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BANKING SYSTEM OF UKRAINE: TRENDS AND PROSPECTS OF DEVELOPMENT

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The article analyzes the current state of the banking system of Ukraine, outlines the features of its functioning. It is determined that in recent years, in the context of structural reform of the economy in the banking services market, there have been such trends as: the rapid development of information, including banking, technology that allow banks to expand the range of their services and products; restructuring of the financial and banking sectors, characterized by the emergence of new segments; increase of financial literacy of clients and a set of measures aimed at maintaining the stable condition of domestic financial and credit institutions, timely neutralization and preventing the development of destabilizing tendencies.

Keywords: bank, profitability, lending, deposits, capital, banking system.

Introduction. It is unfortunate to note that the Ukrainian service system did not become the sole, monolithic factor during the period of independence. For a long time, the banking sector of the economic sphere has worked without proper regulation and effective review, which has not checked itself to the attention of the European representative, but also worked and worked in this field, as well as known factors and their negative factors.

In the context of the structural reform strategy, the state of the banking industry should be characterized by sufficiency, balance, optimal balance of financial resources and assets, maintaining a sufficient level of liquidity and solvency, ensuring profitability by minimizing risks, ability to withstand unexpected losses and save the state function effectively. Under these conditions, commercial banks are able to work effectively, achieve their goals, counteract various risks in the process of financial services.

An integral part of the structural changes is to ensure financially stable state banking system, its ability to function and evolve according to the overall social and political situation of the state and the state implemented structural reforms. Ensuring the stability of the banking system is characterized by increased profitability of the banking sector, increased sales volumes and range of banking products in the conditions in terms of structural change is essential tasks of regulatory authorities. To

determine the current state of the banking sector, let us consider and analyze the main indicators of banking infrastructure and banking activities.

Literature review. Many scientists devote the irresearch to the peculiarities of the banking sector, the banking systemingeneral and banking services, amongothers.

Andriushchenko K., Ishchenko M., Sahaidak M., Tepliuk M. & Domina O. [1] ta Vasylchuk I. [6] demonstrate the need to consider the development of the banking sector to sustainable development by offering clustering scientific approaches to the role of banks inspreading paradigm of sustainable development. Kazarenkova N. & Kolmykova T. [9] and Kovalenko V.V., Bolgar T.M., Yevtushenko O.A. & Pestovska Z.S. [11] indicate that current financial and economic trends require the application of new approaches to the assessment of the banking system, which allow to identify the potential of the banking sector and to absorb the shocks caused by systemic risks. The authors use the methods of economic-statistical, structural-dynamic and coefficient analysis to evaluate the performance of the banking system, on the basis of which they formulate directions for increasing its efficiency in the international dimension.

Kuzheliev I., Rekunenko A., Boldova M., Zhytar M. & Stabias S. [12], Prymostka O. & Prymostka L. [16], Samorodov B.V., Azarenkova G.M., Golovko O.G., Miroshnik O.Yu. & Babenko M.V. [17], Shkarlet S., Dubyna M., Vovk V., & Noga M. [19]; Lavrov, R., Beschastnyi, V., Nikolenko, L., Yousuf, A., Kozlovskiy S., & Sadchykova I. [13] estimate the efficiency and productivity of the banking system of Ukraine within the financial services market, introducing a dynamic model based on the functioning of the banking system, allows to obtain a generalized assessment of the economic efficiency of banking activities.

Dubyna M. V. [7] determines that in the vast majority of scientific works, little attention is paid to the scientific substantiation of the mechanism of distribution of all banking services.

Khalatur S., Zhylenko K., Masiuk Y., Velychko L. & Kravchenko M. [10] ta Zveryakov M., Kovalenko V., Sheludko S., & Sarah E. [22] determine that at the present stage commercial banks conduct their activities in a constantly changing general economic, social and political conditions affecting the reliability. The authors consider the current state and diversification of bank lending in Ukraine, problems that arise in the national economy due to the deterioration of the banking system of Ukraine.

Some aspects of the main trends of the banking services market are given much attention in scientific works of scientists: Azarenkova G., Shkodina I., Samorodov B., Babenko M., & Onishchenko I. [3]; Baranovskyi O.I., Levchenko V.P., & Polishchuk Y.A. [4]; Bilovodska O., Gryshchenko O., & Syhyda L. [5]; Ivashchenko A., Britchenko I., Dyba M., Polishchuk Ye., Sybirianska Yu., & Vasylyshen Yu. [8]; Mints O., Marhasova V., Hlukha H., Kurok R., & Kolodizieva T. [15]; Chmutova, I., Vovk, V., & Bezrodna, O. [18]; Vovk V.Y., Zhezherun Y.V., & Kostohryz V.H. [20]. The analysis showed that for a long period there was a stable but not effective credit activity of Ukrainian banks. However, there is a theoretical and methodological

vacuum toward research banking market in general and the credit markets in particular.

