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## RISK-ORIENTED MECHANISMS FOR FINANCIAL RESTRUCTURING OF CREDIT DEBT OF ENTERPRISES-CLIENTS OF BANKING INSTITUTIONS

*In recent years, Ukrainian enterprises have faced a multitude of influencing factors, notably including military conflict. The critical issue extends beyond merely recognizing the existence and significant impact of these factors; it lies in the extreme dynamism characterizing the operational environment, which consequently creates a high degree of uncertainty. Under such conditions, the utility of previously accumulated experience as a decision-making foundation is limited, as it often fails to provide the requisite informational basis for effective managerial decisions. A considerable proportion of managers exhibit passivity towards initiatives, particularly those aimed at enhancing competitive positions through short-term tactical strategies. This underscores the pressing necessity for comprehensive adoption of risk-oriented management practices. Such an approach requires integrating principles of security activities specific to the operational context of each enterprise. Furthermore, the cultivation of risk-oriented thinking is essential and should be pursued through improving managerial professional competencies alongside instituting meaningful transformations in corporate culture. The paper identifies the principal advantages associated with adopting a risk-oriented approach to enterprise management. In this regard, a structured framework comprising core elements of risk-oriented management tailored to the economic security systems of enterprises operating under contemporary conditions is proposed. Additionally, an algorithm is developed to implement a risk management system designed to ensure and enhance the economic security of enterprises. To facilitate the modeling of a risk-oriented enterprise management system, the application of a risk map construction methodology is recommended. This method enables the prompt and reliable identification and evaluation of risks, thereby supporting informed managerial decision-making while defining a security trajectory for enterprise development under prevailing conditions. An illustrative risk map scheme has been designed for enterprises operating in contemporary conditions, encompassing three distinct zones: acceptable risk, moderate risk, and a zone indicating a critical level of risk. Moreover, the research advocates for the consistent and systematic integration of risk-oriented management approaches across all stages of the product life cycle within modern enterprises. To this end, a flowchart detailing the implementation of enterprise risk management processes has been developed.*

**Keywords:** risk-oriented, mechanisms, financial restructuring, credit debt, enterprises, clients, banking institutions

### INTRODUCTION

In today's conditions of economic instability, increased competition and financial risks, the issue of effective management of credit debt is becoming particularly important for enterprises. For Ukrainian banks, the problem of borrower insolvency remains one of the key challenges, which has an impact on the financial stability of the banking system and, in general, on the pace of development of the country's economy. The accumulation of problem loans negatively affects the liquidity and capital of banks, while at the same time complicating business access to financing, which slows down investment activity and the process of restoring production capacities.

Under such circumstances, the implementation of risk-based mechanisms for financial restructuring of credit debt becomes a strategically important decision. These mechanisms provide for a set of measures aimed at adapting lending conditions to the financial situation of the debtor, taking into account his individual level of risk, industry characteristics and prospects for restoring solvency. Thanks to a risk-based approach, banking institutions can not only minimize losses from non-returned loans, but also support viable enterprises, contributing to their further development. In Ukraine, the need to improve credit debt restructuring mechanisms has become particularly urgent due to the consequences of military operations, the disruption of production chains and changes in the financial condition of businesses. Therefore, effective restructuring models must take into account both traditional banking risks and new uncertainty factors, in particular security challenges and the process of

economic transformation. Therefore, the study of risk-based mechanisms for financial restructuring of corporate debt is not only important, but also necessary. It allows us to determine the optimal ways of cooperation between banks and borrowers, contribute to the stabilization of the financial system, and create conditions for sustainable business development in Ukraine.

The **PURPOSE** of the paper is to substantiate and develop mechanisms for financial restructuring of credit debt of enterprises that are bank clients, taking into account a risk-oriented approach. This is done taking into account the current conditions of the functioning of the Ukrainian economy and the need to increase the efficiency of credit risk management.

