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DIRECTIONS OF CRISIS MANAGEMENT OF BANKS IN UKRAINE

In modern economy, the Ukraine's banking sector is characterized by a number of problems, namely, the economic recession, a significant hryvnia devaluation, military actions in the East, and insufficient level of capitalization of most banks. All this gives rise to, the needs to provide effective tools for crisis management of banks to promote economic development.

Having considered scientific achievements concerning the definition of the concept of bank crisis management, we think that «crisis management» is an organized system of management measures for diagnosing, preventing, neutralizing, overcoming crisis phenomena and thei factors in order to minimize losses from the crisis and create conditions for the further effective development of a banking institution.

The causes of a banking crisis can be economic crises, crises of the monetary system or specific crises in certain financial markets. The banking crisis is usually triggered by the external factors, accompanied by a sharp devaluation of the national currency, significant budget deficits, high inflation, and devaluation of bank deposits and financial assets. The internal causes of the banking crisis include insufficient unsecured loans, active withdrawal of deposits by depositors, imperfect banking regulatio and supervision [1, p. 153].

Due to numerous problems, the Ukrainian banking system, in our opinion, should implement an effective crisis management for the financial stability of banks, it will help to prevent crises in the economy. The current condition of many banks is unsatisfactory; there are cases of bank bankruptcy that indicate drawbacks in bank crisis management. According to the Law of Ukraine «On Banks and Banking», the National Bank of Ukraine (NBU) obliged commercial banks to gradually increase the statutory fund up to UAH 500 million by July 11, 2024. As a result, most banks have decided to merge while some ceased to exist. In the period from 2014 to 2019, the NBU closed 103 banking institutions. About 80 banks are currently in the process of liquidation due to loss of solvency. As of September 1, 2020, the number of operating banks in Ukraine is 74 – it is 2 banks less than last year [2].

We propose the following directions of bank crisis management: 1) restructuring of problem loans; 2) recapitalization of banks; 3) optimization of crisis management of deposits and loans; 4) minimization of bank expenses; 5) stress testing. A significant role in increasing control over the bank activities could be the creation of an open information database based on a unified reporting on bank activities, as it was done in the United States [3, p. 238]. All these directions are the most effective in preventing the crisis.

To reduce costs of banking crises and the probability of their occurrence, general principles of crisis management should be developed. The crisis management system should include preparatory work, preventive activities and crisis management. Risk management is an important but not the only aspect of crisis management. It is also recommended to draw up plans for crisis management. The purpose of its development is to identify problems that could lead to a crisis; development of criteria for the introduction of crisis management. This will speed up and simplify the adoption of the necessary management decisions. In our country, this aspect is not yet given sufficient attention either by the bank itself and or by the regulatory organ. Though, planning of anti-crisis procedures not only increases the efficiency of management during the crisis, but it is also able to prevent its development.

Thus, it can be conclude that crisis management in national banks at the present stage is marked by a certain lack of consistency and ill-conceived measures. The solution of this situation, should be the development and implementation of quality crisis management measures in banks aimed at anticipating, refinancing, preventing crises and minimizing them. This would overcome the negative effects of the global economic crisis on the banking sector while ensuring reliable and sustainable development of the national economy as a whole.

References

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