



**Corporate bank credits**

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## **ABSTRACT**

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The objective of this study was to gather information to better understand the functioning of the banking sector and more precisely how the corporate credits are granted.

The research problems were how are corporate credits granted and how the work of the analysts/business managers can be made easier so that the credit files can be processed more quickly/easily.

The case study of this thesis was the Crédit Agricole d'île-de-France (CA Ile-de-France) who is the leading bank in France and one of the leading banking players in Europe. This thesis made it possible to propose to the Crédit Agricole a new device allowing them to accelerate and / or simplify the treatment of the requests for corporate credits.

The method used for this thesis was to collect data from a qualitative research and to analyze it by themes. The research was carried out among five people. These results suggest that it is possible to accelerate and/or simplify work on the processing of corporate credit files.

The findings indicate that it is possible to find a solution that would allow analysts and business managers to simplify/accelerate their work. The solution which is to create a new software could be beneficial for the Crédit Agricole. It would be beneficial for the company in the future to have a new specialized software for corporate credit demands, which would allow them to have a new database.

Key words: corporate credits, bank, ratios, granting

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**GLOSSARY**

CA / CA Group	Crédit Agricole.
CASA	Crédit Agricole Société Anonyme.
S.A	Société Anonyme.
SGL	State Guaranteed Loan.
SME	Small and Mid-size Enterprises.
VSE	Very Small Enterprise.
Advisor	He seeks to meet the needs of customers and offers them appropriate solutions.
Business manager	He is the one who plays the role of interface between the banking establishment and the clients, he deals with the credit files.
Analyst	He is a consultant. He studies listed companies to evaluate them. He examines information from financial databases or the press.

## 1. INTRODUCTION

### 1. 1. Background of the topic

The word "bank" derives from the Italian *banca* which means a wooden bench on which the moneychangers of the Middle Ages carried out their activity. The role of the moneychanger was to change the currency of those arriving from outside the city for money used in the city. The first public banks and exchanges appeared during the Renaissance.

The Banque de France was created on January 18, 1800 by the First Consul Napoleon Bonaparte. It is in the 19th century that the fiduciary money and the scriptural money will develop. After the 1914-1918 war, the banks were weakened by the economic situation of the country and the arrival of the 1929 crisis. The State favored public banks (the State was the owner) and mutual banks (the customers owned the capital of the bank).

Since that time, the bank has been a credit institution that can carry out all banking operations: receive deposits, grant loans to all types of customers and for any length of time, set up and manage means of payment, carry out operations related to its main activity: foreign exchange, investment advice and management, advice and management of assets for private individuals, advice and management for companies.

A few years later, the Second World War (1939-1945) began. French banks were affected by the economic downturn and by being cut off from the free world. From the Liberation (in 1945), the State supervised the whole of the activity of the banks: the credit and the saving of the private individuals and companies. A certain number of banks were nationalized (the owner then became the State).

During the 90's and 2000's, many banks were privatized (the State then sold the banks to private companies and to the general public).

The word *Credit* has the same etymology as the word *Believe* (in Latin, *credo* = I believe, I have confidence).

It is therefore an activity that relies on trust, the one that the lender grants to the borrower, from whom he expects the repayment of the loan. A credit is a provision of money in the form of a loan, granted by a creditor (lender) to a debtor (borrower). Credit can be defined

as one person (lender/bank) making funds available or promising to make funds available to another person (borrower/customer) at a specified rate of interest and repayable at a certain time. A credit is concluded through a contract between a borrower and a lender. Banks are the main providers of credit to both individuals and businesses.

There are many specific credits for companies: medium or long term bank loans, short term (overdraft, discounting, factoring, Daily transfer, etc.), leasing. Each bank has its own offers (interest rate, repayment period, etc.). The criteria for granting loans vary according to the risk incurred, the state of the market, the borrower's guarantees, etc. But, in parallel with banking and commercial practice, there are rules governing certain operations.

## **1. 2. Goals and limitation of the thesis**

The goal of this study is to understand how corporate credits are granted.

This study is carried out under the hypotheses that firms that present a guarantee increase the chances of accessing credit and that the reliability of their information increases the probability of being granted a credit.

The problematics of this thesis are:

- How are corporate credits granted?
- How the work of the analysts / business managers can be made easier so that the corporate credit files can be processed more quickly/easily?

Moreover, the theme of corporate bank credit is very volatile and is subject to many external factors that lead banks to adapt their rules for granting credits. This is particularly true during the current covid crisis. Hence, the data collected for this thesis have to be considered as relevant for the current situation and are coming mainly from French banks as reliable source of information.

## **1. 3. Structure of the study**

In this thesis, we will see in a first part the banking system in its globality in order to have the necessary knowledge to understand the subject. Then, in a second part, we will see a case study of the Credit Agricole which is a French bank. Then, in a third part, we will see

the research methods concerning the study that I realized. After this, I will propose recommendations following the analysis of the results collected during my study. Finally, I will conclude by reviewing the important elements of this thesis.

## **2. THE BANKING SYSTEM**

### **2. 1. The main theories and concepts**

#### **2. 1. 1. The notion of State Guaranteed Loan (SGL)**

In France, the State Guaranteed Loan (SGL) is a loan granted to a company or a professional by its usual bank, despite the current strong economic uncertainty, the State provides a guarantee on a very significant part of the loan. The SGL is a loan from a bank to a company ; i.e: it is not a government loan.

This total recourse to banking networks for the granting of SGLs was intended to ensure that the system can quickly and widely provide the cash needed by companies and professionals, whatever their size, activity or legal status, throughout the country, to help them overcome the major economic stress we are experiencing and to support them in the recovery phase.

The State guarantee covers 90% of the SGL for all professionals and for all companies except for companies with more than 5,000 employees or sales of more than €1.5 billion, where the State guarantees 70% or 80% of the loan. For the 10% of the SGL not covered by the State guarantee, the banks retain a share of the associated risk, but this is minimized to encourage them to lend.

The system is designed to be as accommodating as possible for businesses in terms of refunds. No repayment will be required in the first year. Then, after the first twelve months, the company can decide to amortize the loan over an additional 1 to 5 years.

#### **2. 1. 2. The notion of Basel**

The excessive risk-taking adopted by financial institutions threatens the financial system and worsens its fragility. In order to anticipate and reduce this threat, related to the unjustified risk taking, the Basel Committee has recommended the harmonization of



measurement models, by imposing, on banks, the use of internal scores, which are based essentially on hard<sup>1</sup> information and thus allow a better monitoring and control of the granting of credit.

Basel Committee on Banking Supervision (BCBS) aims to ensure the stability and reliability of the banking and financial system. It was created at the end of 1974 by the governors of the G10 central banks. Today, the Committee is composed of representatives of central banks and prudential authorities from 27 countries: Luxembourg and Spain were added to the original eleven, joined by Australia, Brazil, China, Korea, India, Mexico and Russia in March 2009, and Hong Kong, Singapore, South Africa, Saudi Arabia, Argentina, Indonesia and Turkey in June 2009.

The Committee was originally called the *Cooke Committee* after Peter Cooke, a director of the Bank of England who was one of the first to propose its creation, and who served as its first president.

Historically, the work of the Basel Committee has resulted in the publication of three major agreements: Basel I in 1988, Basel II in 2004 and Basel III in 2013.

- Basel I: introduction of a minimum capital threshold

The Basel Accord of 1988 defined the minimum capital requirements in relation to the total outstanding loans granted by a financial institution based on the Cook ratio (the level of the Cooke ratio was set at 8% of weighted assets). It quickly became apparent that Basel I was only a step on the road to banking regulation.

First of all, the weighting of credit commitments was insufficiently differentiated to take into account the different effective levels of credit risk. Secondly, Basel 1 only covered credit risk and did not propose any measures concerning market and operational risks. These were addressed in 1996 in the Amendment to the 1988 Basel Accord, requiring the consideration of market risks and risks related to off-balance sheet items and derivatives. The 1996 Amendment allows banks to use either a standard approach or their internal models.

- Basel II: internal risk monitoring of banks and emphasis on transparency

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<sup>1</sup> The information that can be accurately quantified and efficiently transmitted. (Encyclopedia of E-Commerce Development, Implementation, and Management. 2016)

The Cooke ratio took a quantitative approach: the quality of the borrower was neglected, and thus the credit risk he represents.