### RESEARCH METHODS

The paper used a wide range of general scientific, specialized economic and empirical methods, which allowed for a comprehensive analysis of the adaptation mechanisms of financial restructuring under martial law in Ukraine. These methods became the basis for identifying the key components of financial restructuring, combining individual elements into a single conceptual system of adaptation processes and developing general conclusions based on the analysis of specific examples.

### RESULTS

In the field of economic research, there is a notable lack of focus on the mechanisms and methodologies required to address the issue of bank debts effectively. The absence of a well-defined framework that delineates the roles and

actions of banks, borrowers, and third parties in enhancing the quality of debt obligations and ensuring their repayment constitutes a significant unresolved challenge. This issue becomes even more critical in the context of wartime conditions, where the state has yet to establish comprehensive legislative measures to address such debts. Consequently, this underscores the pressing necessity to refine and optimize mechanisms for resolving the challenges associated with problematic bank loans.

It is particularly important to emphasize that bank reorganization may arise under various circumstances. Such reorganization can be initiated voluntarily by the bank's owners or management, enforced through a directive from the National Bank of Ukraine, or mandated as a result of legislative changes [2]. During periods of financial crisis, the establishment of an interim administration may serve as a potential precursor to initiating the reorganization process.

The financial restructuring of banking institutions encompasses a broad spectrum of approaches and tools that vary significantly in both their impact and scope. These mechanisms are employed not only by commercial banks but also by governmental bodies tasked with regulatory and supervisory responsibilities within the banking sector. During periods of martial law, financial restructuring assumes heightened significance for nations grappling with the multifaceted challenges posed by war.

This necessitates a tailored approach that considers the distinctive circumstances and their repercussions on the financial and economic frameworks. Within this context, the application of a SWOT analysis emerges as a pivotal methodological tool. Grounded in the insights of analysts, researchers, and experts, SWOT analysis facilitates the identification of internal strengths and weaknesses, alongside external opportunities and threats. This systematic evaluation is indispensable for formulating a comprehensive and effective financial reform strategy tailored to current exigencies.

The ongoing war in Ukraine presents significant challenges to economic stability and the resilience of financial systems. In this context, utilizing SWOT analysis to evaluate financial restructuring during a crisis becomes increasingly pertinent. A critical component of this process is the role of international support, particularly through financial assistance, which emerged as a vital factor in stabilizing Ukraine's financial system during the martial law period [3]. Such aid provided authorities with crucial resources and a financial buffer, helping to maintain stability under wartime conditions. Examining European strategies for tackling the issue of non-performing loans (NPLs) offers valuable insights.

A central feature of any effective approach involves isolating problematic assets from the operational segment of a bank's balance sheet. While various techniques exist for this separation, primarily focused on operational dynamics, the legal segregation of distressed assets into distinct balance sheets serves a singular objective: restoring stakeholder confidence and averting capital flight. In emerging markets like Ukraine, directly selling NPLs to independent investors may pose challenges. In such scenarios, governments might explore establishing specialized asset management companies (AMCs). When debt issues are systemic, the formation of a centralized AMC to oversee and streamline efforts across multiple financial institutions facing similar difficulties can be a practical solution.

Secondly, enhancing the legal mechanisms for financial restructuring and bankruptcy procedures significantly boosts the effectiveness of measures aimed at addressing the challenges faced by NC. It is crucial to ensure process transparency so that both banks and borrowers clearly understand the timelines and potential outcomes of restructuring or bankruptcy [1].

Moreover, when restructuring involves attracting new capital and improving management practices, it can serve as a foundation for a more comprehensive recovery process within the corporate sector. Achieving success in such initiatives requires concurrently strengthening the legislative framework through reforms to relevant regulatory norms and increasing the expertise and competencies of courts and specialized professionals in bankruptcy matters. Bank restructuring is inherently complex and multifaceted, heavily influenced by the financial condition of the institution and its defined strategic objectives. Within this context, various types of restructuring can be identified, each with distinct goals and underlying priorities.