Target setting. The process of rehabilitation of the banking system of Ukraine has been inevitable and in the recent period has been very long. But recent developments indicate that positive changes are taking place in the banking sector. The restoration of macro-financial stability in Ukraine and the rehabilitation of the banking sector are impossible without maintaining public confidence in the banking system, the existence of normal rules of the financial market, the predictability and adequacy of the central bank's actions.

The solution to these problems requires the use of more effective tools in the banking market and, therefore, research in this area.

The aim of the work it is an improvement of theoretical, methodological and practical principles of organization of the banking services market in the context of structural reform of the Ukrainian economy.

Methods of research. Analysis and synthesis, comparison method, economic-statistical, grouping, tabular and graphical are used in the assessment of the competitiveness of banking services.

Result. Today banking institutions perform 77 as of 31.12.2018, of which 37 institutions – with for eigncapital, ofwhich – 23 institutions with 100% foreigncapital).

Reducing the number of banking institutions primarily associated with increased requirements to conduct banking activities and risk assessment. In 2015-2017, a significant number of insolvent banking institutions were withdrawn from the market.

The NBU's «clean-up» policy is primarily aimed at enhancing the banking sector's resilience and resilience to risks and imbalances in the context of the ongoing economic reform course.

Important indicators that determine the state of development of the banking market are relative indicators, which is calculated as the ratio of assets and GDP, loans and GDP, deposits and GDP, with which you can assess the impact of the banking market on economic development (Fig. 1). For the calculation of their performance taken major banks of Ukraine and the National Bank of gross domestic product, according to the State Statistics Service.

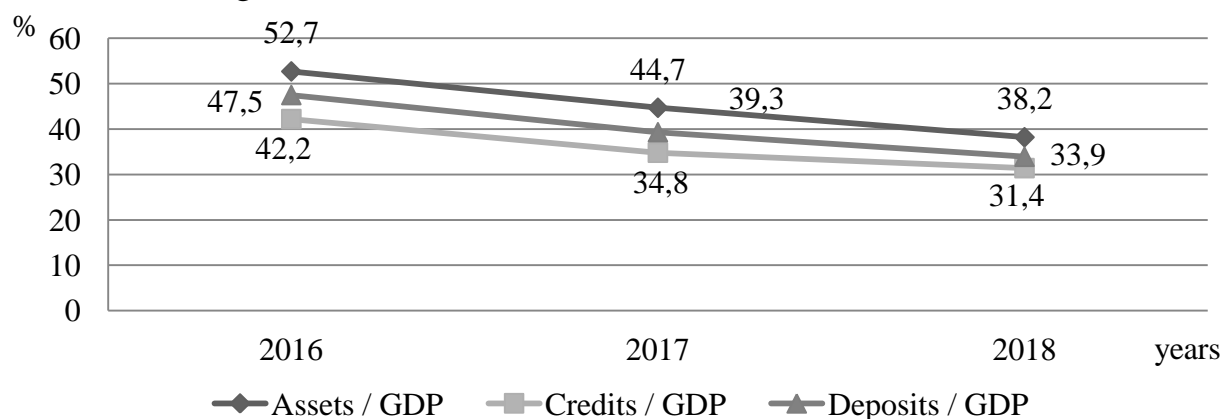


Fig. 1. Reliveness of the existing business sector
 Source: compiled by the authors on the basis [14]

Data Fig. 1 indicate that the assets of the banking sector of the economy in 2016 accounted for 52.2% of the gross domestic product, in 2017 – 44.7%, in 2018 - 38.2%, which is a downward trend of 14.5% below of 2016.

This trend demonstrates weakening of active operations of banks.

Indicators characterizing the effectiveness of bank lending shows a downward trend: in 2016, loans accounted for 47.5% of GDP, in 2017 - 39.5%, in 2018 - 33.9%, that is, by 10.8% over the period under review, which is explained by the weakening of the demand for loans and the decrease in the volume of lending to economic entities.

Due to the deterioration of the quality of the loan portfolio, domestic banks were forced to increase their reserves for active operations, primarily credit operations, which reduced their profits.