Proposed in 2004 by the Basel Committee, the Basel II reform aimed to better assess banking risks and to impose a prudential supervision and transparency system. This new regulatory framework is essentially based on 3 pillars in order to better understand banking risks:

- The capital requirement (McDonough solvency ratio): this ratio maintains the level of regulatory capital covering the risks incurred at 8%. Operational risks (fraud and errors) are taken into account in addition to credit or counterpart risk and market risks;
- The prudential supervision procedure: the objective is twofold: on the one hand, to encourage banks to develop techniques for managing their risks and their level of capital and, on the other hand, to allow the regulatory authorities to increase the regulatory capital requirements if necessary (back testing and stress testing). The regulator will be able to impose the need for additional capital on the basis of these results;
- Market discipline (transparency in the communication of institutions): the improvement of financial communication makes it possible to reinforce market discipline, perceived as a complement to the action of the supervisory authorities. Information is made available to the public on assets, risks and their management.

Basel II is essentially a minimum capital standard. It does not deal with all risks.

- Basel III: introduction of a ratio measuring the bank's capital in relation to its assets

The devastating effects of the 2008 financial crisis on the balance sheets of banks but especially on the real economy have led the prudential authorities to profoundly reform the regulatory framework with the arrival of Basel III. The reform, which came into force in July 2013, aims to stabilize the financial system as a whole, and to strengthen the stability and soundness of banks. Four main points were addressed in this reform:

- The strengthening of the capital structure of banks, with the improvement of the quality and level of equity. Thus, the solvency ratio increases from 8% to 10.5%;
- Improved liquidity management, with the introduction of short- and long-term liquidity ratios: the Liquidity Coverage Ratio (LCR) and the Net Funding Stable Ratio (NSFR);
- Controlling leverage, with the introduction of a leverage ratio to control the size of banks' balance sheets;
- Hedging the risks of the trading portfolio.

- Basel IV: a continuation of Basel III subject to new reforms

While Basel III was mainly concerned with liquidity risk and capital strengthening, Basel IV affects all types of existing risks. The calculation method is considered to be too volatile between the different institutions approved under the advanced approach. Basel IV proposes a new single standard approach, where capital requirements would be determined according to two principles: an activity indicator determined from the income statement, and historical losses for the institution's operational risk.

At the moment, the Basel IV project appears mixed and uncertain. This is due to the numerous regulatory reforms that weigh heavily on banking institutions. Some consider it as a real threat to the economic stability because it strongly reduces the financing capacities of the banks. Nevertheless, the Basel IV project represents a considerable progress to optimize the risk management and to anticipate a possible financial crisis.

## **2. 1. 3. The different types of bank loans to companies**

A bank loan is a loan of money granted by a banking institution to natural or legal persons. The purpose of this loan is to allow the company to finance a given project or need in a timely manner while allowing the banking institution to earn interest on its money. The terms and conditions differ from one bank loan to another with factors such as the amount, interest rate, amortization, repayment conditions, etc.

- Short-term credits:

Short-term credit is a loan with a repayment period of less than 1 year. The primary role of this type of credit is to consolidate the company's cash flow or to finance the company's needs. There are two types of short-term bank credit:

- Cash flow loans: this professional financing is only granted to the company that wishes to have cash resources to satisfy its operating needs. Thus, the company can benefit from a bank overdraft which gives the possibility to have a debit account in the chosen banking establishment. Then, the cash advance or overdraft facility is a kind of cash credit to have a cash fund on a short term. Finally, there is the credit opening, which is an amount that the company can benefit from for a certain period of time in order to place its current account in a debit situation while respecting the limit of the ceiling.
- The credits of mobilization of customer receivables: it is a financing plan which allows the company to transfer receivables to the bank to have equity whose value is equal

to that of the receivables with a commission. The credits that belong to this category are: commercial discounting, factoring and daily financing.

- Medium and long term credits:

Medium-term bank credits are generally within a period of 2 to 7 years. When they exceed this range (more than 7 years), they are referred to as long-term credit. Medium-term credits are mainly used to obtain the necessary financing to invest in equipment or in the realization of works. The long term ones are mainly reserved for real estate investments. These two types of bank credits are accessible by two modalities of access. These are the leasing and the bank loan:

- Leasing: it is a way to finance a fixed asset. This fixed asset includes all durable goods held by a company for more than one accounting period and which are not intended for resale. These assets represent investments made in order to develop the company's productive potential. This type of credit consists of giving a company the use of a given asset in exchange for rental fees to be paid periodically in order to purchase the asset entirely at the end of the contract.
- The bank loan: it is an operation that consists in putting at the disposal of the company a significant quantity of money that the latter commits to pay-back with adequate interests according to the contractual terms. The amount granted will depend on the nature and size of the project to be carried out by the applicant. This amount is generally defined thanks to the business plan and then analyzed by the lending bank. The bank will set an interest rate on the capital it makes available to the borrowing company. This interest serves as a remuneration for the bank in return for the risk taken by the latter. The duration of a financial bank loan varies between 3 to 7 years. In the case of real estate, however, this period can extend to a maximum of 15 years. The reimbursement of the loan is fixed beforehand after talks between the company and the bank.

There are other ways of classifying bank loans granted to companies. Indeed, these can also be classified:

- According to the form :
  - Credits granted in national currency from those granted in foreign currency;
  - Constant amortization loans, constant annuity loans and loans repayable in fine;
  - Roll-over credits, permanent credits and those granted on credit lines;
  - Loans on account, loans on loan contracts and bond loans.

- According to the marketing method:
  - Direct marketing: the borrower goes directly to the credit institution to apply for a loan. The latter will be able to make one or more proposals for the granting of the requested credit.
  - The marketing via brokers: they are intermediaries in banking and payment services which will proceed to the analysis of the market according to their agreements with the credit institutions.

## **2. 2. The credit granting process**

It is important for the banker to be familiar with some of the financial information of the borrower who is applying for credit. A summary presentation of the credit analysis must be accurate to facilitate decision-making. The complete credit file usually includes the following parts:

- Presentation of the client (name, legal form, geography of capital, business line);
- Situation of the commitments in other banks and in the informal sector;
- Technical skills, assets and morality of the promoter(s);
- Market study (profitability, financial analysis, risks, credit needs).

For the bank, the need to carry out an economic and financial diagnosis of the company is essential. This is a prerequisite for any decision to grant financial assistance to a company; the aim is to obtain a true picture of the company from a financial and economic point of view. The aim is to establish the conditions of solvency, liquidity and future profitability that will allow the company to respect its commitments or to be able to recover by judicial constraint.

### **2. 2. 1. Assessment of the company's solvency**

Checking the solvency of a company means first of all ensuring its good financial health. The propensity of the company to honor its debts is at the center of the bank's concerns in the context of identifying the risks of default or non-recovery of a borrower.

In order to anticipate and protect itself against the risk of bankruptcy, the bank establishes a financial diagnosis which is supposed to estimate the financial variation and the development of the company as a whole.

Thus, the banker establishes his judgment by using two major strategies. First, he studies the balance sheet by comparing liabilities and assets in order to find a balance in his anticipation of obligatory payments and future results. Then, the evaluation of the evolution of revenues in the past and of the financial situation allows to understand the major trends with the probability of an extension in time.

## **2. 2. 2. Assessment of the company's liquidity**

The company's liquidity expresses its ability to meet its short-term obligations (payment of supplier debts, payment of tax liabilities, etc.).

The company must have the liquidity to pay its debts, taking into account its deadlines. It must not, however, create a cash flow disruption that would force it to be in a state of suspension of payments. According to the bank's judgment, the loan's repayment possibilities express the borrower's economic and financial health. Insufficient liquidity leads inexorably to a recovery problem. The lack of liquidity of the company is defined by its inability to generate sufficient funds for its operations, which puts it in a situation of inability to meet its deadlines. This is the reason why it is important to control the liquidity risk, which is mainly due to the uncertainty of the future operating profit.

To mitigate this risk, the Basel Committee includes in its regulatory framework the implementation of two liquidity ratios:

- Liquidity Coverage Ratio (LCR): This standard was established with the aim of "ensuring that the bank has an adequate level of high-quality liquid assets that can be converted into cash to cover its needs over a period of 30 calendar days in the event of severe funding difficulties" (source: BRI). The ratio thus requires banks to have a certain amount of liquid assets to cover net cash outflows for at least 30 days.
- Net Stable Funding Ratio (NSFR): it complements the Liquidity Coverage Ratio. Its purpose is to ensure that a financial institution has stable funding that allows it to

continue its activities in a sound manner for a period of one year in a scenario of prolonged stress.

## **2. 2. 3. Assessment of the company's profitability**

The banker must study the company's capacity to generate profits, both in the present and in the future. The assessment of the company's degree of autonomy is a point not to be neglected. By autonomy, it means the company's ability to finance its growth and to assume its debts thanks to the profits it has made. Thus, generating a positive result is a necessity for the company to reach a financial balance, which the bank will try to find during its analysis.

The study of the profit and loss account allows us to measure the profitability of the activities. The functional study of the balance sheet makes it possible to analyze the financial balance of the company.