Natural restructuring applies to banks that operate stably and demonstrate efficiency. The main objectives of this type of restructuring include increasing the market value of the bank, preserving and building equity, preventing competition, creating unique competitive advantages, and attracting long-term financial resources in the form of investments.

Business restructuring refers to the process of reorganizing the operations of financially struggling banks that are increasingly exposed to various risks [4]. These risks can include the threat of being acquired by other entities or disputes among owners. The primary objective of business restructuring is to safeguard the bank from external takeovers and address internal issues, ensuring its long-term stability.

Crisis restructuring is implemented for banks experiencing pre-crisis or crisis conditions. The primary objectives include enhancing crucial economic and financial performance, executing strategies for financial recovery, and managing obligations to creditors. Each restructuring approach is tailored with specific goals aligned to the bank's unique circumstances and the challenges it needs to overcome.

The proposed approach offers multiple noteworthy benefits. Primarily, it facilitates a more precise evaluation of the bank's potential avenues for growth and aids in identifying critical challenges. Additionally, it incorporates the application of the discounted cash flow model for crafting business plans, thereby enabling a robust framework for strategic financial planning. This method also allows for predicting the post-restructuring market value of the bank, which serves as a foundation for defining well-articulated strategic objectives.

Academic studies highlight that one of the innovative developments in the credit policies of banks is an adaptive restructuring model. This model, particularly evident in the second phase of restructuring, is grounded in the principle of gradually restoring borrowers to the capability of full repayment. Central to this process is an adaptation period tailored to reflect the borrower's actual financial circumstances, ensuring a more pragmatic and client-focused approach.

The suggested approach presents several significant advantages. First and foremost, it enables a more accurate assessment of the bank's potential growth opportunities while helping to pinpoint critical challenges. It also integrates the

use of the discounted cash flow model in shaping business plans, providing a solid framework for strategic financial management. Furthermore, it supports forecasting the bank's post-restructuring market value, which becomes essential in formulating clearly defined strategic goals. Research indicates that one of the notable innovations in bank credit policies is the introduction of an adaptive restructuring model [5]. This model, particularly evident during the second phase of restructuring, is based on the principle of gradually reinstating borrowers' ability to fully meet repayment obligations. A key aspect of this approach is a customization period designed to align with the borrower's actual financial situation, ensuring a more realistic and customer-centric strategy.

Market price fluctuations arise as a direct result of restructuring, which represents an investment initiative aimed at enhancing the development of a banking institution. The core concept behind this approach lies in implementing an effective structural transformation to boost the organization's overall efficiency. Essential components of the process include the meticulous planning of the restructuring phases, utilizing a discounted cash flow model to craft a comprehensive financial strategy, and forecasting the bank's market value post-restructuring. This forecasting relies on discounting cash flows to establish key performance indicators.

Such reforms can attract new investment projects and create a platform for economic recovery. International assistance plays an important role in this, as it can provide additional financial resources and support for the implementation of reforms. Active cooperation with international partners will reduce the financial burden on the state and create the prerequisites for long-term economic growth.

### CONCLUSIONS

The study thoroughly explored contemporary methods for the financial restructuring of enterprise credit debt within collaborations with banking institutions. It emphasized the importance of employing risk-oriented mechanisms during the restructuring process to enhance the management of problematic assets. The findings suggest that under conditions of economic instability, rising market risks, and ongoing transformational changes in Ukraine's economy,

efficient management of credit debt is crucial for maintaining the stability of the financial system.

Traditional restructuring methods employed by banks frequently fail to consider the specific risk profiles of individual enterprises. These methods typically emphasize general financial metrics and standardized procedures, overlooking critical factors such as industry-specific characteristics, the unique operational dynamics of enterprises, and their levels of operational stability. Consequently, banks often delay their response to declining loan quality or resort to inefficient restructuring strategies. A detailed analysis indicates that adopting a risk-based approach markedly enhances the precision of evaluating a borrower's creditworthiness and forecasting potential financial losses.

