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## ACTIVATION OF THE INFLUENCE OF THE BANKING BUSINESS ON ENSURING THE SUSTAINABLE DEVELOPMENT OF THE ECONOMY OF UKRAINE

*At the present stage of socio-economic transformations of Ukraine, in the context of the need to strengthen the impact of the banking business on ensuring the sustainable development of the national economy, the issues of participation of the credit potential of banks are becoming relevant. The direct and indirect impact of banks on the economic growth of the country is highlighted. The role of banks in the formation of credit potential is analyzed by qualitative indicators during 2018-01.10.2023. It is determined that the main indicators of the efficiency of using the resource potential of the banking business are: the ratio of regulatory capital to risk-weighted assets, the rate of return on assets, the ratio of liquid assets to total assets, the ratio of customer deposits to total gross loans, the ratio of non-performing loans to total gross loans, the ratio of loans granted by banks to GDP, the standard of the total amount of investment in the banking system, according to which the study of the relationship between changes in the pace of economic development depending on the development of the banking business was carried out. It is proposed to expand a number of measures to stimulate the credit activity of the banking business of Ukraine in the context of European integration.*

*Keywords: banking business, economic growth, sustainable development, resource potential, transformational changes, stimulation of credit activity, investment potential.*

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## АКТИВІЗАЦІЯ ВПЛИВУ БАНКІВСЬКОГО БІЗНЕСУ НА ЗАБЕЗПЕЧЕННЯ СТАЛОГО РОЗВИТКУ ЕКОНОМІКИ УКРАЇНИ

*Фінансова система України стикається з негативними тенденціями, що вимагають швидкого вирішення. В цьому контексті велике значення має розроблення обґрунтованої фінансової політики, яка повинна бути спрямована на підвищення ефективності банківського бізнесу й діяльності підприємств на фінансовому ринку шляхом оптимізації витрат, забезпечення прозорості бюджетних операцій, удосконалення системи моніторингу, сприяння доступності необхідних ресурсів. На сучасному етапі соціально-економічних перетворень в Україні, в умовах необхідності активізації впливу банківського бізнесу у забезпеченні сталого розвитку національної економіки, актуалізуються питання участі кредитного потенціалу банків у фінансовому забезпеченні розвитку країни.*

*Активізація банківського бізнесу в структурній модернізації економіки країни посилюється, а низький інвестиційний потенціал й недостатній рівень розвитку фінансового ринку можуть бути частково вирішені через інструменти, які надають банки, зокрема, фінансування інфраструктурних об'єктів, кредитування підприємств, консультації по управлінні фінансами, створення інновацій. Розкрито прямиий і непрямиий вплив банків на зростання економіки країни. Проведено аналіз ролі банків у формуванні кредитного потенціалу країни, за якісними показниками впродовж 2018-01.10.2023 рр. Визначено, що основними індикаторами ефективності використання ресурсного потенціалу банківського бізнесу є: співвідношення регулятивного капіталу до зважених за ризиком активів, норма прибутку на активи, співвідношення ліквідних активів до сукупних активів, співвідношення депозитів клієнтів до сукупних валових кредитів, співвідношення недіючих кредитів до сукупних валових кредитів, співвідношення кредитів наданих банками та ВВП, норматив загальної суми інвестування по системі банків, відповідно до яких проведено дослідження взаємозв'язку змін темпів розвитку економіки в залежності від розвитку банківського бізнесу. Запропоновано низку заходів з метою стимулювання кредитної активності банківського бізнесу України.*

*Ключові слова: банківський бізнес, економічне зростання, сталий розвиток, ресурсний потенціал, трансформаційні зміни, стимулювання кредитної активності, інвестиційний потенціал.*