To identify general financial and economic trends and factors that change the quality of banking assets in the context of credit risk dynamics we will conduct a retrospective analysis of the development of credit activity of Ukrainian banks in terms of lending to customers, since the major part of the total amount of arrears is accounted for by the debts of economic entities, which is explained by higher volumes of their lending.

Table 1

Main indicators of activity of banks of Ukraine, billion UAH

Indicators	2016	2017	2018	Deviation (+, -) of the reporting period up to	
				2016	2017
Total assets	1737,3	1848,3	1910,6	+173,3	+62,3
Net assets	1256,3	1336,4	1359,7	+103,4	+23,3
Liabilities, everything	1256,3	1336,4	1359,7	+103,4	+23,3
Equity	123,8	163,6	154,9	+31,1	-8,7
Income	190,7	178,1	204,5	+13,8	+26,4
Costs	350,1	204,6	182,2	-167,9	-22,4
Regulatory capital	109,7	115,8	126,1	+16,4	+10,4
Regulatory capital adequacy, %	12,69	16,1	16,18	3,49	+0,08

Source: compiled by the authors on the basis [14]

The value of both total and net (adjusted for reserves for active operations) assets increased steadily throughout the analyzed period: in 2015-2017 total assets increased by UAH 276.9 billion due to reserves formed, of which net assets increased by 82 billion UAH This was mainly due to the growth of highly liquid assets.

The liabilities of the banking sector show a positive trend: growth over the period amounted to 103.4 billion UAH, which is a positive trend.

Equity in 2018 decreased by UAH 8.7 billion compared to the year 2017, but the regulatory capital increased by UAH 16.4 billion for the 2016-2018 year and UAH 10.4 billion by 2018, in particular [14].

The value of regulatory capital adequacy exceeds the normative value for the studied period and shows a positive trend.

Explore the volume of active and passive banking operations. In the structure of active operations of banks, the largest share is in credit operations - 80% or UAH 1005.9 billion, securities transactions account for 26% (UAH 332.2 billion). For term deposits in other banks accounted for UAH 23.1 billion on correspondent accounts with other banks in 2016 accounted for 121.8 billion; In the National Bank of Ukraine, according to the results of 2016, UAH 40.8 billion was concentrated, and the banks' cash amounted to UAH 36.2 billion [14].

Consider the structure of assets of commercial banks in 2017.

In the structure of active operations of banks, the largest share is in credit operations – 77.7% or UAH 1036.7 billion, securities transactions account for 31.9% (UAH 425.8 billion). As we can see in 2017, the share of securities transactions increased.

Term deposits with other banks in 2017 account for UAH 28.3 billion, correspondent accounts with other banks - UAH 96.2 billion; In the National Bank of Ukraine, in the results of 2017, UAH 37.3 billion is concentrated, and the cash from banks is in the amount of UAH 44 billion.

Consider the structure of assets of commercial banks in 2018. In the structure of active operations of banks in 2018, the share attributable to credit operations is 82.2% or UAH 1118.8 billion, securities transactions account for 35.3% (UAH 480.6 billion). Term deposits with other banks in 2018 amount to UAH 33.6 billion, correspondent accounts with other banks - UAH 86.7 billion; in the National Bank of Ukraine in the results of 2018 is concentrated 35.5 billion UAH, which is by 2.2 billion UAH less than in 2017, and cash from commercial banks in 2018 is in the amount of 46.9 billion UAH, which is 2.9 billion UAH more than in 2017.

Thus, in 2018, witnessing the growth of credit and investment operations of banking institutions. In the structure of active transactions, credit plays the most important role. We group the indicators of credit activity in table 2.

Table 2

Main indicators of credit activity of Ukrainian banks, billion UAH

Indicators	2016	2017	2018	Deviation (+, -) of the reporting period up to	
				2016	2017
Assets	1256,2	1333,8	1359,7	+103,5	+25,9
Loans	1005,9	1036,7	1118,8	+112,9	+82,1
of these, loans to business entities	847	864,4	919	+72	+54,6
loans to individuals	157,3	170,7	196,8	+39,5	+26,1
Bad loans (overdue and doubtful)	307,8	594	610	+302,2	+16
Share of overdue debt on loans in the total amount of loans,%	30,6	57,3	54,54	+23,94	-2,76
Provisions for active operations	484,3	511	556,4	+72,1	+45,4

Source: compiled by the authors on the basis [14]

Data of Table 2 indicate that the total volume of loans granted by banking institutions increased in 2018 to 1118.8 billion UAH, which is 112.9 billion UAH more than in 2016.