This method entails a comprehensive evaluation of the enterprise's financial health, business model, growth prospects, and capacity to generate consistent cash flows. It shifts the focus from mere procedural compliance to a deeper analysis of tangible data. Lessons from international practices highlight that nations with advanced financial systems effectively employ restructuring frameworks that integrate risk considerations. These measures include adaptable payment arrangements, bank involvement in restoring operational activities, mechanisms for early identification of financial challenges, and tailored solutions based on risk levels. Such approaches could be adapted to Ukraine's context, particularly in light of the obstacles posed by the current war and its aftermath.

Risk-based restructuring serves as a critical tool for business stabilization, preventing the buildup of problematic assets within the banking sector while supporting economically viable enterprises. The findings confirm the effectiveness of risk-based mechanisms within the credit risk management systems of banking institutions. Implementing these mechanisms improves lending practices, curtails the accumulation of non-performing assets, strengthens the financial sector, and promotes sustainable enterprise development in Ukraine. The theoretical insights and practical recommendations offered could benefit commercial banks, regulatory bodies, and borrowers alike.

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## **РИЗИК-ОРІЄНТОВАНІ МЕХАНІЗМИ ФІНАНСОВОЇ РЕСТРУКТУРИЗАЦІЇ КРЕДИТНОЇ ЗАБОРГОВАНОСТІ ПІДПРИЄМСТВ-КЛІЄНТІВ БАНКІВСЬКИХ УСТАНОВ**

*У сучасних реаліях діяльність українських підприємств значно залежить від впливу численних різноманітних факторів. Вплив цих чинників та особливості середовища, яке характеризується динамічними змінами та високим рівнем невизначеності, відіграють значну роль. За таких обставин набутий досвід минулих років часто виявляється недостатнім для забезпечення необхідної бази у прийнятті управлінських рішень.*

*Зазначено, що суб'єкти безпеки повинні зосередитися на стимулюванні ініціативності в управлінні, створенні дієвої інформаційної підтримки та забезпеченні належного контролю за розробленням і впровадженням рішень. Розглянуто основні засади організації управління ризиками в банківському секторі України.*

*Особливий акцент зроблено на аналізі нормативно-правової бази, яка регламентує діяльність банків в умовах війни, враховуючи сучасні виклики та нові ризики. Мета статті полягає в забезпеченні стійкості підприємств навіть в умовах підвищених ризиків. Відзначено важливість формування ризик-орієнтованого мислення через розвиток професійних компетенцій і зміну корпоративної культури. Це сприятиме посиленню ефективності управління в умовах невизначеності.*

*Для полегшення моделювання ризик-орієнтованої системи управління підприємством рекомендовано застосування методології побудови карти ризиків. Цей метод дає змогу оперативню та надійно ідентифікувати та оцінювати ризики, тим самим підтримуючи прийняття обґрунтованих управлінських рішень, визначаючи при цьому траєкторію безпеки розвитку підприємства за існуючих умов. Визначено конкретні переваги, пов'язані із застосуванням підходу карти ризиків, та окреслено його основні структурні компоненти. Для підприємств, що працюють у сучасних умовах, розроблено ілюстративну схему карти ризиків, яка охоплює три окремі зони: прийнятний ризик, помірний ризик та зону, що вказує на критичний рівень ризику. Крім того, дослідження виступає за послідовну та систематичну інтеграцію ризик-орієнтованих підходів до управління на всіх етапах життєвого циклу продукту в сучасних підприємствах. З цією метою розроблено блок-схему, де детально описано впровадження процесів управління ризиками підприємства. Ця структура підкреслює стратегічну цінність застосування дисциплінованого, адаптивного підходу до подолання складнощів, властивих сучасному бізнес-середовищу.*

**Ключові слова:** ризик-орієнтований, механізми, фінансова реструктуризація, кредитна заборгованість, підприємства, клієнти, банківські установи