The profitability of the company is measured by analyzing its economic and financial performance. Performance is measured using profitability indicators. We distinguish between :

- The Economic Rate of Return, which is an indicator of a company's ability to produce results using all its resources. It simply expresses the ratio between the company's resources and its results.

Formula:  $ERR = \text{Net income} / \text{total assets}$ .

- The financial rate of return, which is an indicator of a company's ability to remunerate shareholders, including the management. It expresses the ratio between what the company offers as results compared to the shareholders' investments.

Formula:  $ROR = \text{Net Income} / \text{Equity}$ .

## **2. 2. 4. Assessment of the company's economic risk**

All of the information gathered by the bank, from an accounting and financial point of view, is not sufficient to understand a company in its entirety and does not, moreover, provide any guarantees with regard to future commitments, whatever their duration.

It is necessary to complete the financial study with an economic analysis aimed at assessing the degree of exposure to economic risk. Thus, the bank is interested in the economic indicators that may have a negative influence on the company's competitiveness and disrupt its financial stability and its activity. This involves identifying and mobilizing the variables present in the company's environment, such as capital, production, human resources, the legal framework and the estimated growth over the long term.

## **2. 3. Impact of the covid crisis on credit granting (in France)**

The impact of the COVID on the activity during the lockdown period (March 2020 to June 2020) was strong: it is estimated that 3/4 of the companies (Banque de France, 2020) were impacted during the lockdown. Large and medium-sized companies were able to maintain their activity more than medium-sized enterprises (SME) and very small enterprises (VSE). The building sector was particularly affected as well as some service sub-sectors (accommodation and catering and arts and entertainment in particular).

### **2. 3. 1. New rules for State Guaranteed Loan**

Businesses are heavily reliant on debt to meet their future cash flow needs. Banks are more than ever called upon to play their initial role as lenders in order to help the many companies that would no longer have the resources to repay their loans or that would simply like to launch their activity. It is essential to avoid the economic slowdown that will inevitably lead our society into a recession.

The State Guaranteed Loan (SGL) is an exceptional guarantee system that supports bank financing for companies to the tune of €300 billion. It was set up at the beginning of the crisis to relieve the cash flow of companies affected by the Covid-19 crisis and has just been adapted to the new health situation and to the demands of companies.

It is open to all companies until June 30, 2021 anywhere in the country, regardless of their size and legal form. Certain non-trading property companies, credit institutions and finance companies are excluded.

Companies can take out a state-guaranteed loan with their usual banking institution or, since May 6, 2020, with lending platforms with the status of participatory finance



intermediaries. Essentially in this case, the SGL is governed by the same rules as when it is taken out with a bank.

The loan amount can be up to 3 months of 2019 turnover or 2 years of payroll for innovative companies or companies created since January 1, 2019. No repayment is required the 1st year. 2 to 4 months before the anniversary date of the SGL, the entrepreneur will decide on the repayment: he/she can decide to repay the loan immediately, to amortize it over 1 to 5 additional years, or to mix the 2. The banks are committed to offering personalized repayment terms that best correspond to the client's situation and needs.

With regard to rates, small and medium-sized enterprises that wish to spread the repayment of their SGLs will be able to benefit from bank rates of between 1% and 2.5% depending on the number of years of repayment. Under current rate conditions, banks have committed to a maximum rate of :

- 1 to 1.5% for loans repaid by 2022 or 2023;
- 2 to 2.5% for loans repaid by 2024 to 2026, including the cost of the government guarantee.

The State guarantee covers a percentage of the amount of the capital, interest and accessories remaining due on the debt until the end of its term, unless it is called upon beforehand during a credit event. This percentage is fixed at :

- 90% for companies which, during the last closed fiscal year, or if they have never closed a fiscal year, on March 16, 2019, employ in France less than 5,000 employees and have a turnover of less than €1.5 billion;
- 80% for other companies that, during the last fiscal year, had sales of more than €1.5 billion and less than €5 billion;
- 70% for other companies.

## **2. 3. 2. The implementation of other devices**

Companies that have been unable to obtain a government-guaranteed loan from their bank can contact the credit mediator in their department. If mediation fails, they can refer the matter to the departmental committees for the examination of business financing problems (CODEFI) to request other financing mechanisms.

- The Economic and Social Development Fund (FDES)

The FDES is an intervention mechanism activated by CODEFI with a budget of €1 billion to support the financial and operational restructuring of companies in difficulty alongside private financiers, mainly for companies with over 250 employees.

- Subsidized loans and repayable advances

This is a new discretionary intervention mechanism aimed at small and medium-sized enterprises and intermediate-sized enterprises. It is activated at the initiative of CODEFI. It is intended to be used when recourse to the SGL is impossible and when the plans for settling tax and social security liabilities are insufficient to enable a turnaround. Eligibility for the system is subject to certain conditions.

- Special loans for small businesses

These loans are intended for very small companies (less than 50 employees) that have difficulty obtaining an SGL, to enable them to both reconstitute a cash flow buffer and improve their balance sheet structure (junior loans, to be repaid in 7 years). Since October 14, a secure digital platform has made it easier for business leaders referred by the credit mediation service and CODEFI to submit their loan applications.

- Strengthening factoring financing

Complementing the State-guaranteed loans, this system aims to enable companies to benefit from factoring financing as soon as orders are taken, without waiting for the delivery and issue of the corresponding invoices.

This guaranteed pre-financing will allow companies to gain an average of 45 days of cash flow compared to traditional factoring. This financing will enable them to finance their working capital requirements linked to the resumption of activity and thus to meet the greatest number of new orders. This short-term pre-financing will also help to ease payment times within the value chain, particularly in industry, building and construction.

This support system has been developed in conjunction with factoring companies and the French Association of Financial Companies. It will be applicable to the financing of orders taken until December 31, 2020. Interested companies should contact the factoring companies to examine the possibilities of setting up this pre-financing, which is subject to certain conditions.

### **2. 3. 3. Sectors most affected and short/long term impact of the covid crisis**

The health situation has had very differentiated sectoral effects, due to the interruption of activity in some sectors, the massive shift to telecommuting, the increase in demand for some goods such as food while consumption of other goods has fallen significantly.

In France, the decline in productivity primarily concerns the transport and logistics sectors. Another sector heavily affected by the crisis: aeronautics and defense. *These industries are not expected to return to their pre-crisis levels by 2023, or even 2024* says Sylvain Duranton. Next in line are the automotive, building materials and construction sectors, as well as machinery and industrial automation processes. The events and tourism sectors are particularly hard hit.

On the other hand, in France, the crisis is particularly favorable to the pharmaceutical industry, especially in the field of medical equipment and drugs. As well as the telecommunication sector.

### 3. CASE STUDY: THE PROCESS OF GRANTING CORPORATE BANK CREDIT AT CREDIT AGRICOLE D'ILE-DE-FRANCE

#### 3. 1. Presentation of the Group Crédit Agricole

##### 3. 1. 1. History of Crédit Agricole

Crédit Agricole was created by farmers at the end of the 19th century following a movement of mutual aid and solidarity. At this time, the French banking system was providing very little help to farmers, which is why in 1885 the first local bank, located in Salins in the Jura region, was created with the status of a trade union. This branch was created with the aim of allowing farmers to borrow the funds necessary for the development of their activity.

In 1894, Jules Mélines, who was the Minister of Agriculture at that time, passed a law authorizing the constitution of local branches and giving them the status of cooperative companies. This law resulted in the birth of the Crédit Agricole Group. The members of the agricultural syndicates could form mutual credit societies among themselves, called the *Caisses Locales du Crédit Agricole Mutuel*.

At the beginning of its creation, the Crédit Agricole was first of all a bank for short-term credit: it was about advances on harvests which allowed farmers to live in better conditions. Then, later on, Crédit Agricole offered medium and then long-term loans that allowed farmers to buy equipment, buy livestock, etc.

Almost 20 years later, in 1920, the main body was created: the Office National de Crédit Agricole. Then in 1926, it later became the Caisse Nationale du Crédit Agricole, the group's central bank, which reports to the Ministry of Agriculture.

Caisse Nationale du Crédit Agricole was granted financial autonomy by the French State in 1966, and the Group must now build up its own liquidity reserve to cover its medium- and long-term credit operations.

The Caisse Nationale du Crédit Agricole mutualization law of January 18, 1988 transformed the company from a state-owned legal structure into a private legal structure Société Anonyme (SA).

In 2001, the Caisse Nationale du Crédit Agricole went public. It enabled the Regional Banks to participate in major external growth operations.

Today, Crédit Agricole is the largest network of cooperative and mutual banks in the world. In France, the Crédit Agricole is made up of 39 regional branches of the Crédit Agricole, a network of 7,200 branches and has more than 24.4 million customers.