The banks' credit portfolio was formed by loans to business entities, which accounted for 82.1% of the credit portfolio in 2018, which is 2.1% less than the volume of loans to business entities in 2016.

The credit portfolio of the banking sector tends to grow: in 2016 it amounted to 1005.9 billion UAH, in 2017 - 1036.7 billion UAH, in 2018 - 1118.8 billion UAH.

In the structure of the loan portfolio, we observe a positive trend in the loans granted to economic entities and individuals. In particular, in 2016, economic entities were granted loans worth 847 billion UAH, in 2017 - 864.4 billion UAH, which is by 17.4 billion UAH more than in 2016, loans from banks of Ukraine UAH 54.6 billion more than in 2017 and amounted to UAH 919 billion [14].

The retail loan portfolio in 2016 amounted to UAH 157.3 billion, in 2017 it amounted to UAH 170.7 billion, which is 9% more than in 2016, and in 2018, loans to banks for individuals amounted to UAH 196, 8 billion.

Regarding the volume of loans to economic entities, there is a positive trend of an increase of UAH 72 billion over the period under review. Loans to individuals increased by UAH 39.5 billion in 2018 compared to 2016.

During the studied period 2016-2018, there was a negative tendency to increase the volume of reserves to compensate for possible losses on active banking operations, which was the result of an increase in the volume of problem assets in bank portfolios, which indicates a significant deterioration of the bank's portfolio assets. The growth in reserves for possible losses on active banking operations due to the deterioration in asset quality of banks and is the result of rising credit risks for the banking sector.

The volume of bad loans in a bank's loan portfolio is a major indicator of its quality, but there is a problem of its adequate quantification.

According to the National Bank of Ukraine, as of 01.01.2017 the share of bad debt in the credit portfolio reached 30.6%, in 2017 it increased to 57.3%, which is connected with a significant number of insolvent banks and their bad debts in 2018, the share of credit debt decreased slightly, in particular, by 2.76% to 54.54%.

The increase in problem debt over the analyzed period indicates possible significant losses in the future and necessitates the search for effective methods of minimizing the credit risks of the banking sector.

In order to determine the impact of bank lending on the activities of economic entities, it is important to analyze the interest rates on commercial bank loans for 2016-2018 (Table 3).

From the table 3 shows that the value of loans in national currency is increasing, and in foreign currency, on the contrary, is decreasing. The increase in the interest rate on loans is the result of an increase in the NBU discount rate in the period under review.

Table 3

Weighted average cost of bank loans in 2016-2018

%

Indicators	2016	2017	2018	Deviation (+, -) of the reporting period up to	
				2016	2017
Cost of loans in national currency	22,1	21,2	26	+3,9	4,8
The cost of foreign currency loans	9,7	7,3	5,3	-4,4	-2
For individuals	29,1	24,1	30,1	+1	+6
Cost of short-term loans in national currency	36,2	30,5	33,8	-2,4	+3,3
Cost of long-term national currency loans	26,4	22,5	27,1	+0,7	+4,6
Cost of foreign currency loans	x	x	x	x	x
For business entities	17,7	17,1	20	+2,3	+2,9
Cost of short-term loans in national currency	17,2	18,7	19,7	+2,5	+1
Cost of long-term national currency loans	23,8	15,8	20,5	-3,3	+4,7
Cost of foreign currency loans	9,7	7,3	5,3	-4,4	-2
Cost of short-term foreign currency loans	7,1	8,5	4,5	-2,6	-4
Cost of long-term foreign currency loans	9,7	7,3	7,4	-2,3	+0,1

Source: compiled by the authors on the basis [14]

Loans certainly important for stimulating economic growth. However, the higher the rate on commercial or consumer loans, the lower the demand for them and, accordingly, the less economic agents can afford the loans (household income or the rate of return of companies do not allow).

Let's summarize the reasons that influenced the level of interest rates on loans during the study period:

1) inflation risk. There are many reasons for inflation. There are factors that affect the demand for goods. In other cases, the increase in prices is influenced by the supply (for example, wages are rising, which entails an upward cost and a rise in prices). National currency fluctuations (such as devaluation) also affect the value of imported goods consumed in the country.

In general, with the expected inflation, the producer receives an additional benefit (in the form of revenue growth), without bothering to improve its products (of course, unless it is galloping inflation, which threatens a high level of uncertainty and

systemic distortions in the economy).

