

JEL CLASSIFICATION: E50, E58, G18, G33

THE OPTIMISATION OF FUNDING BASE OF BANKING CONSUMER LENDING

Oleksii A. SHAPOVAL

Economist of Open Market Operations

Department of the National Bank of Ukraine

Summary. The article investigated basic conditions and trends of the banking consumer lending, analyzed the market of bank deposit resources, investigated the differences in the

dynamics of deposits of individuals and legal entities, substantiated practicability of usage, and suggested the mechanism of securitization of consumer loans in order to increase the resource base of banks.

Key words: *funding base, a crisis of confidence, consumer credit, securitization, bonds, credit risk, deposits, interbank loans.*

The crisis of confidence in the banking system that emerged in 2014-2015, is perhaps the greatest over a period of Ukraine's independence. The loss of public confidence and actual unavailability of external financing actualized the issue of diversification of sources of refilling banks' funding base.

The main reasons for the crisis of confidence were: a sharp increase of inflation, mainly due to the devaluation of the hryvnia, which adversely affected the purchasing power of the population; deterioration of the financial situation and withdrawal of a significant number of insolvent banks from the market; the decline of the economy and its main sectors. The consequences of the crisis for the banking system are: the outflow of the individuals' deposits during the first 9 months of 2014 – the longest period of the deposits outflow in the history of Ukraine, - which along with a reduction in purchasing power and the increase of requirements from borrowers towards banks led to a decline in lending, particularly the consumer's one.

The article analyzed trends in banking deposit resources market in the context of different types of investors and currencies, and it was found that in 2014 and for 7 months of 2015 the decline in individuals' deposits considerably exceeded the decline in corporations' deposits, which is caused by the growth of surplus funds in the latter because of the downturn

in the economy and the lack of alternative liquidity accumulation tools.

Proved that one of the conditions for the growth recovery of consumer credit is the diversification of sources of refilling banks' funding base. It also substantiated practicability of providing additional guarantees to creditors, including necessary cover, to attract additional resources. Promising method in this case is a securitization of consumer loans of the first and / or the second category according to the classification of the National Bank of Ukraine.

The crisis of confidence in the banking system that emerged in 2014-2015, is perhaps the greatest over the period of Ukraine's independence.

The research allowed to conclude that introduction of asset-backed bonds in which assets are in the form of consumer loans will contribute to the formation of medium and long-term resources, which are currently deficient for the banks. Assets backing and a clear bonds' implementation of circulation mechanism for creditors will serve as a guarantee of implementation of bank obligations. The experience of mortgage bonds in circulation, which is used and regulated by law in Ukraine, should be extended to other type of assets which is consumer loans. The world experience of turnover of consumer credit backed securities indicates the viability of the method of funding base replenishment.

References

1. Bank Liquidity: some aspects of management and international experience of regulation and supervision / Stelmach V., Mishchenko V. et al. – K.:

Research Center of National Bank of Ukraine, 2009. – 287 p.

2. Mishchenko V. The current practice of consumer lending in Ukraine / V. Mishchenko, A. Shapoval // *Bulletin of the NBU*. – 2013. – №11. – P. 3-9.
3. Mishchenko V. The world practice of consumer credit value regulation and prospects of its usage in Ukraine / V.I. Mishchenko, O.A. Shapoval // *Banking*. – 2015. – №3. – P. 108-115.
4. Mishchenko V.I. The management of credit risk through improvement the collateral of bank loans/ V.I. Mishchenko, S.V. Mishchenko // *Financial space*. – P.77-86 – Access mode: <http://www.fp.cibs.ck.ua/files/1502/15mviukr.pdf>
5. Mishchenko V.I. Banking supervision: a textbook / V.I. Mishchenko, S.V. Naumenkova. – K.: Research Center of NBU, Banking University of NBU, 2011. – 498 p.
6. Mishchenko V. Problems of equilibrium banks' domestic savings and foreign borrowings in an unstable financial markets / V. Mishchenko, V. Zhupanyk // *Bulletin of the NBU*. – 2008. – №7. - P. 8-12.
7. Mishchenko S.V. Lending stimulation as a factor of economic growth / S.V. Mishchenko // *Bulletin of the Financial University*. – 2013. - №1 (73). – P. 35- 45.
8. Naumenkova S.V. Investigation of balance of supply and demand in the credit market: the experience of central banks / S.V. Naumenkova // *Bulletin of Taras Shevchenko National University of Kyiv. Economy*. – 2014. – №10 (163). – P.51-57.
9. Naumenkova S.V. Financial inclusivity and the problem of providing public access to basic financial services in Ukraine / S.V. Naumenkova // *Bulletin of the NBU*. – 2014. – №11. – P. 31-37.
10. Naumenkova S.V. Usage of structured securities to finance corporations in Ukraine / S.V. Naumenkova, T.G. Bui // *Finance of Ukraine*. – 2010. – №10. – P. 89-101.
11. Naumenkova S.V. Lending development in post-crisis conditions / S.V. Naumenkova, S.V. Mishchenko // *Banking*. – 2013. – №. – P. 3-19.
12. Naumenkova S.V. Improving accessibility of financial services: actual issues of regulatory practices / S.V. Naumenkova // *Finance of Ukraine*. – 2013. – №10. – P.20-33.
13. Naumenkova S.V. Features of the investment resources mobilization for structural changes in the economy / S.V. Naumenkova. – Sumy: Sloboda, 1997. – 38 p.
14. Naumenkova S.V. Prediction of the mortgage market in Ukraine / S.V. Naumenkova, S.V. Saranchuk, O.I. Manzyuk // *Financial and credit activities: problems of theory and practice*. – 2010. – №2. – P. 51-58.
15. Naumenkova S.V. Problems of balanced monetary market of Ukraine / S.V. Naumenkova. – K.: Scientific thought, 1997. – 55 p.
16. Resolution about procedure of deposit operations with legal entities and individuals for Ukraine's banks // NBU Board Resolution of 03.12.2003 №516.
17. Dictionary and handbook of banking terminology / composite authors; edited by V.I. Mishchenko / V.I. Mishchenko, S.V. Naumenkova, A.I. Kovalenko and others. - K.: The National Bank of Ukraine. Research Center, 2013. – 176 p.