Nowadays, the Crédit Agricole Group is the leading bank in France and one of the leading bank in Europe. It is a leader in all specialized markets: farmers, professionals, companies, local authorities.

Leader in retail banking in Europe, the Group is also Europe's leading asset manager, Europe's leading *bancassurance*<sup>2</sup> and Europe's third largest player in project finance. Abroad, the Group's network of "International Desks" assists corporate clients in more than 90 countries.

### **3. 1. 2. Governance of Crédit Agricole S.A**

The Crédit Agricole Group is organized on three levels: the Local Banks, the Regional Banks (and their branches) and Crédit Agricole S.A. (and its subsidiaries). The Local Banks and Regional Banks are cooperative companies. Crédit Agricole S.A. is a joint stock company.

Within the Crédit Agricole Group, the Chief Executive Officer is Philippe BRASSAC. Crédit Agricole S.A. is a public limited company owned by the Regional Banks. It has been listed on the CAC 40 stock exchange since December 2001 and represents all of the Group's businesses and expertise. It ensures the financial unity of the Group and the consistency of its development. In addition, it designs the products and services offered in the bank branches of the Regional Banks, in which it holds a 25% stake. It is also responsible for the subsidiaries of the Crédit Agricole S.A. Group in France and abroad.

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<sup>2</sup> Distribution of insurance products by banking networks. (Le Robert, 2008)

Crédit Agricole S.A. has three core missions, which are :

- The central institution: this is responsible for ensuring the cohesion and proper functioning of the network and represents the group before the banking authorities. Its main tasks are :
  - application of laws and regulations concerning the Group;
  - approval of Regional Bank managers and merger projects;
  - banking supervision alongside the supervisory authorities (Banque de France);
  - auditing of accounts;
  - management control for all group entities.
  
- Head of the network: this is a mission to coordinate the strategies of the various businesses with its specialized subsidiaries, in France and abroad:
  - managing the central subsidiaries and international development;
  - managing the Crédit Agricole brand;
  - promoting and coordinating commercial policy;
  - creation of new products;
  - direct management of the LCL local network (French bank).
  
- Central bank: this mission consists of guaranteeing the financial unity of the group and managing part of the savings transformation risk.

The group also includes the 39 Regional Banks, cooperative companies under private law, which have majority control over the capital of Crédit Agricole S.A. The Regional Banks market a full range of banking and financial products and services to individuals, farmers, professionals, businesses and public authorities. In addition, they are fully responsible for their management.

The 39 Regional Banks make up the leading local banking network in France. The majority of their shares are held by the Group's Local Banks, which have strong regional roots, and 25% by Crédit Agricole S.A., as well as by private individuals and institutional investors.

Alongside the 39 Regional Banks are the 2,417 Local Banks that form the basis of the Crédit Agricole Group. These are cooperative companies under private law, whose capital is held by the members. They hold most of the capital of the Regional Banks through more than 10.5 million members who appoint their 29,651 directors.

The Fédération Nationale du Crédit Agricole (FNCA) is a political body that provides a forum for reflection, expression and representation of the Crédit Agricole Regional Banks in their dealings with public authorities, professional organisations and bodies in the cooperative and mutual world. It summarizes the debates that arise in the field, making it a source of proposals and guidance. The Fédération Nationale du Crédit Agricole also provides services to the Regional Banks in the areas of professional training and human resources management.

In addition, Sacam Mutualisation allows a portion of the results of the regional mutuals to be mutualized, with each one sharing in the results of the others. It is fully owned by the 39 regional mutuals. The latter was created after the CA group (CASA) sold its 25% stake in the regional mutuals. And the regional banks bought this share for 18 billion euros. This puts an end to the self-control loop, with the regional banks being shareholders of CASA, which in turn is a shareholder of these regional banks via cooperative certificates (CCI and CCA) up to 25%.

Finally, SAS Rue de la Boétie is a holding company that controls the capital of Crédit Agricole S.A. through the Regional Banks. The control of the capital of Crédit Agricole SA by the Regional Banks eliminates the risk of the Crédit Agricole Group being taken over by foreign investors.

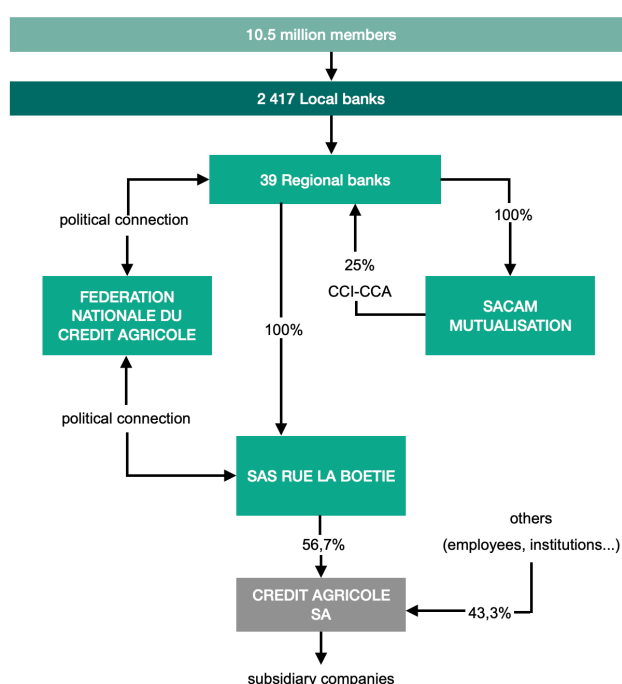


FIGURE 1. Organization of Crédit Agricole SA

### **3. 1. 3. The main activities of the group**

The Crédit Agricole Group has three main activities in France and abroad:

- CA is a retail bank: it is the European leader in retail banking. A retail bank is defined as a bank that provides credit and investment products to individuals, professionals, companies (VSEs, SMEs), local authorities and associations. One opposes to the retail banks, the banks working with the big companies (business banks) or still present on the financial markets (investment banks).
- CA is a local bank: it has a unique competitive advantage in France with its two complementary local banking networks: the Crédit Agricole Regional Banks, with their strong local roots, and LCL, with its extensive urban network, which has made it the leader in local universal banking in France. Crédit Agricole is also deploying its universal retail banking model internationally. It has several local banking networks, notably in Europe and around the Mediterranean basin (Italy, Morocco, Egypt, Poland, Ukraine, Serbia, etc.).
- CA is a corporate and investment bank: its mission is to provide sophisticated services and products to corporate and institutional clients. It offers access to all domestic and international financial markets and provides tailored responses to clients' needs. Crédit Agricole Corporate & Investment Bank is the Group's corporate and investment bank.

### **3. 2. Caisse régionale de Crédit Agricole Mutuel de Paris et d'Ile-de-France**

#### **3. 2. 1. Crédit Agricole, a cooperative and mutual bank**

Crédit Agricole is a cooperative and mutual bank.

A cooperative bank is a bank that is not owned by its shareholders like a traditional bank. A cooperative bank is owned by its customers. The customers of the cooperative bank make the decisions. Decisions about the cooperative bank are made at general meetings.



A mutual bank is characterized by the fact that it belongs to its customers. The latter are therefore clients as well as associates, users as well as owners. The management of a mutual bank is more democratic since ownership is collective. Each client acquires shares in the company. By becoming a partner in the bank's capital, the client member has the right to participate and make his voice heard at the annual general meetings.

Thus, a cooperative bank is also a mutual bank.

The main difference between a cooperative bank and a classical bank resides in the management and the status of the company. Indeed, a classic bank is a limited company. All decisions and actions to be taken are decided by the shareholders. On the mutual and cooperative bank side, there are no shareholders. A cooperative bank does not seek profit for its investors. The main objective is to meet the needs of the community of members in the long term.

Each member of Crédit Agricole has a dual identity of customer and owner. This type of bank is owned by its customers, borrowers or depositors, and not by shareholders. Consequently, the dividends paid each year by Crédit Agricole are returned to the holders of its shares.

The CA is a cooperative bank in that each member can participate in the management of the bank in a democratic manner.

Mutualism is the fundamental value of Crédit Agricole, defined by a set of values that place people at the center of the economic and social life of the Regional Bank.

The actors of mutualism are:

- The cooperative members hold shares and elect the directors. A member is a natural or legal person who subscribes to shares in a local bank. The member is a contributor of part of the equity capital. A member's share is a financial security not listed on the stock exchange representing a portion of the capital of the local bank.
- The administrators represent the members. They are elected for a three-year term at the annual ordinary general meeting of the local bank.
- The president is the legitimate representative of the members. He defends their values and their interests.
- The employees develop the cooperative's activity on their territory. They inform the directors about the economic activity.

Companies (from craftsmen to large groups) represent 35% of the group's business, and individuals 65%. As regards local authorities, the Board of Directors mainly supports small communities located in the greater Paris region. Finally, the group is the leader in the agricultural sector in the Ile-de-France region, even though it has only 3,000 farms.