But for people who have money on hand, inflation "eats" the purchasing power of money. Rational and financially literate households want to avoid it. They put money on deposit in banks and demand deposits in a bid that would overlap the expected inflation. For banks, this rising rate is then transformed into a cost of credit (a resource component of the loan price).

Therefore, the higher the inflation, the higher (on the one hand) the cost of loans to companies. Companies, on the other hand, receive "unexpected" profits associated with rising prices;

2) monetary policy of the NBU, which should lead to lower rates and remove optically high interest rates on loans. In the last couple of years, the NBU has significantly improved its communication policy, increasingly revealing to its experts the logic of using its tools and providing quality analytics.

By raising the discount rate since the end of 2017, the NBU is responding to rising inflation risks. Higher interest rate implements "expensive money" policy - the NBU absorbs excess liquidity from banks by preventing this liquidity from flowing into the foreign exchange market (not to influence inflation through the hryvnia exchange rate) or to be spent by the government due to rising government debt (and influencing inflation from demand side) [14]. By reducing inflation risks (expected in 2019-2020), the NBU will gradually reduce its discount rate by implementing a "cheap money" policy. Following the discount rate, deposits (resources for banks) and loans will be reduced;

3) the value of credit risk. In most European countries, this figure is at the level of 0.3-0.6-1.2%, that is, on average, the expected losses in lending somewhere do not exceed 1%. We have a very high credit risk - at 5-7% (on average at banking institutions), although there are banks where the figure is lower.

That is, historical data show that the risk in the Ukrainian banking system is 5-10 times higher than in Europe. This is very much determines not only the rates but in general the tendency of banks to lend.

Thus, during 2016-2018, the dynamics of resident lending volumes was uneven. Lending trends in Ukraine have changed during the period under review.

The next stage of the research is to analyze the passive operations of the banking sector.

We analyze the dynamics of attracted funds into deposits by banking institutions. We group the indicators of bank liabilities in the table 4.

From the table 4, it can be seen that there is a positive trend in the growth of banking sector liabilities. Thus, for the studied period liabilities increased by 72,2 billion UAH: in 2016 their amount was 1132,5 billion UAH, in 2017 - 1172,7 billion UAH, in 2018 - 1204,7 billion UAH.

However, the liability structure has changed. The share of liabilities in banking sector liabilities decreased and amounted to 88.6% in 2018, -87.9% in 2017, -90.2% in 2016 due to the increase in capital in the liabilities structure due to the increase in the capital requirements of banks in order to increase the level of capitalization of the country's banking sector.

Table 4

Main indicators of passive operations of Ukrainian banks

UAH billion

Indicators	2016	2017	2018	Deviation (+, -) of the reporting period up to	
				2016	2017
Liabilities	1256,2	1333,8	1359,7	+103,5	+25,9
Capital	123,7	161,1	154,9	+31,2	-6,2
Obligation	1132,5	1172,7	1204,7	+72,2	+32
Other banks' term deposits and loans from other banks	73,9	50,2	42,1	-31,8	-8,1
Funds of business entities	369,9	403,9	406,3	+36,4	+2,4
Individuals' funds	437,1	478,1	508,4	+71,3	+30,3
Funds from non-bank financial institutions	42,8	22,9	23,7	-19,1	+0,8

Source: compiled by the authors on the basis [14]

Thus, the capital of banks in 2016 amounted to 123.7 billion UAH, in 2017 - 161.1 billion UAH, which is 37.4 billion UAH more, and in 2018 it changed to 154.9 billion UAH, by 6.2 billion UAH. In the structure of the deposit portfolio of the banking sector, there was a tendency to increase the funds of individuals and legal entities. In terms of non-banking facilities, in 2017, their volume fell substantially to UAH 22.9 billion from UAH 42.8 billion in 2016 and increased slightly to UAH 23.7 billion in 2018 [14].

Deposits of economic entities increased by 36.4 billion UAH in the period under review, in particular in 2016 amounted to 369.9 billion UAH, in 2017 - 403.9 billion UAH, which is by 34 billion UAH more compared to 2016 and in 2018 banks accumulated funds of economic entities by UAH 406.3 billion. Consider in detail the structure of customer deposits, which is shown in Fig. 2.

