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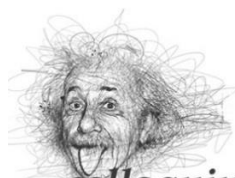
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CONTENTS

ECONOMIC SCIENCES

Mulyk Ya.I. USE OF MOBILE APPS FOR BUSINESS, ACCOUNTING AND CONTROL	4
Мулик Я.И. ПРИМЕНЕНИЕ МОБИЛЬНЫХ ПРИЛОЖЕНИЙ ДЛЯ БИЗНЕСА, УЧЕТА И КОНТРОЛЯ	4
Palamarenko Y.V., Mashevskaya A.A. RESEARCH OF FINANCIAL AND ECONOMIC RISKS IN THE ENTERPRISE MANAGEMENT SYSTEM	13
Аушева А.Х. ЗАГРЯЗНЕНИЕ АТМОСФЕРЫ ЗЕМЛИ	25
Ausheva A.K. EARTH ATMOSPHERE POLLUTION	25
Boltovskaya L.L. INNOVATION AND INVESTMENT ACTIVITY AS A STRATEGIC PRIORITY IN THE DEVELOPMENT OF MEAT PRODUCTS SUBCOMPLEX ENTERPRISES	28
Квaterniuk A.O. ОРГАНІЗАЦІЙНО-ЕКОНОМІЧНИЙ МЕХАНІЗМ ІННОВАЦІЙНОЇ ДІЯЛЬНОСТІ В РОСЛИННИЦЬКІЙ ГАЛУЗІ УКРАЇНИ	33
Kvaterniuk A.O. ORGANIZATIONAL AND ECONOMIC MECHANISM OF INNOVATIVE ACTIVITY IN THE PLANT INDUSTRY OF UKRAINE	33
Коваль Н.І. ФІНАНСОВА ДІЯЛЬНІСТЬ ПІДПРИЄМСТВ: ІСТОРИЧНІ ОПИСИ СТАНОВЛЕННЯ ТА РОЗВИТКУ	36
Koval N.I. FINANCIAL ACTIVITY OF ENTERPRISES: HISTORICAL DESCRIPTIONS OF BECOMING AND DEVELOPMENT	36
Kovalchuk S. QUALITY OF AGRICULTURAL PRODUCTS IN THE SYSTEM OF EUROPEAN INTEGRATION PRIORITIES OF UKRAINE	42
Амонс С.Е., Красняк О.П. УПРАВЛІННЯ КОНКУРЕНТОСПРОМОЖНІСТЮ І ТЕНДЕНЦІЇ РОЗВИТКУ СЕКТОРА ОРГАНІЧНОГО СІЛЬСЬКОГО ГОСПОДАРСТВА	52
Amons S., Krasnyak O. COMPETITIVENESS AND TRENDS MANAGEMENT DEVELOPMENT OF THE ORGANIC AGRICULTURE SECTOR	52
Potapova N.A. ECONOMETRIC MODEL FOR ESTIMATING THE IMPACT OF SMALL BUSINESS FACTORS ON CHANGES IN THE SECTORAL STRUCTURE OF AGRICULTURE IN UKRAINE	59

Ruda O.L.	
CURRENT STATE OF THE BANKING SYSTEM OF UKRAINE IN THE CONTEXT OF BANKING SUPERVISION	68
Руда О.Л.	
СУЧАСНИЙ СТАН БАНКІВСЬКОЇ СИСТЕМИ УКРАЇНИ В КОНТЕКСТІ БАНКІВСЬКОГО НАГЛЯДУ	68
Yurchuk N.P.	
METHODOLOGICAL APPROACHES TO IT PROJECT MANAGEMENT	74

will increase by 9.4%, and due to the activity of farms by 68%. However, the overall change of the live-stock industry is a downward one and has a low initial level of 14.8% excluding the impact of the shares of these business patterns.

The assessment of the share of gross crop production showed that due to the activity of households the amplitude of the share of gross crop production will decrease by 0.35%, and due to the activity of farms will increase by 1.7%. The general change of the crop industry is an upward one and has a high initial level of 67% without taking into account the impact of the shares of these business patterns.

