

# THE MANAGEMENT OF CREDIT FINANCING AND CREDIT TRADES

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Slovak Title: Manažment úverového financovania a úverových obchodov  
Bratislava, University of Economics in Bratislava, published by EKONÓM 2010, 224 p.  
ISBN 978-80-225-3042-2.

It is generally acknowledged that one of aims of a good quality monograph should be its topicality. Of course, we are not talking about opportunism but relevance, which to the degree defined by the author or authors responds to the current needs of a society. The monograph written in Slovak by Ing. Eduard Hyránek, PhD. and Ing. Miloš Bikár, PhD. from the University of Economics in Bratislava *The Management of Credit Financing and Credit Trades*, which deals with the issues of financial management generally and the issues of credit financing specifically, meets the requirement of relevant topicality fully and undoubtedly.

For the monograph is coming out in a period when the world economics with difficulties tries to cope with the consequences of the financial crisis, whose ‘visible’ part started with a loss of liquidity of commercial (and not only) banks, with the well-known negative consequences for entrepreneurial loans. In this respect, we can even say that the content of the monograph in fact exceeds the framework indicated in its title in a positive way as it besides credit financing also deals with alternative sources of financing to a considerable degree. Therefore, the book includes positive synergies which the authors were undoubtedly aware of when planning the contents of the monograph.

The monograph opens with chapter *1 Credit financing of companies*, which is basically devoted to the usual definition of essential terms, but not only a standard content of an introductory chapter is covered. Also strategic aspects of company financing and to an adequate degree the position of financial markets in the form of selected issues of financial mediation are discussed.

The following chapter *2 Bank loans* introduces not only bank loan products (as the title of the chapter indicates) but there is also information characterizing wider relations of the analysed topic. In this case it is the description of the development of the banking system in Slovakia (more precisely we could use the term subsystem as there is undoubtedly the financial system in Slovakia) and the information about the legal framework of loans and credits in the same territory.

Third chapter *3 The role of a bank in the process of company crediting* is valuable mostly because it provides the readers with the opportunity to look into bank mechanisms of the evaluation of a client’s (loan applicant’s) solvency. Naturally, we cannot expect full information, the evaluation and decision making mechanisms represent a properly protected know-how of banks, however, even the information provided can significantly contribute to a better quality of a possible loan application. In the following edition of the

monograph, the authors will certainly present the related issue of scoring, even if only on theoretical level.

Chapter 4 *Security tools of a loan* covers a usually known issue which does not need any detailed commentary. Let us only say that in the light of the current development tendencies in company financial sources this is the issue which is paradoxically the most problematic as it could even (especially with respect to alternative financing sources) mean a weakening of the competitive position of bank loans in their standard form.

Chapter 5 *Credit financing of export* contains a discussion of the specifics of export activities, which is logically to a significant degree profiled by the products of a specific Slovakian export and import bank. In this field it is obvious that besides common, usually mentioned aspects of financing of foreign trade operations, in the industrial practice it is sometimes necessary to use some very specific trade conditions dependent (among others) on the traded commodity, the territory, and the strategic position of the exporter or importer (including political support).

The risk management, in relation to credit financing of company activities, is dealt with in chapter 6 *The management of credit and interest risk*, which is pragmatically focused on the practical aspects of risk management in the conditions of credit financing. The reader should not look for any wider theoretical aspects of risk management, with the exception of the text devoted to BASEL I and II. However, it will certainly be of advantage for readers to gain knowledge about the institution of credit register in the conditions of Slovakia, including the related institutes.

The significance of chapter 7 *Alternative forms of debt company financing* has already been mentioned. It still seems to be necessary to repeat that the deviation of this chapter from the framework of the monograph (as defined by its title) cannot be taken dogmatically. To the contrary, this chapter convincingly documents the growing importance of these forms of financing, which should also be a signal for commercial banks (maybe even mainly for them). The alternative forms of company financing bring a strategically new situation to the sphere of entrepreneurial activity financing, whether commercial banks admit so or not.

The title of the last chapter 8 *Financial management in the conditions of debt* is formulated a bit euphemistically. In fact, this chapter deals with the issues of a financial crisis, their origin and consequences, including the consequence in the form of bankruptcy. A practically oriented reader (not only) will find here also the legal regulations of the important aspects of this issue, which will hopefully have the positive mobilization effect in the sense of prevention.

However, this obviously current and useful monograph seems to have two rather "cosmetic defects". The first one is the missing index, which would increase the scientific and practical value of the monograph considerably. Finally, it is necessary to state that during the production of the publication the pages got shifted in comparison with the list of contents, which would however confuse a less experienced reader only.

As the text of the review reveals, its author has the tendency to divide the monograph *The Management of Credit Financing and Credit Trades* into the standard part in the best sense of the word and those parts of text where aspects of credit financing management are discussed in a broader way than usual, in other words, where facts are presented which

significantly extend the traditional subject of loans as sources of financing for entrepreneurial activities.

This division is not autotelic – the author is convinced that this “second information circle” will be especially useful for the readers of the monograph and that in this sense the monograph will be appreciated not only by the academic circles but also by companies and entrepreneurs.

Reviewed by:

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