### FORMULATION OF THE PROBLEM IN GENERAL AND ITS CONNECTION WITH IMPORTANT SCIENTIFIC OR PRACTICAL TASKS

Globalization transformations of the financial system and the cyclical nature of economic processes necessitate the adaptation of the domestic banking business to transformational changes in the institutional environment. In the context of recession and instability of the global economy, issues related to the intensification of the banking business' impact on the sustainable development of Ukraine's economy are of particular importance. Structural imbalances lead to disruptions in the economic cycle of reproduction and cause imbalances between the real and financial sectors, which ultimately disrupts the regularity of the sustainable growth process. The main

factors that cause changes in the economy are: a reduction of the real sector, higher inflation, a significant increase in the share of funds allocated to the country's defense, increased vulnerability to macroeconomic shocks, and import dependence. In view of this, it is advisable to increase the impact of the banking business on the development of Ukraine's economy, which will contribute to the balance and coherence of long-term macroeconomic goals.

### ANALYSIS OF RECENT PUBLICATIONS

The study of the role and importance of banking business in the development of the national economy is devoted to the works of domestic scholars, in particular, O. Baranovskiy, S. Bukovynskiy, A. Hrytsenko, V. Lepushynskiy, V. Mishchenko, S. Mishchenko, S. Naumenkova, V. Stelmakh, and others. The theoretical and methodological aspects of the impact of banks in transformational changes on the economic development were studied in their works by such authors as: O. Vasiurenko, O. Dziubliuk, G. Karcheva, V. Kovalenko, O. Kolodiziev, L. Prymostka, I. Prokopiv, etc. The problems of the adequacy of the resource potential of banks and its place in the development of the Ukrainian economy are considered in the works of M. Aliekseeinko, S. Arzhevitin, T. Dul'ska, V. Kartseva, O. Kotenko, V. Fostiak, and others.

### HIGHLIGHTING THE PREVIOUSLY UNRESOLVED PARTS OF THE GENERAL PROBLEM TO WHICH THE ARTICLE IS DEVOTED

Given the significant achievements of fundamental and applied scientific achievements, the issues of enhancing the impact of banking business on ensuring sustainable development of Ukraine's economy remain controversial.

### FORMULATION OF THE ARTICLE'S OBJECTIVES

The purpose of the article is to analyze the role of banks in the formation of the country's credit potential, in particular, in terms of quality indicators, and to expand measures to stimulate the credit activity of the banking business in Ukraine.

### SUMMARY OF THE MAIN RESEARCH MATERIAL

The importance of ensuring the sustainable economic growth and structural changes in the national economy puts forward the priority of solving the problems of generating banking resources and their effective channeling to the real economy. The influence of banking business (Table 1) in the structural modernization of Ukraine's economy is increasing, and the low investment potential and insufficient level of financial market development can be partially resolved through financial instruments provided by banks, in particular, financing of infrastructure facilities, lending to enterprises, financial management consultations, creation of innovations, etc. Accordingly, ensuring the sustainable development of the state's economy, including its important link - the banking business, is becoming a key issue today, as the instability of national economies is exacerbated by the insufficient stability of the banking systems of individual countries, which cause banking crises that are destabilizing for the economic development of other countries [10]. That is why, in order to solve important tasks related to preventing the crisis and ensuring further growth of the Ukrainian economy, domestic scholars, in particular, Zh. Dovgan, V. Kovalenko, T. Mayorova, associate the creation of a mechanism to ensure the development of both individual banks and banking business as a whole [3, p. 34; 6, p. 324; 7, p. 147].