The resulting estimate is gross surplus exchange value. Estimation of gross surplus exchange value based on estimates of shares of crop and live-stock of functioning of farms and households showed that it is determined by fluctuations and periodicity of changes in crop production (changes in the amplitude of gross surplus exchange value range from -154689 million UAH to 204080 million UAH) and direct proportionality of changes in the share of gross output of the live-stock industry (decrease in gross surplus exchange value by UAH 241787.4 million with an increase in the share of the live-stock industry by 1%).

Conclusion. According to the results of econometric modeling of the assessment of the impact of certain types of small business patterns on the gross surplus exchange value of agriculture in Ukraine as a whole, we can note:

1. The stability of the changes of agricultural product sales prices significantly depends on the share of households (low level compared to agricultural enterprises) in the agricultural sector of Ukraine, which is an incentive to increase supply in commodity markets.

2. The extension of household activities in the field of crop production for the market of agricultural products is due to the cultivation of potatoes and vegetables. In general, due to lower sales prices in households, the share of gross crop production in the agricultural sector can be expected to decrease by 0.35%. Farms have the potential to grow grain and oilseeds, under the implementation of which the expected share of gross crop production will increase by 1.7%. In general, the crop sector is weakly dependent on small business patterns and its surplus exchange value in the structure without their influence is about 67%, for the account of large and medium enterprises.

3. Live-stock husbandry is focused on the development of small farms despite the reduction of production. The share of gross livestock production may increase by 9.4% for the account of households and by 68% for the account of farms. There is a potential for farm growth in meat and milk production and household growth in egg production.

4. Gross surplus exchange value of agricultural products is due to the periodicity of downward and upward trends of price fluctuations in the commodity markets of the main types of crop products, one of the players of which are farms and households. The share of live-stock production reduces gross surplus exchange value by increasing price indices for its main types and insufficient production volumes. The inability to form sufficiently large batches of products that can put pressure on the market complicates the system of sales and logistics and confirms the need to combine small businesses into sales consumer cooperatives.

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CURRENT STATE OF THE BANKING SYSTEM OF UKRAINE IN THE CONTEXT OF BANKING SUPERVISION

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СУЧАСНИЙ СТАН БАНКІВСЬКОЇ СИСТЕМИ УКРАЇНИ В КОНТЕКСТІ БАНКІВСЬКОГО НАГЛЯДУ

Abstract.

Article reveals the concept of "banking supervision" and highlights its impact on the banking system as a whole. We also present the concept of "banking system" and highlight its goals. Banking supervision is achieved through various techniques, methods and techniques of banking supervision, which were described in the article. The quantitative change of commercial banks that operated on the territory of Ukraine in the period from 01.05.2016 to 01.05.2021 is analyzed.

The definition of the concept of "economic standards of banks" and lists the standards set by the National Bank of Ukraine, which are mandatory for all banks. Each of the above standards for the period from 01.05.2016-01.05.2021 was also analyzed. The points that need to be improved to improve banking supervision are given. The directions of improvement according to the requirements of Basel-III were described and conclusions were made.

Анотація.

Стаття розкриває поняття «банківський нагляд» та висвітлено його вплив на банківську систему в цілому. Також нами наведено поняття «банківська система» та виокремлено її цілі. Банківський нагляд досягається завдяки різним прийомам, способам та методам банківського нагляду, які були охарактеризовані в статті. Проаналізовано кількісну зміну комерційних банків, які діяли на території України у період з 01.05.2016 – 01.05.2021 рр. Дано визначення поняття «економічні нормативи діяльності банків» та перераховано які нормативи встановлені Національним банком України, що є обов'язковими до виконання всіма банками. Також було проаналізовано кожний з наведених нормативів за період з 01.05.2016-01.05.2021 рр. Наведено моменти які необхідно вдосконалити для покращення банківського нагляду. Було охарактеризовано напрямки покращення за вимогами Базель-III, та зроблені висновки.

