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BANKING SYSTEM OF UKRAINE: THE FEATURES OF THE PRESENT ACTIVITY

A. Burkovska, *Candidate of Economics, Associate professor*
T. Lunkina, *Candidate of Economics, Associate professor*
Mykolayiv National Agrarian University

The article describes the essence and importance of the banking system for the economic structure of the country. The division of the banking system by types of construction was discussed. It was highlighted that the responsibility of the National Bank of Ukraine is to address macro-economic problems in the monetary and banking relations. The features of the banking system in modern conditions were investigated and the possible ways of existing shortcomings' elimination were found.

Key words: *one-tier banking system, a two-tier banking system, the first level of the banking system, the second level of the banking system, the discount rate, cash loans, cybersecurity.*

Problem's Formulation. Difficult for Ukraine financial and economic conditions had affected the activities of its banking system. Unfortunately, reducing public reserves, reducing the number of commercial banks and the impact of their activities had happened. Under these conditions, the determining factor of the national economy development is to maintain stability of the banking system.

Analysis of recent research and publications. The problems of the banking system were discussed by well-known scholars, including: Alekseev I. V., Baranovsky O. I., Dyba N. I., Kolesnik M. K., Kovalenko M. A., Kovalchuk T. T., Lutsiv B. L., Moroz A. M., Suhomlin L. E. etc. Despite the fact that this subject is heightened in the scientific works of many scientists, its further investigation should be aimed at the features of the banking system of Ukraine at the present stage of development. It requires a deep study because it is particularly important to avoid imbalances and financial stability and security.

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The purpose of the research is to examine the activities of the national banking system in modern terms in order to identify existing shortcomings and develop proposals to address them.

The main material of the research. Banking system is of particular importance to the economic structure of the state. It is legally defined organizational set money market financial intermediaries which are engaged in banking activities. It is through the banking system of the country the monetary policy of the government could be implemented, the deposit and credit means of payment is carried out, temporarily free financial resources their transfer to the loan can be accumulated, bills and payments of businesses and individuals can be realized.

It is well known that the type of the banking system construction is divided into one-tier and two-tier one. One-tier banking system is typical for countries with administrative and command management and provides horizontal links between banks that are on the same rung of the hierarchy, and the exercise of universal banking operations and functions [1, p.127].

Two-tier banking system is represented in countries with market economy, including Ukraine. This type of construction provides a horizontal links between equal commercial banks, and the vertical relationship of subordination commercial banks governing body of the banking system - the Central Bank. The first (upper) level of the domestic banking system is represented by the National Bank of Ukraine (NBU), the second - by the commercial banks.

In our country the Central bank is responsible for macroeconomic priorities in the area of monetary and banking relations, namely ensuring the stability of the purchasing power of the national currency (UAH) and the reliability of the banking system.

NBU as a share is not only the center of the country but it also has a monopoly right to issue banknotes hryvnia and small coins - kopecks, and regulates the amount of money in circulation. Thus, the rate of monetary growth per year on 01.01.2015 [2, p.58] and up to 01.01.2014 [3, p.52] have the following values: in monetary aggregate M0, at the beginning of the year USD 45,170,500,000

(119%) and USD 34,531,600,000 (117%); for M1, the beginning of year 51,654.0 million (113.5%) and 60,675.0 million (118.8%); for M2, the beginning of the year 49,112,200,000 USD (105.4%) and USD135,189,700,000 (117.5%); by M3, at the beginning of the year USD47,733,400,000 (105.3%) and USD135,875,200,000 (117.6%), respectively. Thus, at the beginning of 2015 compared with the beginning of 2014 the decrease of all monetary aggregates of M0 apart, which includes cash, i.e. cash outside banks is evident.

It should be mentioned that recently the foreign exchange market of Ukraine suffers from imbalance. Due to the devaluation of the national currency in the foreign exchange market of Ukraine, unfortunately, the number of speculative transactions, which leads to loss of confidence in the banks, which, in turn, is the reason for the reduction of deposit operations can be noted. Thus, the liabilities of commercial banks, for example, individuals' funds had decreased as at 01/01/2015, compared with data on 01.01.2014, at UAH 17.355 billion [4, p.57].

We believe that in order to balance the foreign exchange market NBU should make direct currency intervention reserves. And to ensure the free exchange rate the Central bank should prevent the state administrative restrictions on the foreign exchange market.

During the investigation it was found that the number of licensed banks with conduct banking activities in Ukraine, have gradually decreased (Table. 1).

In 2013 the presence of foreign capital was typical for almost a third of domestic banks, and in subsequent periods the number of such banks has increased. During the study period with hundred percent foreign capitals in Ukraine there were about 19 banks.

There is no discussion of the fact that such economically developed countries, such as England and the United States do not allow the presence of foreign capital in the national banking system more than 5%. The share of foreign capital in the authorized capital of Ukrainian banks exceeds 32%.

The negative result of the banking system of Ukraine (in 2014 almost –USD 53,000,000,000) clearly demonstrates the need to

strengthen and improve the stability of the domestic banking sector. We consider it is appropriate to increase the capitalization of commercial banks and their compliance with regulations.

