account performance risk etc.
- Terms, conditions and covenants.

## 5. Security

- Acceptable tangible security: land, building, shares, bonds, current assets, vehicle, fixed and other assets.
- Personal guarantee, corporate guarantee and cross guarantee.
- Valuation of security: Professional valuation, in-house valuation, fair market value (FMV) and distress value (DV).
- Nature of charge: lien, pledge, registered/unregistered mortgage and hypothecation charge recorded as per Secured
- Transaction Registry Act.
- Pledge over shares/bonds of public limited company and government securities.

## 6. Credit Administration and Monitoring

- Assessment of borrowing power.
- Inspection of stock and receivables.
- Insurance of stock and assets.

## 7. Assessment of 1 hr

*\*\*Certificate of completion shall be provided to participants scoring 60% & above. The rest will receive certificate of participation.*

## Facilitator's Profile



***Mr. Ajay Shrestha***

***Former CEO***

***Bank of Kathmandu Ltd.***

Mr. Shrestha, a Senior Banker, carries more than 3 decades of professional banking experience. He started his career journey from Standard Chartered Bank Nepal Ltd. (the then Nepal Grindlays Bank Ltd.) and moved to NMB in a senior position, and subsequently to Bank of Kathmandu Ltd. as the CEO. His area of expertise includes Credit & Corporate Banking.

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