### 3. 2. 2. History of Crédit Agricole Mutuel de Paris et d'Ile-de-France

Crédit Agricole d'Ile de France is a bank based in the Ile de France region and is the largest Regional Bank of the Crédit Agricole Group in terms of financial results. Crédit Agricole d'Ile de France was founded in 1901 following the merger of 16 local banks in Oise and Seine et Oise. Crédit Agricole d'Ile de France is presided over by Etienne DE MAGNITOT and managed by Olivier GAVALDA.

The Caisse Régionale d'Ile de France is located in the Ile de France (FIGURE 2) region and in particular in the following departments Paris (75), Yvelines (78), Essonne (91), Hauts-de-Seine (92), Seine-St-Denis (93), Val-de-Marne (94), Val-D'Oise (95). The head office of the Caisse is located in Paris.

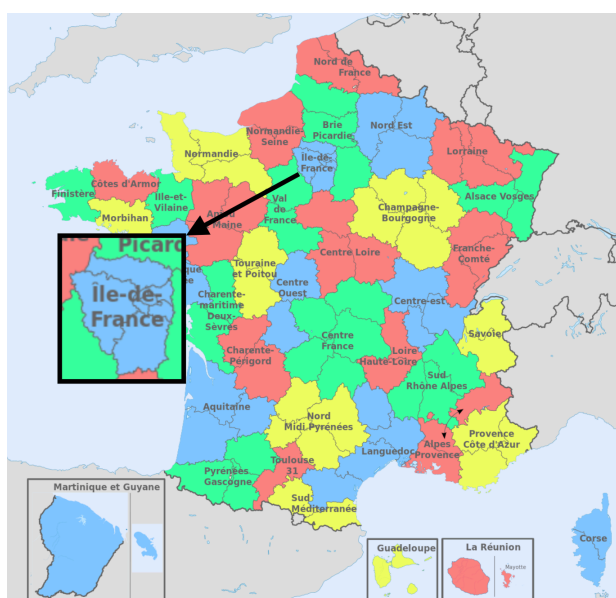


FIGURE 2. Crédit Agricole d'Ile-de-France map

In a few numbers, Crédit Agricole Mutuel de Paris et d'Ile-de-France is:

- 3,647 employees serving 1,535,691 customers;

- 52 Local Banks;
- 550 administrators;
- 391,607 members.

As a bank and insurer with more than 1.5 million customers, Crédit Agricole d'Ile-de-France is present in all markets: individuals, professionals, SMEs, large companies, associations and public authorities. By its very nature, Crédit Agricole d'Ile-de-France is linked to its region, and its ambition is always to be useful to its territory, on the one hand through its role as a major economic player in a highly dynamic region, and on the other hand through the continuous support of local actions by its 52 Local Banks and its Crédit Agricole d'Ile-de-France Mécénat endowment fund.

### **3. 3. The Commitments and Specialty Markets Department**

#### **3. 3. 1. Presentation of the department**

Since February 4, 2019, Rémi DE LAVEAUCOUPET is the Director of Commitments and Specialized Markets at Crédit Agricole Ile-de-France.

The department is divided into several parts in order to distribute the different missions. The department is composed of five business managers. There are two people in charge of the entry of the consolidated financial statements, the rating and three people in charge of the financial analysis.

A consolidated financial statement is an accounting document that represents the financial and asset situation of the various companies in a group, with the parent company holding the consolidated financial statements. CA Ile de France regularly receives the group's accounting documents that the business manager have to enter into the ANADEFI software in order to be able to carry out the rating.

The rating is the attribution of a score between A+ and J (may be Z as the case may be) to a group and/or third party that reflects its status, it serves to ensure consistency in the processing of credit files.

The determination of the Group's rating is based on:

- The selection of third parties taken into account by the RUN (Group that determines the rating);
- The percentage of ownership of the Third Party by the group informed by the RUN according to the organization chart;
- By the automatic retrieval of the financial data of the selected Third Parties.

A Group grid must then be filled in with the amount of consolidated revenue, the completeness of the scope, the reason for the rating, the rating methodology (G10, G11, G20, G30, G40) and the rating (Final Note Retained). The types of methodologies are specific to the CA, the methodology can change according to certain criteria: group rating, third party rating, risk rating, not RUN on the group...

The Final Note Retained (NOR) is the final note for a Group and will be listed in AGORA. It will then be automatically updated to feed the Group Correction of each Third Party composing the Group.

Thanks to the previous missions, business managers are able to do the credit files because without a rating, they cannot assess all the risks of a company, this is why it is essential to have a rating.

Requests for credits are received and analyzed by business managers on a weekly basis.

First of all, a financial analysis of the company must be carried out:

- Analysis of the combined income statement of the table in the appraisal file: analysis of its activity and profitability;
- Analysis of the balance sheet in the appraisal file: analysis of working capital, working capital requirement and net treasurer;
- Then, there is the client's request(s) to be analyzed, this analysis will then allow to give a positive or negative opinion to the client's request.

### **3. 3. 2. Process of granting credits to companies according to the credit policy of the Crédit Agricole**

When it comes to granting credit, the banker's problem is between managing the risks and satisfying the needs of his clients within the framework of his commercial activity, the objective being to generate net banking income (NBI). In this case, decision-making is not easy because the advisor must, on the one hand, achieve his commercial objectives and, on the other hand, limit the risks linked to financing.

The distribution of credit represents a risky activity for the bank. Indeed, there is a certain probability that a part of the clientele will not respect its initial commitments. It is this risk of default that the bank must be able to manage, hence the need to respect a well-established internal procedure specific to each establishment. To do this, it is necessary to follow a series of successive steps designed to take the risk into account and try to limit its scope through the analysis of various elements.

The financing of a professional or a private individual is a risky activity that should be analyzed and prepared with the maximum possible care. For this, it is fundamental that the advisor gathers a whole series of information on the client but also on the project to be financed so that the risk linked to the financing is the lowest possible. To do this, the advisor must follow the procedure established by his bank, the aim of which is to have as much information as possible. If the file is accepted, the conditions must be expressly specified to the client (amount, rate, duration, repayment conditions, required guarantees, etc.). If not, the reason for the refusal must also be specified to the client.

- Identification of the client's needs:

This step is essential because it is an ideal moment to take note of the relevance of the customer's (or prospect's<sup>3</sup>) needs. To do this, the advisor must take into account not only the economic aspects but also the financial and commercial aspects. He must keep in mind that the banking relationship must be a long-term relationship, a durable relationship, hence the need to propose the most suitable solution to the client's needs.

- Examination of the solvency of the client:

In order to examine the creditworthiness of the client applying for credit, the advisor needs reliable information about the client's debt situation. However, there is evidence that some borrowers, whether in good faith or not, fail to disclose certain forms of loans.

It is in this case that we see the importance of the tools of the CA group:

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<sup>3</sup> a potential future client

- The customer summary sheet: it gives us a general picture of the customer: Civil status, professional activity, annual income, account balance at Crédit Agricole, savings, outstanding loans, services, cash flow, etc. All these elements give a fairly accurate picture of the client. But obviously this is not enough because the client may have another account in another credit institution and may have outstanding loans elsewhere.
- BATICA: This is a bank database and rating tool that provides several modules (bank loans, simplified payment incidents, K-bis, summary, BATICA rating).
- ANADEFI: This is a financial analysis tool used by Crédit Agricole that allows the advisor to have a summary of the main ratios that emerge from the balance sheet and that allow to know the real needs of the client to be financed. This tool gives us a grade for the company according to the balance sheet data; it goes from A (healthy situation) to J (if the situation is deteriorated). This rating integrates the Basel II requirements. It also provides a summary of important ratios such as : Net equity/total assets; Gross financial and bank debts/equity; Gross financial and bank debts/Gross operating surplus; Gross operating surplus/net financial expenses; Cash flow in days of sales; Gross operating surplus/Sales; Company's cash flow. Each ratio is compared by the software to the standards of the sector in which the studied company is placed. All these elements will allow the consultant to decide on the feasibility or not of the project.
- Company bank files: The FIBEN file contains a lot of information about companies, such as annual accounts, bank loans and the identity of directors. This file also includes the Banque de France rating. The BDF is responsible for the management of the Fichier Central des Chèques (FCC) as part of the security of payments by check. The FCC records payment incidents on checks, bank bans, judicial bans and bank card withdrawals for abusive use. Credit institutions must use the information in the FCC to assess the risk involved in granting credit. The BDF also manages the Fichiers des incidents de remboursement de crédits aux particuliers (FICP), which lists both payment incidents on loans granted to individuals and information on people who have filed for over-indebtedness.