Ключові слова: банківська система, банківський нагляд, банк, економічні нормативи, діяльність банків, ліквідність, платоспроможність

Keywords: banking system, banking supervision, bank, economic standards, banking activities, liquidity, solvency

The banking system has its own special purpose, its own specific features and functions. It arises not as a result of a mechanical combination of individual banks into a random population, but is based on a pre-developed concept, within which a certain place is given to each type of bank and each individual bank.

Therefore, the banking system is a legally defined, clearly structured and subordinated set of financial intermediaries that carry out banking activities on a permanent professional basis and are functionally interconnected in an independent economic structure [4, p. 29].

In relation to individual banks, the independence

of the system is manifested in its specific goals and functions in comparison with the goals and functions of banks. The main purpose of individual banks is to make a profit. With regard to the banking system, this goal not only does not increase in proportion to the number of banks included in the system, but generally moves to the background, remaining only the goal of individual banks (Figure 1).

The banking system arises not as a result of a mechanical combination of individual banks, but is based on a pre-developed concept, within which each type of bank and each individual bank occupies a certain place.

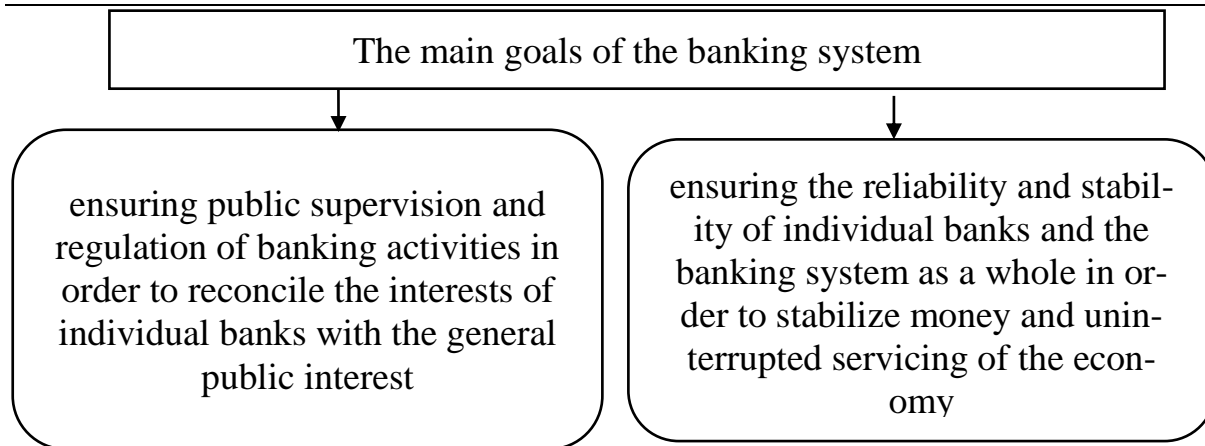


Figure 1. Goals of the banking system [7, p. 30]

Prospects for the development of economic processes in the economy of any country are determined by the stability and condition of the country's banking system. That is why the banking sector of the state requires close attention from its regulators, who are called primarily to monitor the condition and stability of banking institutions that form the country's banking system, as well as to regulate, if necessary, various aspects of banking activities that have a real impact on functioning. banking system of the country as a whole.

"Banking supervision" in the scientific literature, as a rule, means the organization of control and active organized actions of the National Bank of Ukraine, aimed at compliance by banks and other credit and financial institutions in the course of their legislation of Ukraine and established norms to ensure the stability of the credit system and protection from the data of depositors [13, p. 49]. In our opinion, this interpretation does not fully reveal this complex concept, in addition, the inclusion of other credit and financial institutions is also erroneous. In our opinion, this definition is more appropriate for the concept of financial supervision. However, it should be borne in mind that increasing the requirements for the quality of banking supervision introduces new nuances in the interpretation of the concept of "banking supervision".

