

Krivich Y.N.

Ph. D. in Economics, Associated Professor of the Banking Department
Ukrainian academy of banking of the National bank of Ukraine, Sumy, Ukraine

Malysh A.A.

Assistant Professor of the Banking Department
Ukrainian academy of banking of the National bank of Ukraine, Sumy, Ukraine

MODERN DEVELOPMENT TRENDS IN THE NON-BANK FINANCIAL SYSTEM OF UKRAINE

This paper deals with theoretical questions of formation of financial intermediation in the financial services market in Ukraine. Analysis of financial intermediaries and singled out the main directions of reforming the activity of non-bank financial institutions in Ukraine.

Key words: *bank-centered model, financial market, non-bank financial intermediaries', credit unions, insurance companies.*

Problem statement. Efficient and dynamic activity of non-bank financial intermediaries is considered to be one of the features of sustainable development in the economy of any country. Functioning of these institutions leads to the development of financial markets, which in turn promotes investment and credit flows in the country and encourages the development of the real economy. Today Ukraine has a bank-centered model of the financial market in which banks play the leading role, performing not only traditional banking operations but in addition many other ones. Non-bank intermediaries take a relatively small niche in the structure of financial intermediation, but nevertheless they play an important role in the functioning of financial market.

Numerous studies are dedicated to the theoretical and practical aspects of non-bank financial intermediaries functioning. In particular, it is necessary to distinguish works of V. Bazydevych, A. Baranowski , F. Butynets, B. Ivasiv, V. Korneev, V.

Kremen, M. Krupka, Oparina, M. Savluk, I. Shkolnyk. At the same time, without understatement a contribution to the theory of finance of mentioned authors, it should be noted that most scientists usually research only certain types of non-bank intermediaries. However, in this paper we would like to pick up on issues about reforming the system of non-bank financial agents as an integral, monolithic entity of financial market.

The purpose of the study is to research the development trends of the current situation in the system of non-bank financial intermediaries and working out of measures to reform it.

Results. Essentially, financial intermediation is the professional activity of banking and non-banking financial institutions, directed to meet financial needs of borrowers and lenders, providing necessary financial services [4].

Wonder that non-bank financial intermediaries – is an objectively necessary phenomenon in a market economy. This is because they are not only fierce competitors in the struggle for free money capitals, but furthermore, they take on the provision of such kind of financial services, which are unprofitable or prohibited by law to implement for banks. Traditionally, the non-bank financial institutions include insurance companies, credit institutions (credit unions, pawnshops and other lending institutions, public law legal entities, financial companies), collective investment institutions, pension funds, etc.

Causes of non-bank financial intermediaries' appearance in Ukraine grouped in Table 1.

Table 1 - Causes of non-bank financial intermediaries' appearance in Ukraine

[1]

<i>N^o</i>	<i>Type of intermediate</i>	<i>Reason of appearance</i>
1	Insurance companies	Introducing an international experience concerning the providing of insurance protection for businesses and individuals
2	Non-state pension funds	national pension reform
3	Credit unions	need for financial and social protection of citizens, cheapening of loans for the public
4	Investment Funds	privatization of state assets for privatization property

		certificates
5	Factoring, leasing companies and other financial ones	deepening the specialization in economic activities of businesses, diversifying ways of capital directing

Let's consider the basic indicators of the nonbank financial institutions for 2012-2013, to understand the dynamics of their activity and cover the entire scope of a parabanking system (Table 1).

Table 2 - Key indicators of development of the system of nonbank financial intermediates in Ukraine, 2010-2013 (as for 01.01) [2, 3]

<i>Indicator</i>	<i>Year</i>			
	2010	2011	2012	2013
Insurance companies				
Number, units	469	450	457	
Assets, mln UAH	41930,5	41970,1	45237,2	41590
Private pension funds				
Number, units	109	110	101	101
The amount of pension contributions, mln UAH	582,9	754,6	925,4	967,2
Credit unions				
Number, units	829	755	659	652
The amount of borrowed credit, mln UAH	3951,1	2959,3	195,9	1470
Collective investment institutions				
Number, units	888	985	1226	1328
Assets, mln UAH	63,27	82,54	105,87	113,56
Pawnshops				
Number, units	314	373	426	434

The data presented in Table 1 shows a rapid development of non-banking services market in Ukraine, the number of non-bank financial intermediaries gradually increases. Moreover, this applies to factoring, leasing companies, pawnshops and CII. But still, banks are staying the key players of the financial market, primarily due to the deficient legislation on mediation, lack of government support, unified policy for the development of this sector and demand for financial services of various agencies, also because of underdeveloped stock market and

imperfective regional infrastructure. Especially it is necessary to allocate a negative effect of discrimination by similar institutions that have undermined the credibility of the entire non-bank financial sector as a whole. Even so, the low level of savings is a key factor of hindering the development of a certain phenomenon in domestic economy now.

All of the information above shows that the system of non-banking mediation in Ukraine needs to develop a set of reforming steps. At present, it is necessary to apply international experience in both the public administration and within the same financial institution.

The main directions of reforming the activity of non-bank financial institutions, in our opinion, are:

1. adjusting the legislative and regulatory framework as for the non-bank financial institutions activity.

2. changing a mechanism of parabank institutions bankruptcy risk estimating by the state;

3. changing methods of state regulation and control from the public bodies: National Bank of Ukraine, National Commission on the State Regulation of Financial Services Markets and the National Commission on Securities and Stock Market;

4. implementing standards for non-bank financial institutions;

5. creating new incentives to attract savings for citizens and businesses (increasing capitalization rate for that institutions, making a system of effective tax stimulants for investors, promoting the development of organized stock market, etc.);

6. improving the procedure of forming reserves for possible expenses at lending operations by non-bank financial institutions.

Conclusion. Summarizing the research, it can be surely said that banks are most powerful financial intermediary in Ukraine today. Actually, they provide a universal financing of the economy, both through loans and through investment and brokerage operations with financial assets. Unfortunately, non-bank financial intermediation is poorly developed in Ukraine today, by reason of a number of factors, the key of which is the low level of savings. Countries with high per capita

incomes are characterized by diversified and influential system of financial intermediation.

In our view, the role of non-bank financial institutions in Ukraine will continue to grow, because banks are currently unable to meet the full needs of the national economy in investment capital. Aside from that, the level of financial awareness is gradually increasing, respectively, increasing the demand for new investment services and products.

The list of references

1. Esh S.M. Formation of financial intermediation in financial services market // S.M. Esh. – Herald of ONU of I.I. Mechnikov. – 2013. – T.18, № 2/1. – p. 226-230
2. Official website of the State Commission on Regulation of Financial Services Markets of Ukraine [Electronic resource]. – Access: <http://dfp.gov.ua/>.
3. Official website of the National Bank of Ukraine [Electronic resource]. – Access: <http://bank.gov.ua/>.
4. Rubanov P.M. Current condition and development trends of financial intermediation in Ukraine during the global financial crisis. // P.M. Rubanov. – Mechanism of Economic Regulation, 2011. – № 4. – C.167-171.

Krivich, Y.N. Modern development trends of non-banking financial institutions in Ukraine [Text] / Y.N. Krivich, A.A. Malyshev // The genesis of genius: scientific and educational journal (Geneva, 1 December 2014). - Geneva: Consilium, 2014. - Vol. 3. - P. 99-101.