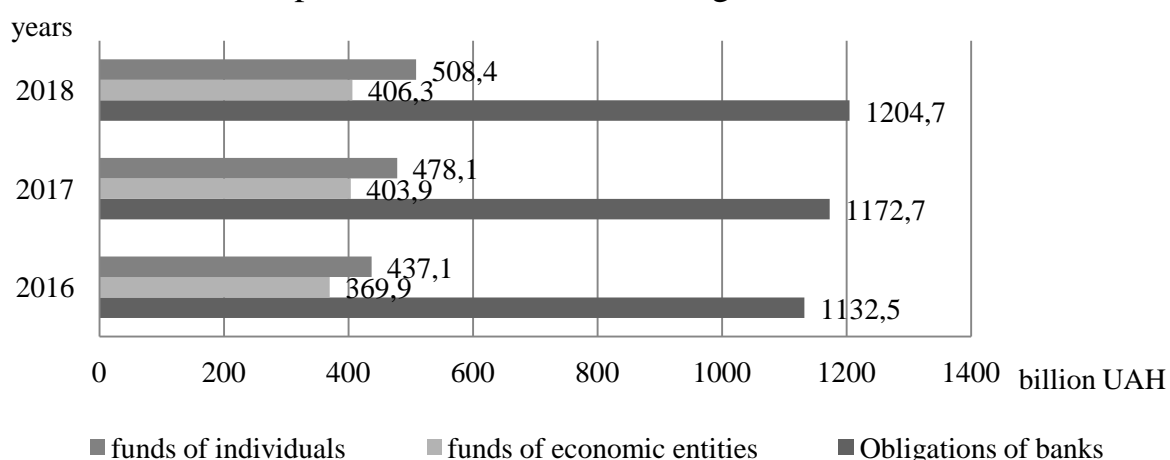


Fig. 2. Dynamics of deposits from customers in the banking sector

Source: compiled by the authors on the basis [14]

Within the structure of deposits, there is a trend of maintaining the share of deposits of natural persons and a positive dynamic of its growth: liabilities of banks to individuals in 2016 amounted to 437.1 billion UAH in 2017 - 478.1 billion, in 2018 - 508.4 billion UAH. The rating of banks on individual deposits in 2019 is headed by Privatbank, the second place belongs to Sberbank, followed by Alfa-Bank, Ukrexibank and the fifth place is held by Raiffeisen Bank Aval. On the contrary, banks' liabilities to economic entities decreased, in 2016 deposits amounted to 406.3 billion UAH, in 2017 - 403.9 billion UAH, ie decreased by 2.4 billion UAH, and in 2018 decreased by another 34 billion UAH, which is a negative phenomenon. In assessing the structure of deposit operations, it is important to study the proportion of foreign currency deposit operations. Let us follow the trend of foreign currency deposits by the example of Fig. 3.

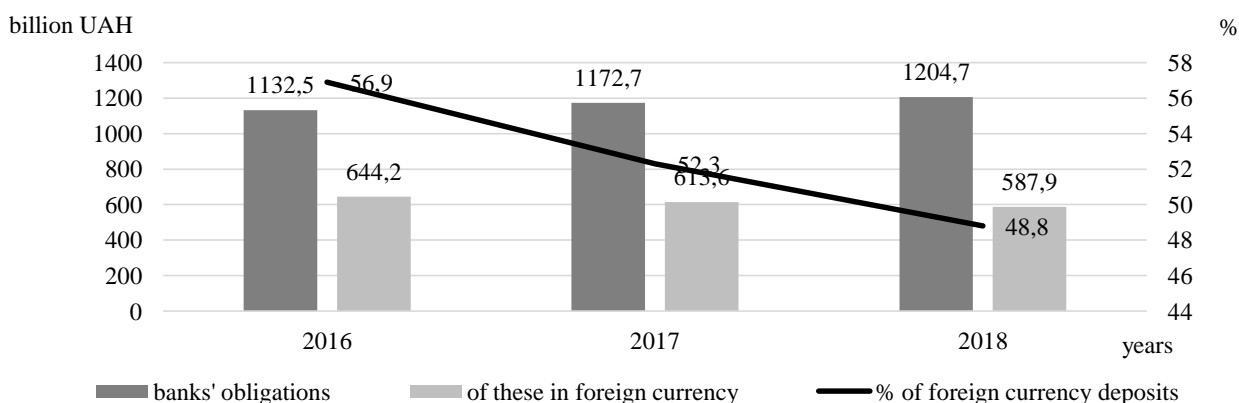


Fig. 3. Dynamics of the structure of deposits in foreign currency

Source: compiled by the authors on the basis [14]

From Fig. 3 there is a growing trend in the dynamics of banks' liabilities, as well as a positive trend in the decline in the proportion of banks' liabilities to foreign currency clients.