Given the above, it can be noted that the terms that are in circulation for the formulation of the process of monitoring the financial activities of banking institutions are worth noting [14, p. 155]:

- banking regulation is one of the functions of the National Bank of Ukraine, which is to create a system of rules governing the activities of commercial banks, characterize the frontal principles of banking, the procedure for banking supervision, liability for non-compliance with banking legislation;

- banking supervision - functioning to create an effective system of protection of the interests of creditors and depositors, effective response to events that destabilize the activities of the banking institution; bank control over the use of bank credit.

Law of Ukraine "On the National Bank of Ukraine" in Art. 1 defines banking supervision as a system of control and active orderly actions of the National Bank aimed at ensuring compliance by banks and other persons in respect of which the National Bank of

Ukraine supervises the legislation of Ukraine and established standards, in order to ensure stability of the banking system and protect the interests of depositors and creditors. , and defines banking regulation as one of the roles of the National Bank, which sinks in creating the rules governing the activities of banks, determine the general principles of banking, banking supervision, liability for violations of banking legislation [12].

Banking supervision is achieved through various techniques, methods and techniques of banking supervision. Methods of banking supervision - a set of techniques and methods for performing the functions of banking supervision. In the literature there are various methods of banking supervision, including on-site inspection, off-site supervision, oral warning, administrative, indicative, regulatory supervision, supervision by means of instructions, CAMELS.

Banking inspections mainly ensure the fulfillment of two main tasks. First, inspections allow the supervisor to assess the risk profile of the bank and the degree of professional suitability of the bank's management and staff. And, secondly, inspections allow the supervisory authority to verify the bank's compliance with regulatory requirements, the proper organization of bank management and the reliability of the risk management system of the banking institution [3].

The components of indicative supervision can be combined on two grounds. The first group should include the means of influence associated with the formulation of quantitative parameters of banking, in particular [6, p. 62]:

- establishment of essential economic standards;
- formulation of norms of essential reserves for banks;
- establishment of norms of deductions to reserves to cover risks from active banking operations.

In these indications, indicative supervision is combined with administrative supervision, because, for example, the establishment of quantitative values of constant economic standards (indicative supervision) is at the same time a requirement for the activities of banks (administrative supervision).

The supervisor should not affect the performance of certain contractual relationships, although the bank's client is interested in supporting its interests in possible private law disputes.

One of the forms of banking supervision by the National Bank of Ukraine is financial monitoring.

To ensure compliance with the laws of Ukraine on the prevention of money laundering, all banks are required to develop and implement programs to identify and study their customers, as well as training and re-training programs for employees [1, p. 12].

Today it is possible to trace a significant quantitative change in commercial banks that operated in Ukraine in the period from 01.05.2016 to 01.05.2021 (Table 1). During this period, there was a decrease in the number of operating banks by 36 units, of which 7 had a share of foreign capital.

Table 1

**Number of operating banks of Ukraine for the period
01.05.2016-01.05.2021 [10]**

Indicator	As of 01.05.					
	2016	2017	2018	2019	2020	2021
Number of operating banks	109	90	82	77	75	73
of them: with foreign capital	42	38	39	36	34	33
including with 100% foreign capital	16	17	20	23	23	23

As can be seen from the table, for example, in 2017 alone, 19 banking institutions lost their licenses; As a result of 2018, the number of licensed banks decreased by 12 units, and in 2021 - by 2 units.

Distrust and uncertainty in the future of banks leads to the outflow of capital from the banking market. It is becoming increasingly difficult for banks to engage in customer service and keep the deposit portfolio at a safe level for the functioning of banking institutions.

Economic ratios for banks - indicators set by the National Bank of Ukraine to regulate banking activities on the basis of off-site supervision to monitor the activities of individual banks and the banking system as a whole. The National Bank of Ukraine sets the following economic standards, which are mandatory for all banks [11, p. 830]:

- capital ratios: minimum regulatory capital - H1 (UAH 500 million); adequacy (adequacy) of regulatory capital - H2 (not less than 10%).

- liquidity ratios: instant liquidity - H4 (not less than 20%); current liquidity - H5 (not less than 40%); short-term liquidity - H6 (not less than 60%).

