

## PROBLEM LOANS AND THEIR IMPACT ON THE SOLVENCY OF BANKS IN UKRAINE

**Oleynik A.V.**

Senior Instructor at Department of Finance,  
Banking and Insurance,  
Khmelnyskyi National University

**Volovik I.V.**

Student of Faculty of Economics and Management,  
Khmelnyskyi National University

In this article the analysis of key performance indicators of banks in the lending market is conducted. It is found that banking system suffers from significant amounts of bad debt. Objectively, there is a need of restructuring of banks and the banking system, improving the quality of state regulation of banking activities, and increasing the confidence of potential customers to the banking institutions.

The purpose of the article is the specification of essence of the category of "problem loans", definition of sources of formation and analysis of the causes of problem loans, identification of the consequences of their influence on liquidity and solvency of banks.

Analyzed approaches to the understanding of the essence of the concept of "problem loans". The main signs of a troubled loan: repayment of the principal debt and interest overdue for 90 days or more, deterioration in the financial condition of the borrower, significant reduction in quality or loss of collateral for the loan and other reasons that pose a potential threat of partial or total

loss of bank assets, which in the future could result in losses, capital losses and solvency of the bank.

Found that troubled debt can occur for different reasons. Among these reasons, conventionally, there are several groups: external (macroeconomic), internal (bank and borrower), internal system (bank).

The analysis shows that the rapid increase in the share of bad debts in loan portfolio of banks to 22.1% in 2015 is over the high economic and political instability, including devaluation of the national currency, which significantly affected the solvency of borrowers of the bank.

Based on the study, proposed ways of overcoming the problem of the debt of domestic banks: the formation of a unified database of credit histories, spread of the practice of buying troubled loans, formation of sufficient amounts of provision for debts, selection and implementation of models for the restructuring of problematic assets, simplification of the mechanisms of write-off of assets, strengthening the supervision of banks.