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CREDIT SYSTEM OF UKRAINE AND ITS FUTURE DEVELOPMENT

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Abstract. The article considers the essence of the credit system. The factors of influence on stability the of the credit system were identified. Main indicators of banks activities were analyzed. The problems that hinder the development of the banking system of Ukraine were investigated. Were grounded proposals for improving indicators of the national credit system.

Keywords: credit system, banks, banking system, problem loans.

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Анотація. Розглянуто сутність кредитної системи. Визначено фактори впливу на стабільність кредитної системи. Проаналізовано основні показники діяльності банків. Досліджено проблеми, які стримують розвиток банківської системи України. Обґрунтовано пропозиції щодо поліпшення показників розвитку вітчизняної кредитної системи.

Ключові слова: кредитна система, банки, банківська система, проблемні кредити.

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КРЕДИТНАЯ СИСТЕМА УКРАИНЫ И ПЕРСПЕКТИВЫ ЕЕ РАЗВИТИЯ

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Аннотация. Рассмотрена сущность кредитной системы. Определены факторы влияния на стабильность кредитной системы. Проанализированы основные показатели деятельности банков. Исследованы проблемы, которые сдерживают развитие банковской системы Украины. Обоснованы предложения по улучшению показателей развития отечественной кредитной системы.

Ключевые слова: кредитная система, банки, банковская система, проблемные кредиты.

Формул: 0; рис.: 2; табл.: 0; библи.: 5.

Problem. In today's difficult conditions of the development the nationalmarket economic system, the objective pattern is the organizational restructuring of the economic relations. This should be done by decentralization of management, appearance business structures with different forms of ownership, development financial institutions. In these conditions, special importance is supporting the stability, sustainability and efficiency of the national credit system.

Necessary is building such a credit system of Ukraine, which should contribute to solving problems of economic and social development, increasing production efficiency, moving resources between areas, sectors and enterprises and organizations. The institutions of the credit system play the role of main financial mediators in providing movement of funds between different business entities of the national economy.

Analysis of recent researches and publications. Because of its actuality, credit system extensively studied domestic and foreign scientists in the last decade. Among them we should mention: V. Savchuk, A. Halchynskiy, V. Dzyublyuk, A. Lavrushina, A. Kosoy, V. Shenayeva, L. Yenevych, V. Saulsky. In scientific literature there is also a large variety of researches of activity non-bank mediators among which worth mentioning authors of L. Alekseenko, A. Aristov, Z. Vasylenko, Z. Vatamanyuk, A. Hladchuk, A. Dorosh, A. Ivanitskaya, L. Ilchenko-Syuyvy, I. Karakulova, A. Kartamyshevoyi, V. Krotiuk, M. Lapishko, E. Nikolaev, B. Pshik and others. The research of these scientists have great theoretical and practical value to further development of the non-bank intermediaries. As for the problems of development of the banking system, this area of researches was involved in many Ukrainian scientists and specialists, including A. Baranowski, T. Smovzhenko, A. Vasyurenko, A. Lupus, V. Kovalenko, S. Naumenkova, V. Oparin, M. Savluk, Fedosov and others. Their research concerned as general problems development of the banking system and the individual components of banking activities. In modern researches raised many problems of development of national credit system, which in conditions of financial instability and crisis need to be further-resolution.

According to the problem, **the purpose** of the article is research theoretical bases of formation and development of the credit system Ukraine, justification of practical recommendations to improve the prospects development of national credit system.

The main material. Development of banking institutions which for a long time were the only part of the credit system, the emergence of special credit institutions and the creation of central banks – contributed to the formation of credit systems in different countries.

The process of forming and development of the credit systems was caused certain preconditions among which we can highlight:

- growth in cash flows due to development of commodity production and trade expansion (it necessitated the movement of cash flows and maintenance within the economy);
- the need for a specific form of entrepreneurial activity, connected with the accumulation and allocation of temporarily free funds of the market.

In determining the nature of the concept of «credit system», opinions of scientists vary considerably. However, the common statement is that the credit system not an ordinary combination of individual elements. On the one hand, a combination of interrelated elements with homogeneous characteristics, and on the other – a combination of elements that are quite distinct differences in the organization functioning.