- credit risk standards: the maximum amount of credit risk per counterparty - H7 (not more than 25%); large credit risks - H8 (not more than 8 times the size of regulatory capital); the maximum amount of loans, guarantees and sureties granted to one insider - H9 (not more than 5%); the maximum total amount of loans, guarantees and sureties provided to insiders - H10 (not more than 30%).

- investment standards: investing in securities separately for each institution - H11 (not more than 15%); the total amount of investment - H12 (not more than 60%).

Let's analyze the state of compliance with the requirements of the NBU (economic standards) by banks as a whole in the banking system according to official data [10].

Table-2 groups the data on the status of implementation of the standard H1 in the banking system of Ukraine for the period 01.05.2016-01.05.2021.

As can be seen from the table, for the period 2016-2021, the regulatory capital of banks increased by UAH 57,266 million.

Table 2

**Regulatory capital (standard H1) for the banking system as a whole for the period
01.05.2016-01.05.2021 [10]**

Normative	As of 01.05.						
	2016	2017	2018	2019	2020	2021	Change 2021/2016
H1 Regulatory capital (UAH million)	130208	97313	122918	123439	154359	187474	57266
Change to the previous year (UAH million)	29230	-32895	25605	521	30920	33115	3885

Table 3 presents data on compliance with the regulatory capital adequacy ratio (H2) as a whole in the banking system for the period 01.05.2016-01.05.2021, the regulatory value of which, according to the NBU, should not be less than 10%.

Thus, regulatory capital adequacy is 10% higher

than the normative value. Over the last year, its value has increased by 10.28 points, and fixed capital adequacy is higher than the regulatory value by 7%. During 2016-2018, the indicator is missing. Over the last year, its value increased by 16.77 points.

Table 3

**Standard of sufficiency (adequacy) of regulatory capital in the banking system for the period
01.05.2016-01.05.2021 [10]**

Normative	As of 01.05.						
	2016	2017	2018	2019	2020	2021	Change 2021 to 2016
H2 Regulatory capital adequacy ratio	12,74	13,77	17,06	16,21	19,7	23,02	10,28
Regulatory value,%	Not less than 10%						
H3 Fixed capital adequacy ratio	-	-	-	11,40	14,47	16,77	16,77
Regulatory value,%	Not less than 7%						

As banking activity is exposed to liquidity risk - the risk of insufficient cash inflows to cover their outflow, this may lead to the fact that the bank will not be able to pay on time for its obligations due to the impossibility of certain conditions of rapid conversion of financial assets into payment funds without significant losses. In this regard, banks must constantly manage liquidity, maintaining it at a sufficient level for timely fulfillment of all commitments, taking into account their volume, timeliness and currency of payments, provide the necessary ratio between own and borrowed funds [8, p. . 520]. In order to control the liquidity of banks, the NBU set liquidity ratios: instant liquidity

(H4), current liquidity (H5) and short-term liquidity (H6).

In table 4. presented data on compliance with the standards of instant liquidity (H4), current liquidity (H5) and short-term liquidity (H6) in the banking system as a whole for the period 2016-2021, the regulatory values of which are 20%, 40% and 60%, respectively.

As can be seen from Table 4, for the period from 01.05.2016 to 01.05.2019, the instantaneous liquidity ratio H4 significantly exceeded the required value according to the requirements of the NBU by 20%, but for 2020-2021 the analysis period is absent.

Table 4

Status of compliance with the standards of instant liquidity (H4), current liquidity (H5) and short-term liquidity (H6) in the banking system for the period 2016-2021 [10]

Норматив		As of 01.05.						Change 2021/2016
		2016	2017	2018	2019	2020	2021	
H4	Instant liquidity ratio,%	72,25	60,96	59,53	69,96	-	-	-
	Regulatory value,%	Not less than 20%						
H5	Current ratio,%	80,96	113,41	102,46	100,25	-	-	-
	Regulatory value,%	Not less than 40%						
H6	Short-term liquidity ratio,%	89,56	95,54	93,02	92,29	91,04	89,5	-0,06
	Regulatory value,%	Not less than 60%						

The current liquidity ratio H5 was also higher than the required rate of 40% and did not fall below 80.96%. This situation indicates a significant accumulation of funds that do not bring profit to banks. But for the period 2020-2021 the situation has changed for the better, as the value of the indicator is missing.