The analysis of all these elements allows to take a decision, that is to say to say if the project is coherent and if it will allow the company to generate a positive result or not. In order for the consultant's decision to be as correct as possible, he must have a certain distance: for this, the analysis will focus on the last three financial years. This allows to diagnose the past results, to understand the present results and thus to try to foresee the future evolution. The consultant looks at certain elements such as the evolution of the turnover, the evolution of the operating costs, the level of the company's indebtedness, the investment policy but also the suppliers' payment terms, etc. To this, the advisor adds other documents such as the client's account history.

After having gathered all the elements he needs, the advisor puts together the financing file. This file explains in detail the project to be financed: credit conditions, information on the company and its managers, the activity, the market analysis and the competition, the commercial policy to be implemented, the level of qualification of the personnel, etc.

From the moment the file is compiled, the advisor has an idea of the feasibility of the project. There are two possible scenarios: either he considers that the project is not coherent and refuses to finance it. Or he considers that the project is promising. At this point, he can either decide to finance it if the file falls within his level of delegation. On the other hand, if the advisor does not have the necessary delegation, he or she must present the file to his or her superiors so that they can validate the decision.

## 4. CASE STUDY: RESEARCH METHOD

### 4. 1. Choice of research: quantitative or qualitative ?

A qualitative study is based on the collection of information to understand the attitudes and motivations of individuals in a population. This type of study seeks to better understand the behavior of target audiences and the reasons for it, i.e., uses, but also needs, attitudes, motivations, obstacles, and the degree of involvement.

Quantitative research is a data collection technique that allows the researcher to analyze behaviors, opinions, or even expectations in quantity. The objective is often to deduce statistically measurable conclusions.

Quantitative data allows for an overall view, while qualitative data provides more detail to the survey results.

The qualitative approach is particularly well suited to situations in which numerical data are not sufficient to provide a complete answer to a question.

The objective of qualitative studies is to understand a phenomenon in depth. To do this, it is necessary not only to make respondents feel comfortable and talk, but also to analyze non-verbal behavior.

Three families of qualitative studies are identified:

- Group meetings: these are semi-structured discussions with a small group of individuals (6 to 8 people) involved in the study subject.
- Face-to-face interviews: These take place between a consumer and a researcher. The discussion is based on an interview guide. The objective is to bring out behaviors through questions that should not influence the interviewee.
- Observation: This type of market research consists of methodically monitoring and studying consumer behavior in their environment, preferably without their knowledge.

The objective of this research is to know if it is possible to improve and/or accelerate the analysis of the credit files of the companies by setting up a system of customer card with the old dematerialized files of credits so that the adviser does not have to go to seek the data himself on ANADEFI, AGORA or other software of the CA.



The qualitative study is the most suitable research method for this thesis, the reason being that the data sought cannot be quantified.

The various stages of conducting the interviews include:

- The pre-field part (i.e. the choice of inclusion criteria for the cases in the study, the case recruitment procedure);
- Pre-testing and validation of the interview guide;
- The context in which the interviews were conducted;
- The conduct of the semi-structured interviews;
- Data processing and analysis.

#### **4. 2. Data collection methods**

The choice of interview technique is determined by the purpose and objectives of the interview and the type of research in which it is used.

The objectives are to understand the process of granting credits to companies. But also, to know if the implementation of a system/software that would allow analysts to facilitate their work concerning credit files would be a good innovation.

After distinguishing the different types of interviews, the focus is on the semi-structured interview.

The method used to collect the data was to conduct semi-structured interviews with an interview guide. The interview was conducted without a specific questionnaire, only the main themes such as the missions of the analysts, the rules for granting credits, the problems encountered during their missions and finally the possible improvements to be put in place.

This research was conducted with five volunteers from The Commitments and Specialty Markets Department to ensure that the data collected was relevant. The questions in this qualitative study were very specific and could only be answered by people working in the department, so there were only a few people interviewed.

Each interview lasted about 30 minutes, and the main themes were discussed in all five interviews, although the questions varied depending on the line of discussion. Overall, the analysts had the same views. Each interview was recorded using a voice recorder and then transcribed by hand in order to have a visual record of the answers to the questions and to be able to compare the different data collected according to the different people interviewed.

The semi-structured interview is therefore a conversation or dialogue that generally takes place between two people. It is a privileged moment of listening, empathy, sharing and recognition of the expertise of the interviewee and the researcher. The researcher, having established a relationship of trust with his or her informant, will collect a narrative based on a guide built from previous research work.

The relationship of trust established during this exchange or interaction is of fundamental importance because it conditions the richness and density (quality, authenticity, relevance) of the data collected.

Conducting an interview implies that the researcher really adopts a posture of attentive and sustained listening to the other person and asks him/her questions without inferring, i.e. by avoiding providing elements of an answer.

The list of themes or topics to be addressed in a thematic interview should be as short as possible, while incorporating all the issues that need to be addressed to achieve the goals and objectives. In a thematic interview, the goal is to elicit in-depth responses on each topic; interviewees should not be interrupted because the list is too long and the interviewer wants to move on to the next topic. The different themes are introduced throughout the interview, depending on how things are going, and may not be addressed in the order set out in the research instrument.

#### **4. 3. Data analysis method**

To analyze the content is, using reliable methods, to search for the information contained in it, to identify the meaning or meanings of what is presented, to formulate and classify everything that the document or communication contains (Mucchielli, 1991).

Analysis can be defined as an activity aimed at understanding and/or explaining one or more phenomena (initially envisaged or emerging from the analysis) based on data (whether explicit or implicit).

Most often, content analysis includes three chronological steps (Wanlin, 2007): pre-analysis (floating reading, locating clues, breaking down into meaningful units), exploitation (categorization, counting) and interpretation.

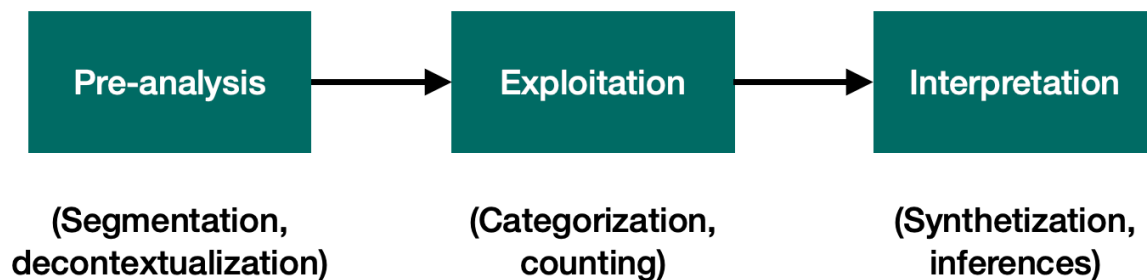


FIGURE 3. Schema of the content analysis steps

There are three chronological steps. The first, called pre-analysis or data organization, involves segmentation and decontextualization. The second, considered central and the longest, consists in carrying out the operations of coding, counting or enumeration: it is the exploitation of the collected material, whose process consists in cutting up the content of a discourse or a text into units of analysis (words, sentences, themes...) and integrating them into categories selected according to the object of research (Thiéart, 2007). Coding thus consists of a process of de-structuring and then restructuring, decontextualizing and then recontextualizing (Tesch, 1990). The last step consists of interpreting the results, synthesizing them and drawing inferences (Wanlin, 2007).

The qualitative approach does not only concern the phase of collecting results. The analysis of the results obtained is similar to a dialogue analysis. It generally aims to study the words and expressions used to describe the product or offer tested. In this case, it is called lexical analysis. Information content analysis can also be thematic. It is possible to choose to classify the information collected by theme. It is with this last method that the data was analyzed.

According to Moscarola (2006), content analysis is a thematic analysis, which consists of reading a corpus as a whole (the corpus represents all the texts, documents, etc.) and identifying the themes it contains, in order to then produce verbatim by theme or carry out a statistical analysis of the themes.

Thematic analysis is a qualitative analysis that aims to interpret content. The principle of this type of analysis is based on the fact of using denominations called themes to summarize and process the corpus. These themes will allow us to meet the objectives of the qualitative study. The analysis of the interviews is carried out by reading the corpus and synthesizing the comments.

Thematic content analysis refers to the operation that consists in transforming the multifaceted and varied text of an interview into a unique and original analysis of its content around its themes and sub-themes, using a code. Content analysis is a decoding of the information provided by the interviews.

Four steps are required to complete the thematic content analysis:

- Transcription is the first step in content analysis, which consists of listing the information collected and putting it in the form of text called *verbatim* which represents the raw data of the survey. Rather than processing audio or video recordings directly. The data collected in this research was in the form of audio (interview recorded with a dictaphone). The transcription consists of writing down word for word everything the interviewee says, without any modification.
- Coding to highlight the sub-themes addressed. The coding corresponds to a transformation, carried out according to precise rules, of the raw data of the text. The coding is based on a complete reading of the transcript by coding fragments of text, these codes indicate which is the main theme.
- Categorization for the organization of the themes that will emerge and their classification: categorization is an operation of classification of sub-themes by grouping them into themes.