Thus, under the credit system we mean a set of financial institutions in countries that interact in a specific historical period [1].

The concept of the banking system should be distinguished from the concept of credit system, which integrates all market participants to the extent to which they participate in the credit relationship. The credit system brings together both professional and non-professional

participants of the credit market and banking system – the only professional participants [2].

We can argue that the evolution of the credit system is determined by the economic situation in the country, the dominant forms and mechanisms of management. Each stage has its own economic development. Credit system in Ukraine it includes banking and non-banking sectors.

In recent years, along with the expansion and the role of the credit system was a significant instability at the development of credit systems in many countries. These trends are caused not only by external factors, but mostly internal problems of formation and functioning of the credit system.

Analyzing present state of development of the world credit system, we can observe the characteristic trends [3]:

- creation of the largest financial institutions and infrastructure, which activity has international importance (IMF and World Bank);
- transition to a postindustrial society (world economic growth outpaced the growth of production and increased for the 1950–2000 in 20 times, and the rate of production increase in 6 times);
- standardization of the monetary system of the European Union (the transition to the euro, creation of the European Central Bank, creation of the international payment system TARGET);
- transformation of the national three major US rating agencies in the structure of global significance, can affect on expectations and operations at the money market.

Scientists say that the stability of the credit system affected a significant number of factors that could affect its balance (fig. 1).

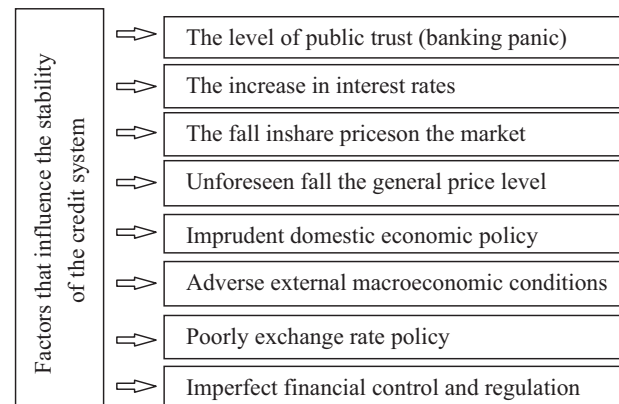


Figure.1. Factors influencing the stability of the credit system [1]

Crucial role in assessing the stability of the credit system play maturity of its structure, including the number of financial institutions, the size of state property, the share of foreign capital, the degree of use of securities markets for capital raising and so on. It should be noted that balance of the structure of credit system is the basis of sustainable and effective development.

An important influence on the stability of the credit system and carry out social factors, including the level of public trust in banking institutions. In the pre-crisis pe-



riod banking sector of Ukraine was developed very active, in particular, because of the high level of public trust in banking institutions. This trend confirms the increasing in the deposit portfolio of banks in 2008 at 26.7% compared to 2007, because citizens trust banks and had adequate standard of living for savings.

However, the economic crisis 2008–2009 years and the inability of some banks to comply with financial commitments to corporations and individuals undermined confidence in the banking system of Ukraine. Finally undermined confidence in the national banking system last events that took place during 2014–2015.

In the mechanism of functioning of the credit system play a big role the state banks (which traditionally ranks first in size of its resources). Banks accumulate main part of resources and provide a full range of financial servi-

ces, including deposits, loans, payment services, sale and storage of securities, foreign currency. The credit activity of the bank is one of the fundamental criteria, which distinguishes it from non-banks. It is the credit activity of domestic banks will pay attention (*fig. 2*) [4].

During 2010–2013 there is a gradual restart lending and reducing the share of overdue credits, which positively affected the quality of the loan portfolio of banks. Reduction of bad debts contributed to strengthening requirements of banks on borrowers and improve the quality of risk assessment. National Bank of Ukraine carried out work aimed at reducing the volume of bad debts in the banking system. In particular, it formed the legal conditions for the functioning of the market for distressed assets in Ukraine, banks were provided with the necessary tools to work with such assets.