The short-term liquidity ratio H6 for the period 2016-2021 did not fall below 86% and corresponded to the established regulatory value of at least 60%.

Thus, all liquidity ratios in the banking system of Ukraine for the analyzed period significantly exceed the minimum allowable values set by the National Bank

of Ukraine, and, consequently, there is excess liquidity in the banking system.

In order to reduce banking risks, the National Bank sets credit risk standards, namely the standard of maximum credit risk per counterparty (H7), standard of large credit risks (H8) and standard of maximum credit risk for transactions with bank-related persons (H9).), non-compliance with which may lead to financial difficulties in the bank.

In table 5. presented information on the status of compliance with credit risk standards by banks of Ukraine from 2016 to 01.05.2021

Table 5

Status of fulfillment of credit risk standards of banks for the period 2016-2021 [10]

Normative		As of 01.05.						Change 2021/2016
		2016	2017	2018	2019	2020	2021	
H7	The ratio of the maximum amount of credit risk per counterparty	21,14	20,90	20,01	18,65	19,17	18,95	-2,19
	Regulatory value,%	Not more than 25%						
H8	Standard of large credit risks,%	331,11	283,57	175,12	172,21	106,49	83,82	-247,29
	Regulatory value, not more than 8 times the size of regulatory capital	not more than 8 times the size of regulatory capital						
H9	Maximum credit risk ratio for transactions with bank-related entities	35,35	28,98	14,52	9,53	6,00	4,18	-31,17
	Regulatory value,%	Not more than 25%						

Data from table 5. indicate compliance with the standard of the maximum amount of credit risk per counterparty (H7) for the period 01.05.2016-01.05.2021 within 21.14% -18.95%, which does not exceed the norm of 25%. However, the value of the standard demonstrates a fairly high level of crisis signal, especially in 2016. It will be recalled that the credit risk assumed by a bank for one counterparty or a group of related counterparties is considered large if the sum of

all bank claims against this counterparty (group of related counterparties) and all off-balance sheet liabilities provided by the bank to this counterparty or group related counterparties is 10% or more of the regulatory capital of the bank.

According to Table 5, the ratio of the maximum amount of credit risk on transactions with persons related to the bank (H9) was not met in 2016 in the banking system of Ukraine, the maximum allowable accord-

ing to the NBU is 25%. In 2016 - already 35.35%. However, in 2017-2021 its value decreased almost twice and at the beginning of 2021 it already met the established NBU standards.

Particular attention should be paid to the regulations regarding lending to insiders (persons related to the bank). If until 2016 the actual values of standards H9 and H10 (from 1.07.2015 are not calculated by banks) were quite low and were within the normative value (not more than 5% and not more than 30%, respectively), then with the introduction of the National Bank of Ukraine in accordance with Resolution of 08.06.2015 № 361 "On approval of Amendments to the Instruction on the procedure for regulating the activities of banks in Ukraine" standard of the maximum amount of credit risk on transactions with related parties (H9), in the banking system there was a violation of requirements. With the optimal value of the indicator not more than 25%, the ratio of the maximum amount of credit risk for transactions with related parties in 2016 was 35.35%, an increase of 5.53%, which indicates an increase in credit risk in the banking system of Ukraine in this area. The level of credit risk of the banking sys-

tem is extremely high and negatively affects the stability of the entire banking system [15, p. 29].

Next, we consider the compliance of Ukrainian banks with investment standards, namely the rate of investment in securities separately for each institution (not more than 15%) and the rate of total investment (not more than 60%). Table 6 presents data on the status of compliance with the requirements of the NBU by banks of Ukraine in relation to these standards.