This means that there has been a positive trend in the growth of national currency deposits.

Thus, the banking sector is one of the most important elements of an economy that is difficult to overestimate. The success of the banking system largely determines the growth and efficiency of the economy.

We will analyze the income and expenses of the banking sector, because the efficiency of banking operations opens opportunities for effective investment.

However, a shortage of available resources may in the future lead to a decline in banking institutions' revenue base and a rise in liabilities, which will adversely affect operating performance.

At the same time, the intention of individual institutions to optimize sales channels can help reduce the administrative costs of the banking sector. The dynamics of income and expenses of the banking system of Ukraine can be seen in Fig. 4.

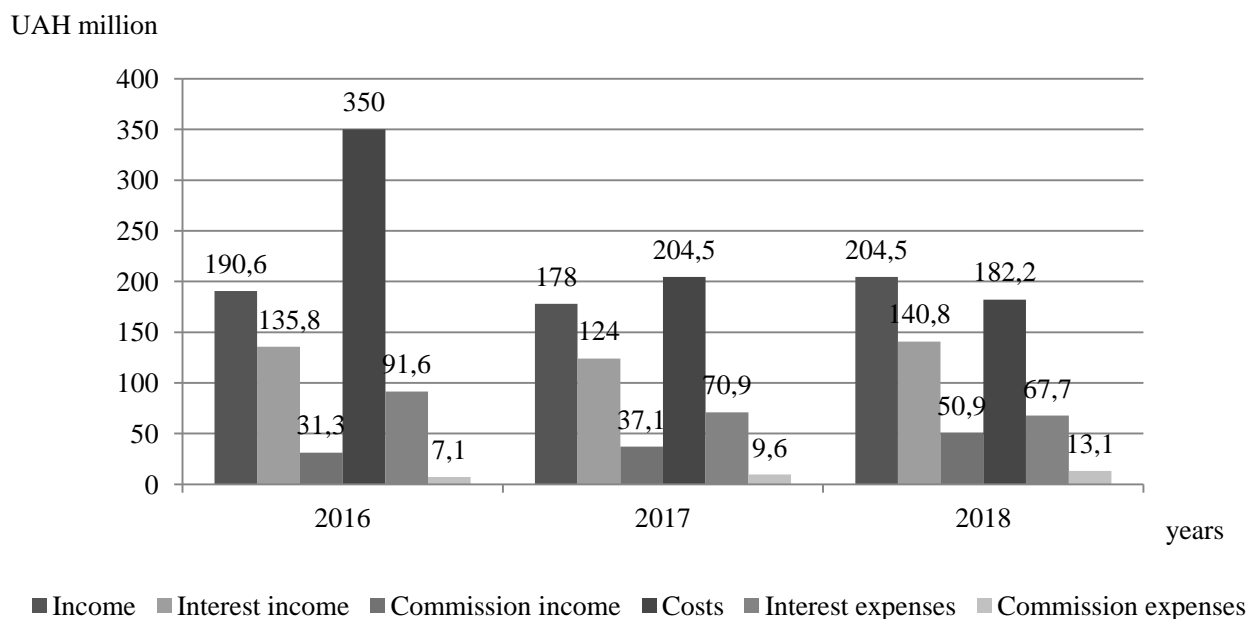


Fig. 4. Dynamics of income and expenses of the banking system of Ukraine
 Source: compiled by the authors on the basis [14]

Analysis of the structure of profit formation of commercial banks for 2016-2018 indicates that the largest share in the structure of income of commercial banks is occupied by interest income, the share of which fluctuates by 5% during the studied period (with interest income on loans, share in the structure of interest income which increased by 25.6% during the study period).

Fee share in the income structure is commission income, which grows in 2016-2018 - by 19.6%, the result from trading operations (by 2.1%), other operating income (by 3.9%), other income (down 0.5%). The dynamics of the result of activity of the banking sector of the Ukrainian economy is shown in Fig. 5.

