D. Mladenova, Bachelor student
N. Rubtsova, PhD in Econ., As. Prof., research advisor
N. Sniehir, Teacher of English, language advisor
Tavria State Agrotechnological University

INSURANCE AS A FORM OF PROVIDING CONSUMER CREDITS

Today consumer credit is the most necessary form of short-term lending. This type of loan expresses the relationship between a lender and a borrower and it is provided to legal entities and natural persons for consumer purposes.

The bases for the classification of consumer credit are the following main characteristics:

1) the type of lender (banks, non-bank institutions);

2) the method of issuing consumer credit (monetary, commodity, commodity-monetary credits). Monetary consumer credit can be direct (credit cards, credit lines, check credits, etc.) and indirect (financing the sale of goods in installments);

3) targeted nature (investment loans, loans for current consumer needs);

4) urgency (short-term, medium-term, long-term loans);

5) security of consumer credit (blank and secured loans);

6) the way of paying interest (ordinary and discount loans);

7) the nature of funds turnover (single and revolving loans);

8) the loan currency (loans in national currency, foreign currency, in several currencies);

9) the method of repayment (loans that are repaid a one-time, and loans with installment payments).

The role of a lender of consumer credit can be performed by specialized credit institutions or simply by legal entities that sell goods or services. Consumer credit is provided in cash or in the form of commodities. In cash, it is given as a bank loan to an individual for the acquisition of movable or immovable property. It can also be provided by a non-bank credit institution (pawnshops, credit unions, etc.). In the form of commodities it is given in the process of functioning of retail trade in consumer durables with a deferred payment [1]. However, regardless of the form of lending, each loan transaction is accompanied by the risk of non-repayment of the loan. In case of unforeseen insolvency of borrowers, insurance protection of interests of creditors is applied. This type of insurance is a classic example of the synthesis of insurance and banking cooperation.

The reasons of insolvency of consumer loans for a long time were the death or partial loss of ability to work of a borrower. Upon the occurrence of a different situation, a borrower loses the opportunity to earn on a regular basis or to make a profit. Thus, the main risk to the debtor's family budget is still considered to be the case of his death, and the additional risk is the case of incapacity for work. The structure of the accumulated risk of incapacity for work can include the risk of unemployment, which in most life cases can also lead to loss of profits and inability to repay the debt within a specified period. A separate risk may be an unforeseen loss of profit or irregular income of a debtor [2].

Today the problem of borrowers' failure to fulfil their financial obligations on consumer loans is quite acute. The causes of insolvency may be unemployment, death, total or partial disability of the borrower resulting in loss of income and inability to repay the debt on time. It leads to an increase in insurance payments. In some cases this type of credit insurance generally becomes unprofitable.

Insurance rates are formed taking into account the amount of the first payment by the buyer, the number of certain periodic repayments of the loan (the period of its provision) and, of course, the reliability of the borrower, which can be quite volatile [3, p. 294].

The main means of combating imitation of insurance cases by insurers are dealing with banks that value their reputation; introduction of new effective forms of financial services which are attractive to the public, such as granting loans secured by insurance policies, etc.

Consumer credit is granted in the amount not exceeding the total annual income (according to the documents submitted by the client) plus the amount of the percentage of the cost of goods (this amount is the first installment of the client and it must be credited to the client's loan account on the day of transfer of funds by the bank to the trading enterprise).

Consumer credit can be provided in a cashless form by transferring the amount to the borrower's current account or paying his settlement documents transferring funds to the seller's current account.

According to the terms of the loan agreement, the borrower repays the loan once a month in equal installments and pays interest for using the loan: by depositing cash at the bank's cash desk or in a cashless form by the client's order.

If the customer has not made the next payment within the term established by the loan agreement, the responsible employee of the department finds out the reasons of the situation and conducts work on the loan repayment.

Thus, consumer lending in Ukraine is developing rapidly, commercial banks take foreign experience as an example and create new credit schemes and credit rules. Overcoming the problems of consumer credit insurance is of interest to everyone, including large producers of goods for the population and wholesale trade organizations, since it has the advantage of a large insurance field and the continuity of lending.

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