

## PROBLEMS IN THE BANKING ACTIVITIES AT THE MODERN STAGE OF UKRAINIAN ECONOMY DEVELOPMENT

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The banking system of Ukraine is one of the most important components of the financial market, its reliability and maturity is essential to the development of the country.

However, the global financial crisis, unfavorable political, economic and military events that engulfed Ukraine have considerably weakened the banking sector. Therefore, the necessary and extremely urgent issue at the present stage is the study of the state, identification of problems of development of the domestic banking system and the development of ways of their solution.

In 2017, the banking system of Ukraine entered with unresolved problems. Significant hryvnia devaluation, economic recession, military actions in the Eastern region and the annexation of Crimea largely affected as the General condition of socio-economic development of the country as a whole and on the financial sector and the banking sector in particular. The impact of the crisis on the economy in General and banking in particular, depends on a number of factors, but basic among them are: high dependence on foreign capital, a large amount of bad loans, significant risks in Bank portfolios and the like. Along with this, in addition to these problems, the banking sector of Ukraine has a number of functional features that hinder its further development: uncontrolled by the national regulator fragmented processes; low capitalization; high level of economic and geographical concentration; high level risks; significant influence of the shadow economy. It aims to increase the use of global tools and measures for regulation of the banking system in Ukraine [1, p. 55].

The overall current condition of the banking system can be estimated by the number of Bank failures. As at 01.01.2015 185 banks were

members of the Deposit guarantee Fund of individuals deposits, as of 01.01.2017, their number was 98, 87 banks were liquidated. According to the NBU, was the removal from the market of banks involved in illegal activities and insolvent banks. Many banks delayed and no payments are made, there are many different exchange rates, which the banks are abusing, exporters ceased the import of currency in Ukraine has decreased volume of trade. The share of overdue loans in total loans amounted to 12.3%. Lending to the economy stopped. There was a mass outflow of deposits from the banking system and the transformation of long-term deposits on demand. At the same time observed a reduction in lending. The volume of gold and foreign exchange reserves fell to 911,09 million. The United States in early 2016 Inflation, according to various estimates, amounted to 23-30%. The hryvnia devalued by more than two times. In such a complex situation, the NBU is easier to ignore these problems. It is obvious that the banking system is not efficient allocation of financial resources. Also, the banking system does not retain the ability to perform these essential functions in the face of external shocks or strengthening imbalances [2, p. 316].

So why is the banking system of Ukraine were not ready for any shocks in the political and economic situations. The main reason for this unpreparedness is the lack of economic and political independence of the NBU and non-compliance Basel. However, the 2016 start of the reform process. Developed strategy of development of Bank system of Ukraine till 2025 It is part of the strategy of Ukraine's development and provides organizational transformation and reorganization of the NBU. The basic principles of construction of the new structure of the NBU should be the target organizational structure, focused not on the past but on the future, and the transition from operational (manual) control to control based on the policy [2, p. 310].

The plan of transformation and reorganization provides the organizational transformation of the NBU, the transformation of regulatory functions (monetary, supervisory, financial stability, organization of cash and non-cash turnover); addressing issues in banks balance sheets and capitalization of banks (problem loans and creditor rights, dollarization balances, term deposits); development of financial markets (development of long-term resources in local currency, the resumption of lending, strengthening of the interbank market, the development of the derivatives market, the development of financial literacy); improving corporate governance in banks (transparency of ultimate owners of banks, simplification of the lending structures of ownership in banks related entities, improving the quality of corporate governance bodies of banks and

consumer protection).

To resolve the problems in the banking sector adopted the law on capitalization and restructuring of banks. It establishes the obligation of the banks, which according to the results of the stress tests require additional capitalization, capitalization/restructuring in a National Bank. In addition, the bill will help regulate the conditions and ways of state participation in capitalization of banks has also introduced a moratorium on the distribution of the Bank's net profit and the repurchase by the Bank shares. The document is entitled to the Deposit guarantee Fund of individuals to establish for the banks the successor, which as a result of the reorganization fully or partially take the property, rights and obligations of the Bank that is reorganized differentiated annual rate of the regular fee. In particular, increasing the level of capitalization of banks should be a priority in the development planning process of the banking system. New international standards for capital and liquidity (Basel III) developed by the Basel Committee on banking supervision as part of an integrated package of fundamental reforms of the international system of banking regulation and supervision. The main objective of the Basel standards – improving the stability of banks and protecting the rights of consumers of financial services. Therefore, the NBU need them as quickly as possible to implement. This will help to restore confidence in the banking system of Ukraine and ensure its stability [2, p. 308].

The main recommendations of the Basel-3 relate to the quality and quantity of capital, lowering the debt burden in the result of a restrictive leverage ratio, increased short term liquidity coverage and stable long-term funding, full coverage of risk, especially counterparty risk. Many banks in different countries do not meet even the requirements of Basel II, but gradually they will go to schemes Basel III, including all EU countries pledged to fulfill all the requirements and standards of Basel with 2019 And the signing of Ukraine's Association with EU should facilitate the rapid transition of the Ukrainian banks to the European standards, which provide for the use of Basel-3. The financial system is reducing the possibility of systemic banking risk; a reduction in lending, as rising capital requirements and increase its value. reduced the volume of trade in shares and bonds of the banking sector; regulatory arbitrage, because these requirements will be implemented unevenly. For banks is the reduction in the number of small banks, the need to attract additional financial resources on the background securities, a shift of demand towards long-term financing and restructuring of banks. However, in the long term, greater reliability and stability of the banking system will increase and reduce the resource base. In addition, measures such as improving methodologies for assessing credit and market

risk, the reorganization of the legal entity to optimize the calculation of deductions from capital, active management of assets and liabilities, and hedging strategies and changing business models will help banks to gradually approach these standards [3].

Therefore, to ensure systemic stability of the banking system of Ukraine need to constantly go to the standards of Basel 3, given that the individual indicators are already in place. Also strict adherence to authority, full use of existing means and operating leverage, consistency and transparency of the NBU's policy will be key to the successful implementation of the program of development of the banking sector of Ukraine.

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