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BANKING CRISIS IN UKRAINE AND WAYS OF ITS OVERCOMING

The negative influence of the world financial crisis on the economy and financial sector of Ukraine has already clearly appeared and will continue during rather long period of time.

The unavoidable social and economic consequences of such crisis can turn into stagnation or recession of the production, sharp devaluation of national currency and high inflation, drop of living standard of population, unemployment and etc. The main threats at the present moment are overgrowing the banking debts of the state but also with external debts of the private sector and also mass bankruptcies.

In order to overcome the consequences of financial and economic crisis it is necessary to interact between financial and non-financial sectors of the economy to coordinate actions of all economic bodies.

The economy of Ukraine needs large-scale financial infusions into banking and real sectors of the economy as it is made in all developed countries which will give an opportunity to monetary issue, proceeding from the acute needs of the nation economy and borrowings. In order to achieve this it is necessary to use anti-crisis measures, for example, to create national stabilization reserves, the funds of which should be used for credits allowings, credits returning and service of the credits, received by domestic banking institutions and by the subjects of economy from foreign creditors to finance investment and instructural projects of the state significance to credit projects of small and medium-size business connected with creating new job opportunities to foresee the funds in the state budget to reduce interest rates for crediting agrarian and industrial complex, small and medium-size business which will develop the products, to improve the exchange rate policy of the state etc.

The main state support must be directed at those sectors of economy, production of which has solvent demand on the home and foreign market.

For support of liquidity of banks the National Bank provided the banks with credits of refinancing for the total sum of about UAH 105 billion including the credits “overnight” for the sum of UAH 43 billion.

On the legislative level it is necessary to carry out measures to stimulate banks merging, their enlargement and consolidation that will help to avoid bankruptcy of small and medium-size financial institutions.

Since the future of banking system is directly connected with the macroeconomic situation for overcoming the negative affects, it is necessary to concentrate economic power and to create politically independent monetary centre.

In crisis situation it is imperative to bind the aims of monetary and credit policy and financial regulation to national structural problems. Such interaction is possible owing to:

- ensuring correspondence of mechanisms of monetary emission to the aims of structural development of economy according to the investment active plan;
- close interaction with monetary policy, budget policy and regulation of financial markets for combined overcoming of market failure in the financial system and providing effective fulfillment of the function of savings mobilization, relational capital allocation and risk control;
- developing the mechanisms of cooperation with the state of those financial institutions which receive state support including long-term credits of refinancing.

It is important to concentrate on the support of system banks which control 60-70 % of banking service market in order to avoid the crisis of system character not only in finances but in the economy as a whole.

Thus at the present stage of development the domestic economy and banking system require introduction of changes in their activity. Following the world experience, both positive and negative, it is necessary to strive for greater independence of financial institutions and rise of their stability.