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RISKS OF REGULATORY MANAGEMENT DECISIONS OF BANKING SYSTEM IN THE DYNAMIC ENVIROMENT

Today, not only victory on the military front, but also ensuring a stable economic environment of Ukraine remains an important issue. A separate element of this economic system is the banking sector, which operated effectively during difficult times for the entire state [1, p. 30]. However, equating profitability with reliability can lead to a false perception of the superpower of a given sector and systemic reliability in a risky dynamic environment.

The topic of the work is the consideration of management decisions regarding the regulation of the banking system of Ukraine and the risks associated with these measures. The urgency of the work lies in the intensification of such decisions and the need for banks to work in a risky environment. The analysis of indicators of bank activity in recent years demonstrates the tendency for banks to obtain "surplus profit" for 2022 (table 1).

Table 1. [2]

Indicators of operational activity of the banking sector

Indicators	January-December 2021	January-December 2022	January-July 2023
INCOME	273 863	357 549	249 574
interest income	168 746	217 053	168 025
commission income	93 162	85 622	54 886
the result of revaluation and of purchase and sale operations	-77	43 482	17 642
other operating income	7 488	8 126	6 941
other income	3 175	2 413	1 268
return of written off assets	1 370	853	813
COSTS	196 488	335 628	166 396
interest expenses	51 097	65 358	56 680
commission costs	35 186	35 449	25 443
other operating expenses	18 244	17 875	10 446
general administrative expenses	78 293	82 434	50 102
other expenses	3 855	5 951	4 467
deduction to reserves	3 448	121 204	4 902
income tax	6 364	7 356	14 356
NET PROFIT (LOSS)	77 376	21 921	83 178

The Verkhovna Rada of Ukraine is considering draft law No. 9656 [3], which provides for the introduction of an additional tax for Ukrainian banks in the amount of 5% of net interest income, which will be paid together with income tax and will not affect the formation of pre-tax profit. That is, if the bank will receive a net interest income of UAH 1,000,000, it must pay UAH 50,000 as a tax on personal income tax and UAH 180,000 as an income tax. A preliminary assessment of such calculations involves the use of a classical economic model, in which the growth of expenses is proportional to the growth of the income part. Under such conditions, increasing the tax base for banks is a reasonable decision.

To analyze the risks, you should pay attention to the structure of the formation of "surplus profits". Surplus profits were formed due to the fear of banks to lend to customers and the formation of excess liquidity in the banking system. To contain excess liquidity, two main instruments were introduced: benchmark Domestic State Loan Bonds (DSLB), which are an alternative to the mandatory reserve at 0%, and Certificates of Deposit (DC) of the National Bank of Ukraine (NBU) for up to 100 days. These are instruments with almost zero risk and a high interest rate. There are no statistics on net investments in DSLB and DC by the banking system. The analysis of investments in these instruments includes data on investments in other securities and data on the placement of funds in NBU accounts, which makes it possible to assess the dynamics of portfolio growth by instruments (table 2).

Table 2. [4]

Dynamics of placement of funds in securities and in the NBU

Indicators	01.01.2022	01.01.2023	01.08.2023
Funds in the National Bank of Ukraine (DC + reconciliation accounts)	34 973	82 485	221 443
Investing in securities and long-term investments	829 887	1 022 658	1 185 025

High profits that generate low risks can be additionally taxed, avoiding adverse effects on banks' operations. Only the active part of the bank balance was considered. The passive part of the bank balance, the funds raised by the bank, also carries risks. Most of the funds raised have a short-term structure.

And this is where the main problems associated with identifying the concepts of profitability and stability appear. If the actin instruments of DSLB and DC carry zero risks, then the short maturity of resources (even conditionally long-term) carries significant liquidity risks, especially with a significant concentration of resources. Therefore, when the NBU actively implements measures to stimulate the attraction of longer resources, the excess margin for active operations narrows. That is why the main expectations of the banking system are not too optimistic:

– The slowdown in inflation in Ukraine (2.5% for January-August 2023 vs. 18.1% for the same period in 2022) may become a factor in the further reduction of the key rate in the near future (18% by the end of the year). The rate is currently at 20% [5; 6].

– Taking into account the NBU's measures to increase the share of term resources of natural persons, as well as the liberalization of the currency policy, we should not expect a sharp decrease in the cost of borrowing for more than 3 months, primarily in the national currency, which are placed in three-month DC.

– A rapid reduction of the key rate is predicted with slower dynamics of the decrease in the value of clients' funds.

In addition, the decision of the National Bank of Ukraine regarding the "equalization of the level" of the mandatory reserve of current and term funds of legal entities already affects the formation of the bank's income. Due to the placement of a large amount of funds on the NBU's account at a rate of 0% banks don`t get income/ This decision also affects the formation of a shorter term structure of investments of legal entities . That is, the risk of not receiving a profit due to macroeconomic factors is realized, and the liquidity risk factor associated with the short term of the funds raised is increasing.

There is a problem in the interpretation of the concepts of profitability and reliability. This can lead not only to positive effects in the form of social justice and filling the state budget, but also to negative effects. Decrease in the ability of the bank to form capital for risks, an increase in interest/commission rates on customer loans and reducing interest rates on borrowed funds (customer deposits), which will negatively affect the purchasing power of citizens and the economy of the state as a whole are those effects that banking sector and government will be dealing with.

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