Table 1

**The impact of banking business on sustainable development of the Ukrainian economy**

	Direct		Indirect
<i>Financing of the economy</i>	Provision of loans to enterprises and households, which will contribute to the growth of the country's economy, in particular, will allow them to expand and create new jobs and purchase goods and services	<i>Improving the efficiency of the economy</i>	Providing assistance to enterprises to improve their efficiency in the financial market, which will contribute to the growth of labor productivity and economic growth in the country as a whole
<i>Storage of funds</i>	Accepts deposits from individuals and businesses and is a safe way to store money insured by the Deposit Guarantee Fund	<i>Increasing tax revenues</i>	Development of enterprises through the support of banks, which will contribute to their profitability and increase tax revenues to the country's budget
<i>Payment services</i>	Making payments on behalf of customers, which allows them to transfer funds, pay for goods and provide payment services	<i>Development of the financial market</i>	By acting as intermediaries, banks ensure the development of the domestic financial market by stimulating investment and expanding opportunities for the participation of various players in the financial industry
<i>Lending to foreign trade</i>	Banks provide loans in the international financial market, enabling businesses to export and import goods and services	<i>Supporting the stability of the banking system</i>	Identification of possible risks and their effective management, which will contribute to the stability of the banking system and the country's economy as a whole
<i>Analysis of the economic situation in the country</i>	Obtaining information on the financial condition of enterprises, which is subsequently used to analyze the economic situation in the country.	<i>Financing of social projects</i>	Initiating and supporting the financing of social projects aimed at improving the socio-economic environment of the population and developing socially important sectors of the economy

Source: improved by the authors based on [2].

It is appropriate to emphasize that the banking business is developing more dynamically than other sectors of the economy and remains an important segment of the domestic financial market, the role of which is increasing in the post-crisis period. The basis for the formation of the credit and investment potential of banks is to ensure their resource base, which has two main areas of influence [5, p. 197] on: investment activity of banking business and business entities by obtaining loans or attracting financial resources through stock market instruments. To determine the role of banks in the formation of the country's credit potential, it is necessary to trace the qualitative indicators that ensure the sustainable development of the Ukrainian economy during 2018-01.10.2023, which are presented in Table 2.

Table 2

**Key indicators of the use of the resource potential of the banking business to ensure the growth of the national economy in 2018-01.10.2023**

Indicators	Years					
	2018	2019	2020	2021	2022	01.10.2023
Ratio of regulatory capital to risk-weighted assets	16,8	17,65	15,67	11,99	13,12	14,76
Rate of return on assets	1,6	4,53	2,77	4,46	1,48	1,25
Liquid assets to total assets ratio	51,14	51,88	74,23	72,35	72,94	73,54
Ratio of customer deposits to total gross loans	81,83	85,75	83,48	82,13	82,42	82,72
Non-performing loans to gross loans ratio	52,85	51,30	41,00	30,02	38,12	37,87
Ratio of loans granted by banks to GDP	30,16	32,04	30,12	30,07	16,2	16,8
Ratio of total investment in the banking system, (N12)	0,16	0,14	0,12	0,10	0,26	0,02

Source: compiled by the authors based on official data from the National Bank of Ukraine. URL: <https://bank.gov.ua/ua/statistic/sector-financial>

The results of the study of changes in the qualitative indicators of the use of the banking business's resource potential in 2018-2019 demonstrate positive trends in the growth of the ratio of regulatory capital to risk-weighted assets, indicating an increase in the banks' resilience and willingness to level financial risks. The increase in the rate of return on assets by 2.93% in 2019 compared to 2018 demonstrates the high level of efficiency of the banking business and a successful strategy for managing its assets. The increase in liquid assets and favorable growth in the ratio of customer deposits to gross loans confirm the ability of domestic banks to attract and efficiently manage financial resources. Thus, the decrease in the non-performing loans ratio from 52.85% in 2018 to 51.30% in 2019 demonstrates successful loan portfolio management and reduced risk of customer insolvency. The increase in the ratio of loans granted by banks to GDP indicates the active participation of the banking business in the country's economic development through lending. A cautious reduction in the total investment ratio (N12) demonstrates the implementation of a strategic approach to investment risk management. The above period (2018 - 2019) is characterized by a high level of financial stability and readiness of the banking business to actively participate in the process of building the Ukrainian economy, which emphasizes its effective management and trust among customers.