Comparing the state of implementation of investment standards by Ukrainian banks with the limits set by the NBU, allows us to conclude about the very low investment activity throughout the banking system of Ukraine. Banks are not interested in making direct investments in Ukrainian companies, but focus more on portfolio investments, which buy them for the purpose of further sale and profit from the difference between the sale and purchase price. This fact is also related to a number of reasons of objective and subjective nature, which relate to the general level of development of the national economy in its various spheres, and the lack of interest of banks in financing investment projects due to significant risks base terms of investment realization.

Table 6

The state of implementation by Ukrainian banks of investment standards for the period 2016-2021 [10]

Normative		As of 01.05.						Change 2021/2016
		2016	2017	2018	2019	2020	2021	
H11	Standard for investing in securities separately for each institution,%	0,001	0,0001	0,0001	0,0005	0,0002	0,0002	-0,0008
	Regulatory value,%	Not more than 15%						
H12	Standard of the total amount of investment,%	0,75	0,39	0,16	0,15	0,13	0,09	-0,66
	Regulatory value,%	Not more than 60%						

And so, according to table-6 it is seen that the standard H11 and H12 are also complied with by the banks of Ukraine in the norm of no more than 15% and 60%, respectively.

Thus, in general, banking institutions of Ukraine comply with the regulatory requirements of the NBU, in addition to the H9-ratio of the maximum amount of credit risk for transactions with persons related to the bank. However, today the banking system of Ukraine remains in crisis. In recent years, the number of banks has more than halved. Overcoming the crisis is possible only if the economy as a whole stabilizes. At present, banks manage to maintain their liquidity only because they place their assets in primary and secondary reserves (cash, current accounts with the NBU) and do not risk investing them in high-yield assets. The same banks that do not reduce lending are inferior to the quality of the loan portfolio in the financial market of Ukraine.

In 2018, the annual assessment of the stability of banks and the banking system of Ukraine was introduced. The relevant provision on the assessment of the stability of banks and the banking system was approved by the Board of the National Bank dated 22.12.2017 № 141. In addition, in order to improve banking supervision in the transition to international standards, we consider it appropriate [5, p. 64]:

- improve the licensing procedure for banking activities;

- introduce constant monitoring of the activities of domestic commercial banks, in particular their financial condition;

- exercise constant control over compliance with banking standards and current legislation;

- introduce permanent inspections of banking activities;

- to carry out constant current internal control and external audit control by commercial banks;

- develop and send supervisory instructions to banking institutions on the implementation of Basel III standards;

- develop and send supervisory instructions to banking institutions on the transition to international financial reporting standards developed by the IASB.

These measures are aimed at ensuring transparent banking, which will allow the market in the face of customers to fully perform its regulatory function, and banks to compete transparently with each other.

In September 2010, the Basel Committee on Banking Supervision adopted the so-called Basel III standard, which was developed in response to the challenges of the global financial crisis and is designed to increase the resilience of banking systems. Basel-III does not repeal previous capital agreements (within Basel-I and Basel-II), but complements them and aims to

address the shortcomings of existing regulatory standards recognized by the international community, such as insufficient level of bank capital requirements, the possibility to include hybrid instruments without their obligatory conversion or write-off for losses, on the cyclical nature of regulation, underestimation of the risk

on securitized assets and the risk on the counterparty for derivative transactions; insufficient disclosure of information by banks.

Changes can be divided into directions (Figure 3.).

