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THE INFLUENCE OF THE WORLD CRISIS ON THE UKRAINIAN FINANCIAL SECTOR

The possible global financial crisis was predicted back in 2007. The Economist Intelligence Unit experts considered that the difficulties at the financial markets, caused by the hypothecary crisis in the USA, would last from 12 to 18 months. Its influence on the world economy was estimated under the several scenarios, one of which has been realized already. Its probability made only 10 % because of the predicted possibilities of national economies on crisis prevention. Unfortunately, the world economy has paid the least attention to this scenario of crisis development. In Ukraine in 2007 the academicians of Economic Forecasting Institute advised the Cabinet of Ministers and National Bank to introduce a complex of anti-recessionary measures: to constrain import and consumer crediting, to cut down social expenses of the budget. Standard & Poor's experts in the middle of 2008 put in question the stability of Ukrainian banks. According to their calculations, the indicator of problem actives in credit portfolios of the banks made 75 %. Besides, Standard & Poor's made negative forecast for the Ukrainian state obligations: it means that the credit rating of the country tended to fall. As of July, 1st, 2008 the external debt of bank sector exceeded \$ 38 billion, obligations of other sectors of economy – \$ 46 billion. In 2009 banks and the companies need to pay about \$ 45 billion of debt, although the solvency of many debtors is doubted. The main problem for Ukraine is the present state of the economy. Therefore the key problem now is the downswing in production and reduction of crediting of real sector of economy. Sharp depreciation of securities in the bank portfolios has taken place as well as reduction in price of credit portfolios. These problems put pressure both on capitalization, on liquidity, on profitability of bank system, and in future – on their development. Decrease in a sovereign rating of Ukraine (Fitch Rating Agency) definitively closes the foreign credit markets for domestic financial establishments. Reduction of depositary base and growth of credit risks have led to sharp deterioration of situation in many banks. Following the results of January, 2009 deposits were reduced by 5,1 %. In Ukraine more than half of banks belong to the local capital, however the government supports only the state banks. Among the possible ways of solution of the Ukrainian bank system problems it is necessary to allocate the following: creation of the state agent through which the help to financial establishments will be provided. It is necessary to pay special attention to large system-forming banks and socially significant financial establishments. For banks with the foreign capital it is necessary to create the tool which will allow to hedge currency risks. The market of currency forwards and

swaps should be created. Formation of the free currency market will allow avoiding devaluation at any crisis phenomenon. The core task of financial establishments now is preservation of credit portfolio quality, decrease in ruptures of liquidity and reduction of superfluous expenses. National Bank has to limit credit expansion (in Ukraine over 80 % of actives are credits), to give sufficient level of refinancing to banks (in January, 2009 refinancing was practically not given), together with banks it is necessary to define whom to finance and on what conditions in order to minimize risks. Problem banks can raise capitalization through sale of new actions to foreign investors or the state. It is possible to minimize the negative consequences of defaults of the companies and banks by means of the effective mechanism of bankruptcies. According to the forecasts of experts, quantity of banks in Ukraine will be considerably reduced, the role of banks with the foreign capital will grow. The present crisis situation can be used to improve the controllability of bank system through strengthening of the role of the state banks. To financial sector predict growth of non-returns under credits, record losses and a train of bankruptcies. The corporate sector can refinance about 40 % of the bank debt and 50 % of the interfirm credits arising in the course of international trade. Even at a present unstable situation in the financial market companies and banks continue to involve credits.

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