

MEASURING BANK'S PRODUCTIVITY BASED ON EXPENSES: TIME AND SPACE ASPECTS

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The article outlines approaches to assessing bank productivity: a production approach, a mediating approach, and a user-based approach. The expediency of using a user-based approach is proven. The dynamics of productivity of Ukrainian banks are analyzed and its main determinants at macro and micro levels are determined.

The productivity of Ukraine's banks in the post-crisis period is largely outside of disruptive activity. The recovery of the positive level of the indicator and minimization of loss rates could be observed in the period of 2011-2013, however, the excess of expenses on income starts already in 2014. In 2016, in some months, the activity of banks was characterized by positive productivity, but at the end of 2016 a significant loss caused a negative financial result for the year. Similarly, we can characterize the dynamics of the indicator in 2017.

Losses of Ukrainian banks and insufficient productivity are caused by the economic situation – high inflation and insufficient development of industry. This is confirmed by the link between productivity and the consumer price index and index of industrial output. It is determined that in conditions where

the inflation rate exceeds 20%, bank productivity becomes negative. Also, ensuring positive productivity is almost impossible with a decrease in industrial production. It is proved that there are only a few observations that are characterized by positive productivity with a negative growth of industrial production. Most observations indicate that the presence of positive dynamics in the economy also results in a positive result of banks and their productivity.

The study suggested that the most profitable are banks whose income structure is dominated by interest rates, since lending is the main and most profitable component of banking products. At the same time, in today's conditions, this assumption was not confirmed – in crisis conditions, values are primarily not sources of income, but the ability to optimize the structure of expenditure. Moreover, the main expenses that have a significant negative impact on the financial performance of banks and their productivity are the cost of forming reserves. Consequently, the cost of modern banks is the result of ill-conceived credit policy and a difficult economic situation, which causes a deterioration in the financial condition of borrowers.