

# **COLLAPSE OF THE BANKING SYSTEM OF UKRAINE, AS A RESULT OF DECREASE CREDIBILITY TO BANKING INSTITUTIONS**

**Demianenko I.V.**

Candidate of Economic Sciences, Associate Professor,  
Kyiv National University of Food Technologies

**Melnychenko A.I.**

Student,  
Kyiv National University of Food Technologies

The banking system of Ukraine plays a key role in the economic development of the country because its effective functioning depends on the distribution of gross domestic product and national income, the regulation of money circulation, credit entities and households, the financing of large-scale national projects and implementation of other important economic and social functions of the state. During the last three years it resides at a state of active structural transformation: the number of banks are decreasing, the requirements to accountability of banks activities and bank capital are increasing.

Modern resource problems of banks are conditioned on many factors, both internal and external nature. The External factors of influence over the formation of the resource potential of the banking institutions are: the poor state of the global and national financial and economic systems; imperfect monetary policy of the central bank; imperfect legal framework, undermined confidence in credit institutions, lack of insurance market and the stock market and so on. The most important factor of the internal nature regarding to the accumulation of resource problems of banks are: insufficient capitalization of banks, and therefore – insecurity, instability and the inability of banks to adapt to adverse changes in market conditions.

Economic, social and political challenges with which Ukraine faced since 2014 until now are conditioned on considerable risks and uncertainties regarding the further development of the economy and bank-

ing system. Therefore, the ukrainian banking institutions need to solve the following problems as fast as possible: to provide the sufficient financial resources in accordance with the development strategies; to ensure the most efficient use of financial resources generated by main activities of the banking system; to ensure the maximization of profits in banks with the lowest levels of financial risk; to ensure the minimization of financial risk at the expected level of profit; to ensure the continued financial balance of banking institutions in their development.

Perspective directions of development of the financial sector of Ukraine are determined by the urgent requirements regarding to the formation of the resource potential of the banking institutions: to improve the quality of capital and provide sufficient coverage of that capital on risks taken by banks; encourage the involvement of the bank's own profits for investment in capital through tax exemption of profits of credit institutions, aimed at increasing the level of capitalization; encourage investors exemption from income taxes, which is directed to the capitalization of banks; to increase capital adequacy ratio through the consolidation of the banking system of Ukraine.

Hence, the increasing of competitiveness level of domestic banks will strengthen their place in global financial markets and ensure the stability and soundness of the entire economy of Ukraine's integration into the world economy.