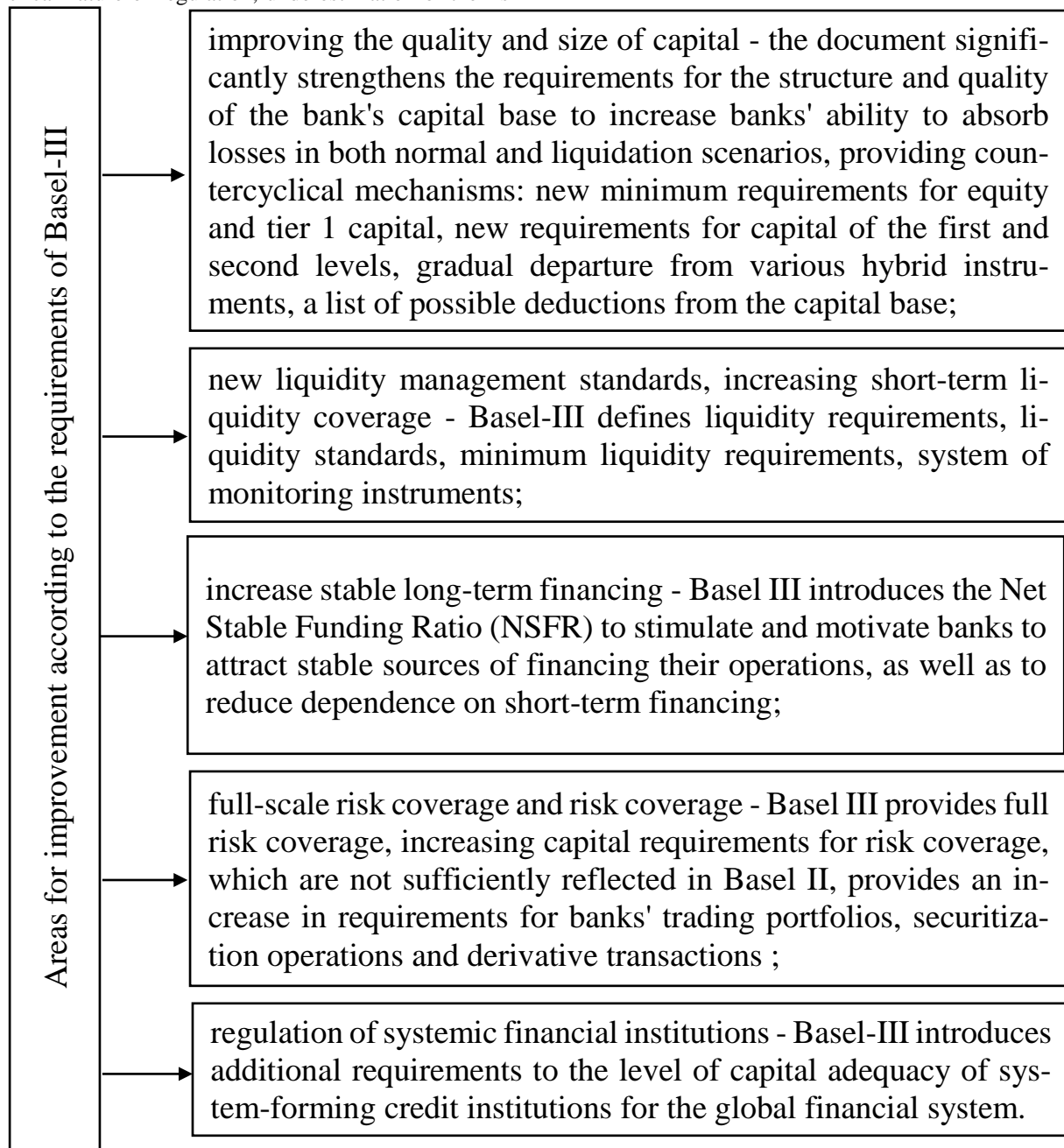


Figure 3 Areas for improvement according to the requirements of Basel-III [9]

The need for a clear implementation schedule of Basel-III is explained by the fact that the standards developed by the Basel Committee cease to be only recommendations for the world banking community, they become strict requirements for banking institutions, non-compliance with which applies strict sanctions by regulators [2, p. 123].

According to the decision of the Basel Committee on Banking Supervision, the amendments to the Basel Recommendations (Basel-III) aimed at the following main objectives:

Although the changes made to the International

Convergence of Capital Definitions and Capital Standards: New Approaches are not radical, their introduction is innovative, as follows: a) change of approaches to financial management and risk management by raising the standards of risk management, the degree of integration of financial management and risk of banking institutions; b) providing a stable base and the necessary reserves to counter all kinds of risks and crises; c) the possibility of forming a more complete, consolidated picture of business for shareholders and management.

Thus, banking supervision is a constant factor in strengthening the country's banking system. Adaptation

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