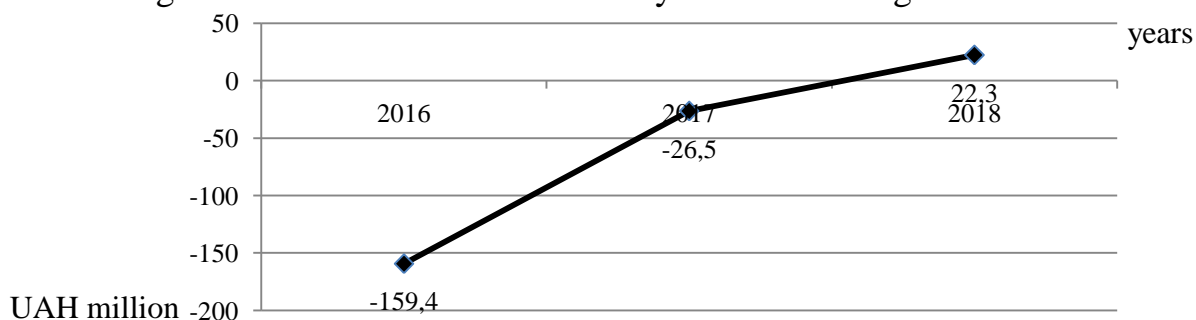


Fig. 5. Dynamics of the result of activity of the banking system of Ukraine
 Source: compiled by the authors on the basis [14]

The loss of the banking sector was primarily due to a decrease in revenue base (against the background of rising cost and volume of attracted resources), deterioration of operating efficiency indicators, as well as significant expenses on the formation of reserves for active operations (including due to a large proportion of problem assets). As a result of 2016, the banking sector received the largest losses in all years of independence of Ukraine. A record amount of UAH 159.4 billion is due

to the reserve of the loan portfolio of PJSC CB PrivatBank at the end of 2016. For other banks, the provisioning has dropped significantly and total losses have decreased to UAH 23 billion compared to UAH 66 billion in 2015. In 2017, the losses of the banking sector decreased by UAH 132.9 billion, but had a negative value of UAH 26.5 billion. This reduction in the misplacement of the banking sector provided the preconditions for the industry to enter into profitable activities (without taking into account the factor of PrivatBank). During 2017 continued to "reset" the banking sector. According to the results of 2017, the banking sector completed the work also at a loss, but in comparison with 2016 received much smaller losses –26.5 billion UAH of net loss, which is caused by the number of unprofitable financial institutions, which decreased to 18 from 33 in 2016, which the number has an operating loss before deductions in reserves - up to 14 out of 23 institutions. The number of solvent banks for the year decreased to 82 from 96. Operating profit of banks before the formation of reserves increased by 8% in the year, while at the same time the increase in the provisioning led to a loss of the banking sector. In 2018, the banking sector increased its profits to UAH 22.3 billion, due to an increase in the volume of high quality and highly liquid assets on the banks' balance sheet. These results set the stage for the resumption of active lending to the real sector and households. According to a survey by the NBU, more than 70% of financial institutions expect an increase in the corporate loan portfolio in 2019.

Conclusion. The current period of development of the banking system and the economy of Ukraine requires a clear definition of the benchmarks for further sustainable uplift. A powerful banking system is an attribute of the sovereignty of the state, the key to its financial security. The Ukrainian banking system is quite young, especially compared to the banking systems of developed countries.

In this work investigates the cost of credit services and identifies the causes of high interest rates on loans. The following steps are required to reduce bids:

- effective monetary policy that will reduce inflation; lowering the interest rate will reduce the profitability of alternative investment items. As a result - a decrease in deposit and credit rates;

- resolving issues of bad loans and protection of creditors will lead to a significant reduction in rates;

- increasing competition in each of the bank lending segments will also help to reduce interest rates;

- as a result, with the planned inflation rate of 5% from 2019, we can expect real lending rates (minus expected inflation) at 3-4%.

It has been determined that one of the problems of banking sector functioning is the undercapitalization of banking institutions, which became a prerequisite for the decrease of solvency, liquidity and "bank fall" of domestic commercial banks.

In recent years, in the context of structural reformation of the economy in the banking services market, there have been trends such as:

- rapid development of information, including banking, technologies that allow banks to expand the range of services and products they provide;

- restructuring of the financial and banking sectors, characterized by the

emergence of new segments;

- increase of financial literacy of clients.

However, to date, the banking sector has not yet paved the way for the market to the real economy, has not fulfilled the functions of the main lender for strategic restructuring of the economy, that is precisely the task that investment institutions that attract long-term and venture financing resources must fulfill.

Thus, at the present stage, the banking market is one of the important, dynamic and integral components of the global financial system and plays the role of a leading intermediary that satisfies the financial resources of the real sector of the economy and households of the country.

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