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BANK LOANS AS AN IMPORTANT FACTOR OF ECONOMIC DEVELOPMENT IN THE CONDITIONS OF MARTIAL LAW

Key words: credit, bank, deposit certificate, loan portfolio, interest rate, National Bank of Ukraine, banking system, real sector.

The most important aspect of the implementation of the credit policy of the banking sector of Ukraine under martial law is the provision of adequate monetary resources for the economic activity of businesses and households. This is necessary so that the continuity of capital flows, the proper level of consumer demand and the expansion of the domestic market become factors in the normal functioning of society in the conditions of military aggression. It is also necessary that the stable development of the economy would serve as a reliable foundation for organizing support for Ukraine's heroic resistance to the enemy, when the task of ensuring the proper defense capability of the state, a sufficient amount of military equipment, forces and means of fighting the occupiers is in the foreground. Therefore, the banking sector must generate all the country's internal resources for this purpose. Under such circumstances, it is the proper level of credit activity of the banking system that is the key to maintaining financial stability and developing the national economy on a sustainable growth trajectory. After all, the difficult conditions of the economic situation in Ukraine during the period of martial law directly affected the activities of the banking sector in terms of credit support for the production and consumer needs of all market participants.

It is obvious that the negative changes in the work of business have affected the functioning of all institutions in the country, including the banking sector. This happened precisely because of the war and the fundamental changes in the economy caused by it, which are associated with the destruction of civilian and infrastructure facilities, forced migration of the population, occupation of territories where profitable businesses operated, gradual militarization and the spread of military laws and discipline to civilian sectors of the economy. At the same time, the main source of filling the budget during the war, preserving jobs, economic development and maintaining social stability in the country is the normal operation of business. Therefore, it is credit support for business by banks that should be considered the most important priority of the country's financial sector.

The need for active credit support for businesses and households appeared long before the start of large-scale aggression, even in the context of the unfolding financial and economic crisis in Ukraine in 2014-2015. after the annexation of Crimea and the beginning of fighting in the east. And with the beginning of the war in 2022, this problem only worsened, as the internal resources of enterprises to restore production activity approached the minimum values. At the same time, even before the start of large-scale military aggression, the possibilities of obtaining a bank loan for business were characterized by a fairly high level of complexity. This was

due to a number of objective factors, such as: 1) high interest rates on bank loans; 2) interest and commission payments could absorb almost all of the company's profits; 3) implementation of a restrained credit policy of commercial banks; 4) reluctance of banks to issue loans due to high risks of non-repayment.

As a result, over the past decade, the scale of credit support for the real sector of the economy has significantly decreased, which has affected the dynamics of production, gross domestic product and the well-being of society (Fig. 1).

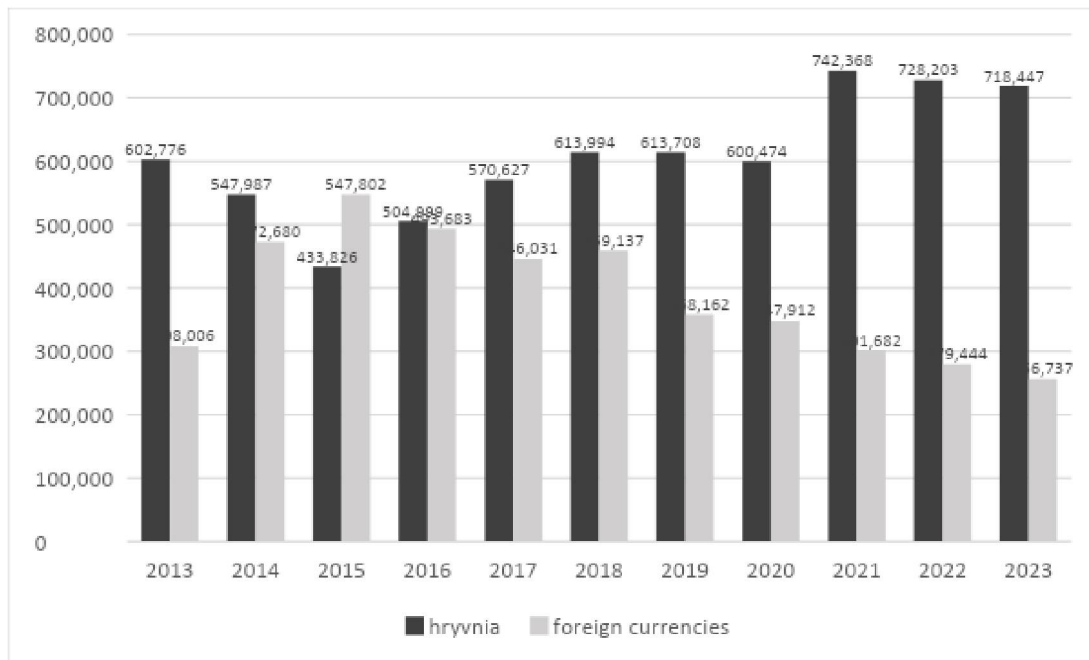


Fig.1. Loans granted by banks in national and foreign currencies, in millions of hryvnias [1]

At the same time, over the past decade, there has been a sharp increase in non-credit investments in the banking sector as part of the total portfolio of assets, in particular, investments of banking institutions in government securities, as well as certificates of deposit of the National Bank of Ukraine. The reason for this lies primarily in the implementation of the central bank's tight restrictive monetary policy to raise the discount rate, interest rates on NBU certificates of deposit, as well as yields on government securities. The NBU declares this as a means of effective control over inflation, which it sets as its priority goal [2]. However, as a result, the National Bank of Ukraine essentially negated the functions of the banking system as a financial intermediary. After all, by attracting funds from market participants, the banking sector does not issue loans to those enterprises or sectors of the economy that need them, but places the appropriate resources on NBU certificates of deposit, thereby accumulating significant amounts of excess liquidity.

Despite the difficult situation in the economy provoked by the war, the volume of excess liquidity in the banking sector is only growing. This means that commercial banks have no incentives to actively attract deposits or direct them to lending to the economy. And this is a very negative result of the banking business, because the demand for credit resources from the real sector is constantly growing, as the shortage of enterprises' own working capital and the inability of them to attract loans in foreign markets are felt.

The implementation of measures to intensify bank lending to the real sector should include the following main steps: 1) downward revision of the NBU's interest rate policy so that extremely high interest rates on certificates of deposit do not interfere with the investment of banking resources in real sector enterprises; 2) development of mechanisms for targeted long-term refinancing, which could create a long-term resource base for banks to lend to large-scale investment projects.

Thus, the main change in the strategic goal of the credit policy of the banking sector of Ukraine under martial law should be aimed at intensifying bank lending to enterprises and households. This should be a priority task in view of the enormous dual role of credit: on the one hand, at the macro level – through the active influence on the dynamics of economic growth, inflation and financial stability in the country, and on the other hand, at the micro level – through the ability to ensure the normal life of enterprises, promote the circulation of capital and the continuity of production and, as a result, support employment, which is a particularly important means of material support and social protection society in the face of the devastating impact of the war on the economy.

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