- Inference for the interpretative analysis of the data: it will essentially be a matter of deepening the analysis of the results to further question the meaning of the interviews conducted. What is the message transmitted?

## **5. RECOMMENDATIONS**

### **5. 1. Reminder on the current situation**

#### **5. 1. 1. The world of banking**

The bank is defined as a private or public institution that facilitates payments by individuals and businesses, advances and receives funds, and manages means of payment (Le Petit Larousse, 2008).

Banks play an important and primordial role in the mobilization of savings and the allocation of financial resources through its traditional activities and its intermediation function that it occupies between the depositors and the borrowers. Thus, they are at the center of the financial circuit and influence in a direct and indirect way the development of the national economy.

Located at the heart of the economic activity, the bank is the interlocutor of its customers: private individuals, companies and public authorities.

In the wake of the 2008 crisis and with the tightening of banking regulations, banks have faced many challenges in achieving regulatory compliance.

Banks are by nature more fragile enterprises than others; market self-regulation does not ensure balance, and bank failures can have more negative consequences for society than those in other sectors.

The functioning of the banking sector requires strong public intervention to ensure its regulation. In fact, banking is the most controlled economic activity there is.

Public intervention in the banking sector takes four main forms:

- The Basel Committee requires capital to be risk-weighted;
- Deposit insurance helps to limit the negative effects of possible bank failures. By providing this guarantee, it prevents depositors from panicking to withdraw their funds in the event of proven or unproven difficulties, which has the effect of precipitating the bankruptcy or extending it;

- The supervision of banks which is a mechanism that ensures that financial institutions apply the rules defined by the regulators. In France, two institutions perform this function: the Autorité des Marchés Financiers (AMF) and the Autorité de Contrôle Prudentiel et de Résolution (ACPR);
- Central banks participate in the regulation of the banking system in two ways: through monetary policy and through their role as lender of last resort.

## **5. 1. 2. The world of banking with the impact of covid**

Since the last financial crisis of 2008/2009, the banks, partly under pressure from the regulator, have cleaned up their balance sheets and strengthened their banking solidity.

Given the current context, the banks' resources are primarily allocated to the financing of the impacts related to the pandemic triggered by the coronavirus. The bank no longer plays only a financing role, but also a social role by directly assisting the State in the recovery of the economy.

Banks have a crucial role in the economic system. By acting as an intermediary between the holders and providers of capital, they allow the financing of the economy, maintain rates and fill budget deficits.

This is an unprecedented shock to the operating accounts of companies. Depending on the sector, the shock takes the form of difficulty in maintaining normal production levels due to a combination of administrative closures, lower productivity and falling demand.

The drop in sales, combined with the existence of fixed costs, has an impact on companies' cash flow and results.

In the economic support system put in place by the government and the European authorities, the banks intervened quickly and massively to support the companies which saw their activity brutally interrupted by the confinement and the decision of their administrative closing.

While banks are not the cause of the health crisis, they could be part of the solution by being used as instruments to promote economic recovery. Banks will both prevent business failures and play their role as financiers of the real economy. Indeed, the

economic impact of the health crisis could lead to fears of widespread default. To date, the measures taken by the European Central Bank (ECB) and other regulatory bodies make this unlikely. On the other hand, the risk of bank insolvency may be real. After the financial crisis of 2008, the Basel III agreements made it possible to raise capital levels from 8 to 10.5%. The crisis of covid 19 will be an indicator of the effectiveness of the post-2008 Basel measures. French banks are undoubtedly more resilient and robust than in 2008, but if the pandemic persists, a lasting deterioration of the economy, added to a context of low interest rates for several years, could lead banks into a de facto deficit spiral.

The pandemic has enabled banks to show that they can play a full role in society. For example, regarding the *mutualist gesture*, Crédit Agricole and Crédit Mutuel-CIC have each mobilized 200 million euros to support professionals, artisans and shopkeepers, and help them get through the crisis.

As a result, among the 25 most useful brands cited during the containment, a bank was named for the first time. Crédit Agricole appears among Tiktok, Leroy Merlin, Picard Surgelés and Fortnite. ([influencia.net](http://influencia.net))

Most of them are very solid financially and have demonstrated their ability to make a real contribution to supporting economic activity.

### **5. 1. 3. The situation at Crédit Agricole d'île de France**

The Crédit Agricole is one of the most important banks in the Ile-de-France region and CASA is one of the largest companies in France, which successfully controls a large part of the banking sector in the country. Crédit Agricole is mobilizing to support the economy.

During the current period, Crédit Agricole is more committed than ever to supporting its customers and the economy. The organization and financial strength of the Group allow it to play this role to the full.

In response to the coronavirus epidemic, the French government and banks, including Crédit Agricole, are mobilizing to support the economy and help companies affected by COVID-19. The government-guaranteed loans aim to support the cash flow of companies. The guarantee is managed by the Banque Publique d'Investissement (BPI) on behalf of the government.



The loan and the State guarantee are subject to conditions and are subject to study and acceptance of the file by the Crédit Agricole Regional Bank, lender. The advisor will be available to listen to clients' requests in order to assist them in this unprecedented situation via this scheme or to direct them towards other more suitable solutions.

For large companies, acceptance of the loan and the guarantee are also subject to the agreement of the State and the lender.

The CA has relied on digital technology in order to inform all their customers of the developments related to the health crisis, whether for individuals or for professionals.

On their website, all the information concerning the different aids put in place because of this exceptional situation are available. Concerning the SGL, the CA has created a special FAQ on this subject and if clients have any other questions about SGL or other issues, they can contact the regional office in charge of the client or contact the advisor directly.

The CA is present and listening to their customers in order to offer them the best possible service. The current crisis directly impacts the companies, that's why the CA has to be attentive and present near the companies so that they are not abandoned.

A special emergency information number for companies in difficulty has been set up to process requests more quickly and to help clients as quickly as possible.

In this particular situation, the CA Group's values of proximity, responsibility and solidarity are all the more applied and taken seriously in order to be present with their clients.

## **5. 2. Analysis of the results**

### **5. 2. 1. Data collection**

Data collection is an essential phase of a research project during which information is gathered and analyzed to confirm (or not) the initial hypotheses and to answer a problem. Data collection allows for a personal and illustrated response to the initial hypotheses.

In the context of this thesis, the hypotheses are:

- Firms that present a guarantee increase the chances of accessing credit;
- Reliable company information increases the chance of getting credit;

- The credit granting process can be facilitated and/or accelerated.

In the context of this thesis, the problematics are:

- How are corporate credits granted?
- How can the work of the business managers be made easier so that the corporate credit files can be processed more quickly/flexibly?

Through several survey technics (outlined above), qualitative research allows for the collection of informative data. The interview technic was chosen for this thesis. It is very useful by collecting informative data on very specific topics. It is mostly about interviewing people who have a particular expertise or experience on a topic. Since the topic of this thesis was very specific, it was necessary to interview people working in this field who had expertise regarding corporate credit.

The data from a qualitative study obtained through the interview are to be used through a written analysis. This analysis is based on the written notes taken during the interviews, as well as on the transcription work. The arguments of the conclusion are therefore built through the analysis of the collected words.

The study was carried out with 5 people. It was not possible to question more people because the service dedicated to the credits of the companies to the CA Ile-de-France is a small team with few business managers. Each interviewees wished to remain anonymous during these interviews and did not want their identities to be revealed. They made this choice for confidentiality reasons. They also did not want the transcribed interviews to be included as appendices in this thesis because of the confidentiality of the content, but also to protect the CA image.

The interviews were conducted in a semi-directive manner, meaning that there were no specific questions, but themes and topics to guide the discussion were prepared beforehand. The themes discussed during the interviews were: the credit policy of Crédit Agricole d'Ile-de-France, the organization of the department, the rules for granting credits to companies and possible innovations concerning the work of business managers.

Overall, the interviews lasted approximately 30 minutes and the questions asked were roughly similar in order to gather similar information useful to answer this thesis.

Each interview was transcribed in order to get an overview of the questions and responses of each interviewee. Overall, the analysts had similar answers, views, thoughts, and statements regarding the proposed innovation ideas.

## **5. 2. 2. Interpretation of the data**

The interpretation of qualitative data is done by analyzing the collected content. The approach is based on the analysis of the dialogue by reclassifying the terms and expressions used. There are several possible lines of analysis, the most used are:

- Thematic analysis: by reclassifying the content by theme;
- Lexical analysis: by focusing on the words used and their strength in the dialogue (counting, for example, the frequency of appearance of words).