The economic shocks caused by the spread of the COVID-19 pandemic led to an intensified decline in real GDP in Ukraine, which resulted in a decrease in the ratio of regulatory capital to risk-weighted assets from 15.65% in 2020 to 11.99% in 2021. This decline signaled certain problems related to the sustainability of the banking business, especially given the decline in capital investments and increased risks. However, the return on assets in 2020 showed positive dynamics, increasing by 1.69% in 2021, indicating an increase in the financial productivity of banks and effective asset management. The decrease in the ratio of liquid to total assets from 74.23% in 2020 to 72.35% in 2021 indicates that banks are less focused on liquidity indicators and are focusing on increasing investment and lending. A marked decrease in the ratio of customer deposits to gross loans by 1.35% (from 83.48% in 2020 to 82.13% in 2021) emphasizes the decreasing demand for bank deposits compared to growing lending. Thus, in 2021, the ratio of non-performing loans to total gross loans decreased by 10.98% (41% compared to 2020 - 30.02%), which confirms the effective management of the banks' loan portfolio and improvement of its quality. The reduction of the total investment ratio for the banking system from 0.12% in 2020 to 0.10% in 2021 confirms the need to improve the approach to managing risky investments.

In 2022, the ratio of regulatory capital to risk-weighted assets amounted to 13.12%, which indicates a certain level of sustainable development of the banking sector. However, as of October 01, 2023, there were positive changes in the indicator to 14.76%, despite the outbreak of the Russian-Ukrainian war, which indicates an improvement in the capital structure and an increase in reserves. The rate of return on assets decreased in 2023 to 1.25% compared to 2022 by 0.23%, indicating possible pressure on the bank's income and increased costs. At the same time, the ratio of liquid assets to total assets increased from 72.94% in 2022 to 73.54%, indicating that the banking business remains highly liquid. The ratio of loans granted by banks to GDP increased from 16.2% in 2022 to 16.8% (01.10.2023), indicating that banks are actively involved in financing the real economy.

Based on a thorough assessment of the resource potential of the domestic banking business, we can state that its level decreased during 2018-01.10.2023, which caused a problem not only for individual banks but also for the banking system as a whole. It is extremely difficult to solve the above problem without government intervention

and the use of regulatory mechanisms to stabilize the banking sector of Ukraine. That is why there is a need to revise the strategic goals of the NBU's monetary policy in the direction of transition from ensuring price and financial stability to stimulating economic growth, which requires a change from strict anti-crisis measures to manage the capital adequacy of banks to targeted neo-protectionism, which in the leading countries of the world, in particular, the United States, Japan and China, is accompanied by a softening of central banks' monetary policy by stimulating lending by banks to the real sector of the economy, small and medium-sized businesses [11].

In our opinion, to support the sustainable economic growth, it is important to reconsider the approach to quantitative easing, focusing not only on the purchase of problem assets by the central bank to clean up bank balance sheets, but also on targeted financing of the real sector through structural refinancing programs, which involves clearly regulated initiatives aimed at supporting businesses, innovation, and infrastructure projects. This approach requires effective and transparent regulation to prevent possible abuses. Structural refinancing programs should be aimed at achieving specific economic and social goals, where the main objective is not only to temporarily stabilize the economy but also to create conditions for the sustainable economic development. Close cooperation between different branches of government, the central bank, and other stakeholders is essential for successful implementation. It is necessary to take into account the specific conditions and needs of the country to ensure effective regulation of the financial market adapted to the realities [13]. This can serve as an important tool to promote economic development and efficient use of resources.

Based on the work of domestic scholars, in particular, S. Blagun [1, p. 182], V. Kartseva [5, p. 200], T. Mayorova [7, pp. 147-150], O. Malakhova [8, p. 190], P. Senishch [9, p. 308], we propose to expand a number of measures to stimulate the credit activity of banks in the current environment, which is strategically important for ensuring economic development and will contribute to the competitiveness and financial stability of the banking business, among others:

- ✓ changes in the approach to assessing capital stability. The main principle is to focus on qualitative indicators by setting differentiated requirements for the minimum amount of authorized and regulatory capital. Obviously, state-owned banks and banks of foreign banking groups should be subject to higher requirements, given their systemic importance and impact on financial stability. For small banks, they should be reduced and adapted to their financial capacity. It is also important to switch to qualitative indicators that focus on achieving the level of capital adequacy of banks in accordance with the requirements of Basel III, which will facilitate a more flexible and adequate assessment of capital investments and the ability to withstand the risks provided for by international standards;

- ✓ introduction of a system of differentiated economic standards for banks that actively provide investment loans in the real economy's sector. The main ones are: the determination of the share of investment loans (introduction of a system that takes into account the share of investment loans in the bank's total portfolio); capital support ratio (establishment of a support ratio added to the minimum quantitative requirements for authorized and regulatory capital); adaptation of requirements for small and medium-sized banks (reduction of capital requirements to ensure their financial flexibility and sustainable development in all regions of Ukraine);

- ✓ creating a mechanism to stimulate long-term lending by banks by developing a targeted co-financing program with the government, which should focus on high-performance innovative projects with a strategic priority to achieve macroeconomic goals. Determining the criteria for the effectiveness and strategic importance of projects is a key step, as well as establishing attractive refinancing conditions (low interest rates and flexible terms). Ensuring a system for monitoring and evaluating the effectiveness of refinanced projects is an important component for efficient use of resources and success. In addition, it is worth engaging expert opinion and establishing cooperation with the private sector to apply best international practices to ensure the implementation of a mechanism to stimulate long-term lending;

- ✓ reduction of income tax for banks engaged in investment lending. Such measures should be carefully considered and regulated to ensure a balance between supporting the financial sector and sufficient budget revenues, including: differentiated taxation (applying different profit rates to banks depending on their riskiness); tax exemptions under certain conditions (establishing preferential conditions for obtaining a reduced tax rate for those banks that meet certain criteria, in particular, the volume of investment lending, investment terms, etc.); time limits (setting limits on the duration of benefits or reduction of tax rates, provided that banks continue to actively invest in the real sector of the economy and do not use benefits without specific results of successful activity);

- ✓ introduction of a mechanism for accounting for bank securities (bonds issued for securitization of bank assets), which will become an effective tool for stimulating innovative projects and ensuring the development of the country's economy. It is also advisable to include: reducing the interest rate for bank securities, which will be lower than the rate officially announced by the National Bank and will encourage banks to issue securities and raise funds for innovative projects; securities accounting at the NBU (establishing transparent and effective securities accounting tools that will reflect all the details of securitization of bank assets); protection of creditors' rights (structured terms of securities issuance that guarantee the rights of creditors in case of project inefficiency); transparency in the sale of mortgaged property (establishing a clear procedure for the sale of mortgaged property in the event of insolvency of the issuer of securities); improving the efficiency of the internal banking system of investment and credit security (monitoring, control and internal procedures for ensuring security in lending and investment).

In our opinion, in the context of globalization, the transformation processes of Ukraine's economy and its continuous integration into the international market are the main aspects that shape the trends and features of banking business development, reflecting the direct dependence on both global economic development conditions and national ones, which actively influence the financial market, determining the rules for organizing the management and functioning of the banking sector as a whole.

### CONCLUSIONS FROM THIS STUDY AND PROSPECTS FOR FURTHER RESEARCH IN THIS AREA

Thus, strengthening the influence of the domestic banking business in ensuring the sustainable development of the country's economy requires achieving a balance between the inflation rate and the rate of economic growth. It is this balance that should help restore the credit potential of banks in the post-crisis period and, on this basis, increase the level of lending to priority areas of the economy. Given that the market economy is developing dynamically, an important condition for overcoming the recession is to stimulate lending, deposit and investment activities of banks, which will contribute to the economic growth of Ukraine's economy in the long run. The development and implementation of appropriate quantitative easing and structural refinancing programs by the National Bank of Ukraine will create favorable conditions in the financial market for low-risk profits, as in addition to providing soft loans, the Central Bank will provide guarantees, which will help avoid conflicts of interest between the state and the banking business.

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