Table 1

The main indexes of Ukrainian banks' activity

1	The amount of banks with license (number)	180*	163*	155*
1.1	With foreign capital	49	51	50
1.1.1	Including 100% of foreign capital	19	19	19
2	The share of foreign capital in the authorized capital of banks, %	34,0	32,5	32,6
3	Incomes, (UAH mln)	168888	210201	17920
4	Expenditures, (UAH mln)	167452	263167	26424
5	Financial Results, (UAH mln)	1436	-52967	-8504

** including one licensed bank Sanation bank
Resource: according Data base [4, p.57].*

The main areas of the financial condition of domestic commercial banks' stabilization are:

- Increasing capitalization and capital adequacy;
- Maintain a sufficient level of liquidity;
- Improving activity;
- Improving asset quality and reducing credit risk;
- Improving risk management systems;
- Increasing customer confidence [5].

NBU using government has taken a number of measures aimed at overcoming the crisis and contain inflation in the country through the implementation of a tight monetary policy. To do this, the Central Bank uses the interest rate as the main instrument. Thus, due to high inflation risks NBU discount rate has a steady upward trend from 6.5% (from 08.13.2013) to 14% (from 13.11.2014) and 19.5% (from 2.6.2015) to 30% (from 03.04.2015) [6]. The discount rate is a reflection of the real value of money. But all other rates should be determined according to supply and demand.

This discount rate is a concern about the prospects for the banking system lending to the real sector of the economy. After

a typical market interest rate includes interest rates and bank margins. Banks are unwilling to make credit not only for political risks and risks of the business environment, but also thanks to the insolvency of the borrowers.

We believe that the priority needs to address the issue of legal protection of the creditors' rights to rule out non-repayment of loans.

At the present stage of the domestic banking system development it is observed the selection of the strongest banks that are using approaches capable of timely anti-crisis strategy to form its future activities. The standards of service and quality of service are rising. Thus, Ukraine grows the popularity of online banking services and referral is becoming more desirable. The following trends are now clearly traced in the banking system:

- Suspension of mortgage lending due to lack of clarity on long-term deposits in national currency;
- A significant decrease in sales of passenger cars due to overload the market and more stringent conditions on banks' credit history and confirmation of their potential borrowers;
- Mass shift to the banks all groups of so-called cash loans with high yield without security. [7]

Cash loans can improve the current performance of short-term strategy for banking institution. This requires the establishment of the center making credit decisions, because a number of banks in the fourth, third and even second group still approve cash loans in the credit committee, and this affects the quality of support and service the loans. The only problem is cash loans amount of uncertainty about the adequacy of the potential customer base.

Today between banks is competition for customers. The attractive feature in this respect is the bank which deals with small and medium business. But the shift to new segment banks borrowers is associated with significant risks. Therefore, the credit risk burden should be taken into account when calculating the solvency of the private entrepreneur.

In addition, the banking system in modern conditions is threaten by cybercrime, which is leading to significant financial losses, leakage of important information, and eventually also to

the deterioration of the banking institution's reputation and the loss of confidence in the banking system. Therefore, in our opinion, cyber security of the banking sector must be fixed in Ukraine at the legislative level, taking into account national circumstances and international experience.

Conclusions. Thus, the situation in modern country is impossible without an efficient banking system, which ensures the functioning of the money market, actively serving and affects all economic and social processes. Reducing the amount of deposits and loans is a signal of liquidity of the banking system, which aims to improve the NBU using measures considered in the article.

We consider improving methodology as for ensuring the stability of the banking system of Ukraine is the prospect for further research within the contemporary problems of the banking system.

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А. В. Бурковська, Т. І. Лункіна. Банківська система України: особливості діяльності сьогодні

У статті розкрито сутність та значення банківської системи для господарської структури держави. Розглянуто поділ банківської системи за типом побудови. Висвітлено відповідальність Національного банку України щодо вирішення макроекономічних завдань у сфері грошово-кредитних відносин і банківської діяльності. Досліджено особливості діяльності банківської системи у сучасних умовах, виявлено існуючі тут недоліки і розроблено пропозиції щодо їх усунення.

Ключові слова: однорівнева банківська система, дворівнева банківська система, перший рівень банківської системи, другий рівень банківської системи, облікова ставка, кеш-кредитування, кібербезпека.

А. В. Бурковская, Т. И. Лункина. Банковская система Украины: особенности деятельности в настоящее время

В статье раскрыты сущность и значение банковской системы для хозяйственной структуры государства. Рассмотрено разделение банковской системы по типам построения. Освещена ответственность Национального банка Украины относительно решения макроекономических задач в сфере денежно-кредитных отношений и банковской деятельности. Исследованы особенности деятельности банковской системы в современных условиях, выявлены существующие тут недостатки и разработаны предложения по их устранению.

Ключевые слова: одноуровневая банковская система, двухуровневая банковская система, первый уровень банковской системы, второй уровень банковской системы, учетная ставка, кэш-кредитование, кибербезопасность.