In this thesis, thematic analysis was used as it appeared to be more appropriate.

After transcribing the interviews, a complete reading, known as "floating" (Bardin, 1997), was carried out in order to take note of the main elements emerging from the exchanges. Then, a thematic reading of the interviews was carried out. This technic consists of cutting the interviews into significant fragments of dialogue and assigning these fragments of dialogue to themes. At the end of this reading, six themes emerged:

- The Caisse Régionale Crédit Agricole d'Ile de France (operation, markets, banking sector);
- The service of the corporate credits (commercial service with all the business managers);
- The granting of credits to companies (the rules of granting and the realization of a credit file);
- The risks of granting credits to companies;
- The covid crisis and the corporate credits;
- Possible improvements (facilitating/accelerating the processing of credit files).

The creation of these themes eased the analysis of the results in order to verify the hypotheses and also to answer the problematics. These themes provided a global understanding of how Crédit Agricole works and a better understanding of the banking system and bankers' missions. It also supported the identification of possible improvements regarding the processing of corporate credit requests.

### 5. 2. 3. Research results

The results of the research allow several tasks to be carried out:

- Confirming or disconfirming the working hypotheses and the validity of the research;
- Structure the final conclusion;
- Distinguish the limits of the results;
- Suggest new research as an opening.

This research has allowed for a better understanding of the functioning of banking and corporate credit and in particular the functioning of the CA Group.

This research faced some limitations. First of all, the department being composed of few people, it was not possible to increase the number of interviews, thus increasing the data collected. Then, some of the data was too confidential for the respondents to answer the questions without any filter, as the banking world is a very sensitive and competitive environment. Finally, the banking world is a very regulated environment which limits the ideas of improvement and/or innovation in this sector.

The realization of a credit file is very complex and must be very precise, many factors and ratios are to be taken into account. The business manager must have the most neutral look possible and give the best possible analysis in order to avoid the bank to take too many risks concerning the granting of the credit.

The processing time of a credit application can be very variable. This time depends on the type of credit requested, the type of company requesting it, the history of the company, the number of commitments, if there are LBOs...

The interviewees mentioned administrative problems, so flexibility should be allowed in certain cases. But also, computer problems that slow down the processing of credit requests.

Following this analysis, different openings are possible which can lead to other studies. It is possible to ask whether banks do not impose too many restrictive rules on themselves concerning the granting of credit to companies? It is also possible to ask if exceptions concerning the rules of granting credits to companies can be authorized?

## **5. 3. Proposal of a solution**

### **5. 3. 1. Solution ideas**

One of the objective of the qualitative research was to find out if it was possible to facilitate and accelerate the processing of corporate credit files. Following the analysis of the data collected, several solutions emerged concerning the processing of credit files.

The first solution is to allow flexibility concerning the rules of granting credits. It would imply to review certain points of the credit policy for companies of the CA Ile-de-France. This would avoid problems of administration for the business managers on some files and therefore spend less time to realize them. In the analysis of the applications, if a ratio is above the norms but the rest of the ratios are correct to grant the credit according to the business manager, the fact of granting flexibility would allow the business managers to validate a credit application without having to make a request to a superior, who will probably validate the application.

The second solution is to propose the creation of a software, more specifically a software package that would allow the processing of credit requests from companies in a dematerialized way. This would allow business managers to save time. All the information that business managers needs in order to perform their analysis would be available on a single software. They would no longer have to go by themselves to find the history and all the necessary information on the different software of the CA group (ANADEFI, AGORA...).

Thus, two solutions emerged from the interviews. These solution ideas were discussed in the interviews and each interviewee expressed his thoughts regarding these solutions.

### **5. 3. 2. Validation of the solution according to the research**

According to the results obtained, the first solution mentioned is not really feasible because it would be necessary to review the entire credit policy of the CA Ile-de-France, which would also have an impact on the credit policies of the other regional banks (each bank has the same policy, but there are some differences depending on the sector). Such a change would be too important and complicated. The banking world is governed by many rules, laws and standards. Moreover, making changes could have big impacts on the risks taken by the bank granting the credit. It is therefore preferable to continue to do it on a case by case basis, even if the processing of credit requests from companies is slow.

Regarding the second solution mentioned above, the results of the research showed that this solution is conceivable. It would allow the business managers to save time, to have the files dematerialized, to have a customer file accessible quickly and it would also allow the analysts to have all the information in a few clicks and especially to have the history. The creation of a software would be beneficial for the CA group, it would save time on small credit files and the dematerialization of files would create a new database accessible to anyone wishing to have information on a company without having to make a request to the business manager.

### **5. 3. 3. Implementation of the solution**

Following the research, the solution retained is the creation of a software which would allow to treat the requests for corporate credits in a dematerialized way and thus to save time.

The software would gather all the information that the business manager would need to process the credit request. The dematerialized file would be attached to the client file. The client file will allow the business manager to be informed of all the previous credit files and their completeness (Banque de France, ANADEFI, AGORA...). This would allow the business manager and the analyst, who checks the file, to have all the necessary information in a few clicks and not have to go and look for each information on the different supports of the CA Group. This would also allow the business managers to avoid wasting time in formatting the file ; they would only have to fill in the boxes and the formatting would be done automatically as well as a recording so that their work is not lost. Concerning the exploitation of the data, in the dematerialized credit file, there should be an

alert when a ratio do not correspond to the credit policy of the CA. Hence, it will be easier to read for the analysts, so that they do not have to wonder by themselves why such or such ratio is too high, if it is normal or not (according to the sector, the news...).

A client file would be automatically created with all the relevant information:

- Administrative information;
- Legal information;
- Information about the company's history;
- Information about old credit files (if any);
- Information on outstanding loans
- Etc...

The corporate credit request sent by the client would be uploaded on the software so that the business manager could process it and a follow-up would be done for future credit requests.

The business manager would have to analyze the useful ratios concerning the company and fill in the requested information on the software.

The implementation of this software will require phases of experimentation in order to know what potential problems may occur. The problems that may occur during the use of the software should not have an impact on the work of the business managers and prevent them from working efficiently. The purpose of the software is to facilitate and accelerate their work, it would be ironic if the software had the opposite effect. Different methodologies could be considered to develop such software (e.g: Agile, Design Thinking) to ensure operational efficiency of the tool.

Thus, this solution would facilitate the work of the business managers and help them to process certain corporate credit files more quickly. This software would be usable for all the Regional Banks of the Crédit Agricole, it would not be exclusive to the CA Ile-de-France. This would allow the whole Group to benefit from a new service.

## 6. CONCLUSION

The objective of the thesis was to identify the variables that influence the decision to grant credit to firms and to know if it is possible to facilitate the work of the business managers in order to process the credit files more quickly/easily.

In addition, the reason why this study was conducted was to gain an idea of how the banking environment is framed by rules that have a direct impact on the decisions made by the banks.

The questions supporting this study were "How are corporate credits granted? And how can the work of analysts be facilitated in order to process credit files more quickly/easily? ". These questions have been addressed through this study and we can retain in brief that the credits of the companies are granted by making a complete analysis of the company ; this analysis is governed by rules that the analysts/business managers must respect. It appears possible to facilitate and allow the business managers to process more quickly the credit files of the companies by implementing a new software.

More specifically, the CA Ile-de-France was used as case study in order to have a feasible solution that would help the business managers/analysts in the processing of files. The recommendations and the implementation of this type of software is documented above, but in short, we have demonstrated that the software would make it possible to have dematerialized files, attached to the customer file which contains all the information necessary for the business manager to do his work. This software would allow the CA to have a new database.

Regarding the limitations of this research, the banking world is a very regulated and competitive environment, each bank has a different policy that they do not want to reveal. It is therefore complicated to collect precise information from a single bank or it is not allowed to publish this information because of confidentiality.

During the research phase, it was important to determine which research method would be most appropriate for this thesis: quantitative or qualitative. Due to the nature and subject matter of this thesis, the choice to conduct a qualitative study was made. This type of research allows for a complete and in-depth explanation of the credit granting process of



the companies and how it could be accelerated. Conversely, a quantitative study would not have provided such information, as this type of research requires data that can be statistically and mathematically represented.

The secondary data was used to complete this thesis. It was the main source of information for the redaction of this thesis. The legal texts, theories and confidential information coming from the CA Ile-de-France have already been created by someone else, that's why the main source of information comes from this type of data. But, primary data was also used for this thesis: this data was created through observations and interviews.

To conclude, the objectives of this thesis have been achieved. The results of the research are satisfying and the subject has been addressed by assessing its various elements. The value proposition made to the CA Group is about a new software that could be beneficial to them regarding the processing of credit files. Such capacity would improve their efficiency to grant credit and will hopefully be a good basis for other improvements to be implemented.

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