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FINANCIAL ASPECTS OF EUROPEAN INTEGRATION PROCESSES IN UKRAINE

At present, we have the situation in Ukraine with some foreign economic and political priorities having been declared on the highest political level. Obviously the deliberate European choice determines rather the commitment of introducing certain rules and standards than the geographical direction of the policy. These rules and standards have already been realized in the community, which Ukraine intends to join. In other words, the European choice means an acknowledgement of the desire and readiness of Ukraine to build its economic system under the European rules.

In just half a century, the European Union (EU) has achieved remarkable results. It has delivered peace between its member states and prosperity for its citizens. It has created a single European currency (the euro) and a free single market where goods, people, services and capital move around freely. The EU has grown from 6 to 25 countries and it is preparing to embrace more. It has become a major trading power and a world leader in such fields as environmental protection and development aid.

During the last 15 years the economy of Ukraine was not developing very evenly. There is still no motivated explanation of economic decline in Ukraine. Ukraine is the only country among the former Soviet republics, whose economy has been declining for 10 years. Among 24 post-socialist countries only Moldova and Georgia have experienced significant economic losses.

Radical changes connected with Ukraine's integration to the world economy have touched all spheres of the economic system of Ukraine, including the banking area.

It has seen brisk investment activity recently, as controlling stocks of the Aval bank, Ukrsofsbank and Ukrsofsbank were sold to Western banking groups. The sudden advance of big Western banking conglomerates onto the Ukrainian market is intended to promote continued growth. As a result of it many of Ukraine's smaller banks fear that they will not be able to compete with the giant newcomers.

The difference between large foreign capital and smaller Ukrainian banks is their ability to withstand competition while continuing to provide services at a top level in order to survive in market conditions.

The share of foreign capital in Ukraine's banking system has increased from below 10 % to nearly 25 % [1, p. 12]. Nevertheless the amount of foreign capital in the Ukrainian banking sector is one of the lowest in Central and Eastern Europe. The inflow of new foreign capital is rather disturbing for national bankers, because foreign banks are more effective, and their activities increase competition.

The overall capital of Ukraine's banks has increased as well, having grown from approximately \$2.4 billion in the early 2004 to \$13.2 billion at the beginning

of this year. The credit and deposit portfolios of Ukraine's banks have increased significantly since 2004 [4, p. 25]. Personal credit portfolios doubled, for example.

The country's economy being still in the shadow, Ukraine's banking sector remains small compared to West markets. Besides, interest rates remain comparably high, above 10 percent, and they haven't changed much in the past several years. It is expected that the coming of Western banking groups will keep promoting impressive growth of the national banking sector informed in recent years.

Competition may be good for consumers. At the same time it will drive interest rates down, and will be beneficial for the sector as a whole. Many of the local banks do not want it, as they lobby to control the foreign advance onto the market.

Ukraine needs more of a foreign presence in its banking sector to promote growth, but this process should be controlled. The Central European experience of foreign investment in the banking sector has resulted in two things. The growth of the sector and its stability have increased.

Ukraine is a young independent state, which has recently started to form an open market economy based on principles of democracy, legal state and social society. Globalization of the world economy and unification of the national economy on the basis of the World Trade Organization require that Ukraine should approve itself as a weighty European state.

Now the Ukrainian model of market economy is being formed taking into account the situation in which the state found itself at the moment of being declared politically independent nation. That is why considering the course of reforms towards the development of social-oriented market economy today, the principal efforts of Ukraine as to the development of the national market economy strategy should be directed to promoting close co-operation of Ukraine with European Union that will help our country to become peaceful and prosperous state.

The integration into the world economy and the European Union is a very difficult task for any state. But being a country of political will, public consensus and clear strategy Ukraine has every opportunity to become a desirable economic partner and equal member-state of a big European family that will promote its further developing.

List of literature

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