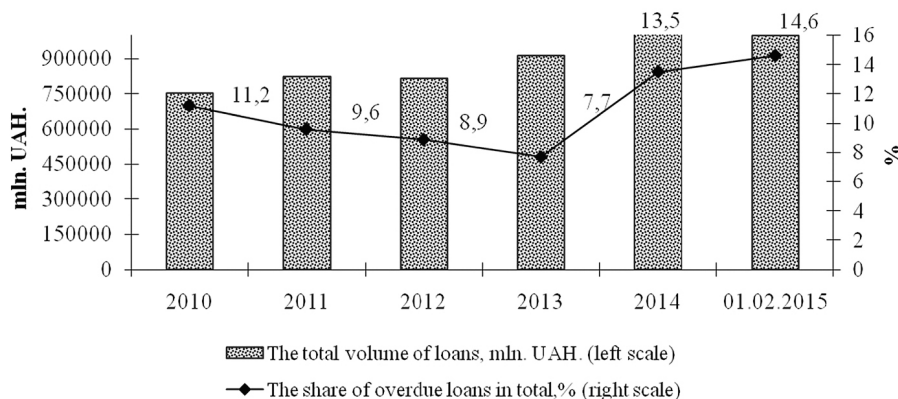


Figure 2. Dynamics provided by banks and problem loans Ukraine for the 2010–2015 pp.

From the data analysis *fig. 2* shows that as of 02.01.2015 increased the number of loans, and the share of overdue debt increased to 14,6%. This fact can be explained by the dynamics of loans was formed under the influence of restrained growth in the deposit base of banks, deterioration of borrowers' solvency and change the hryvnia exchange rate to foreign currencies. The number of loans in foreign currency has been increased, but solely by exchange rate differences.

Note that most of the problems that affect the development of the banking system, lie outside the plane of the banking system. Among them, first of all, to provide: the slow pace of development of the real economy; administrative interference by government authorities on the activities of individual banks; weak and insufficiently transparent financial condition of significant part of economic entities, low payment discipline; excessive tax pressure and the existence of numerous tax exemptions; weak development of land market infrastructure and real estate, legal restrictions transactions in this market; weak legal protection of creditors' rights.

Along with this development of the banking system of Ukraine held back and due to problems that are inherent in purely banking system, among them:

- high level of dependence of the resource base from external borrowing and a significant share of foreign capital in the structure of the banking system of Ukraine;

- presence in the market of banks with low capitalization that does not provide properly their financial stability;
- banks lack effective mechanisms and instruments for asset and liability management, risk management, planning and development strategy;
- low profitability of banks' assets by the total low quality assets, high share of unprofitable assets in total assets of banks and unreasonably high cost of doing business;
- the low level of bank management and corporate management.

Furthermore, the main problems of the banking system of Ukraine in 2015 are [5]: significant devaluation of the hryvnia; significant reserves for active operations, which negatively affected on the level of capitalization of banks; increasing of currency risks; distortion of statistical reports by individual banks, making it difficult to assess the real magnitude of bank lending associated persons.

We believe that to improve the performance the development of national credit system in the first place must go providing system stability, reduce the vulnerability of the banking system to external and internal factors of destabilization, improving the quality and efficiency of its activities. Banking activities should be based on the principles of openness, transparency, equality and impartiality, respect for business ethics and responsibility to customers, society and the state.



Conclusions. Thus, the structure of credit systems of different countries varies and reflects the state of the economy at a particular stage of development. The credit system of industrialized countries is characterized by extensive branching, by large universal banks, specialization subsidiaries of banks in certain types of transactions.

The modern credit system of Ukraine form banking and non-banking system and its credit union. The main link of the credit system are banks. The modern banking system of Ukraine has a two-tier structure, a clear hierarchical subordination and performs important functions

in the national economy. Non-bank financial institutions occupy a prominent place in the credit system. They are perspective investors are alternative banking sector, ensure the development of competitive market of credit resources.

National credit system of Ukraine is experiencing significant influence of globalization that is shown, in particular, vulnerability to current world trends and the impact of global financial instability. To improve the indicators of the credit system of the state should focus on the most developed credit system in the world.

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