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Loans of regional economy: issues, trends, directions of activation

On the basis of the conducted research of concentration of the resource base of domestic commercial banks it is identified the existence of six financial centers in Ukraine, which formed during the period of the study about 90% of the banking infrastructure of the country. The structure of credit and investment portfolio of commercial banks in the section of the determined financial cents and in the section of the entities of attraction is analyzed. The attention is paid to the problems of inter-regional differentiation by indicators that characterize the lending of entities of the economics of Ukraine. It is proved that we can not completely positively evaluate a fact that a maximization of credit investments in the real economy allows to maximize economic effects which as a result of such infusions may occur. Based on this statement it is identified that the efficiency of lending must be determined through the growth of GRP, which is caused by attraction to the economics credit resources. It is calculated the share of GRP, which was created as a result of attraction by entities of the economics of the regions of the country the resources. The results allowed to state an insignificance of such effect. On the basis of the conducted research is suggested a number of direction of solution of the existing problems which were grouped on the basis of organization of interaction and interplay of the three main levels: national, regional and local. Key words: lending, banks, region, disproportions, regional development.

In terms of the decrease of rates of economic growth against the background of challenges of the last period, complicated by the extended military operations in the east of the country, the aggravation because of these social, economic and political problems, on the one hand, by increasing of globalization impacts caused by a signing of Ukraine Association Agreement with European Union and the implementation of its provisions, it has been developed quite «tough» situation that was manifested: by a decline of economic activity of financial and credit institutions; processes of elimination of a large number of banks with the further predictions of deepening of this trend; a growth of short-term component of the resource base; a significant fall of the level of liquidity; mostly ascending exchange rate fluctuations; a significant reduction of amounts of lending of the entities of the economics; a presence of high level of distrust to the activity of financial and credit institutions from the side of consumers of their services; a falling of stock indexes and so on. It is clear that this situation will negatively affect the ability of financial institutions to accumulate the financial resources for their further accommodation in the form of a credit and the management decisions of entities of economics for their involvement. However, the economic interests of entities of economics can be formed only in the system of financial and credit relations through their direct impact on the development and functioning of the real sector of the economy, and the impact of bank capital and the quality of bank assets on the rates of growth of investment bank loans is conditioned by the needs of entities of the economics in lending and particularly in the credit of development. For this reason, it is necessary to form such a model of relationship between the entities of the banking system and economics, by which in terms of instability and shocks economic interests of both sides would be able to balance.

The need of further researches of the mentioned issues is justified by the growing imbalances in the economics of the country, particularly in regard to its banking component and the increase of needs of entities in additional financial resources with a significant limitation for their attraction. The theoretical and practical achievements of these issues are reflected in a number of scientific studies of scientists – economists, in particular O. Baranovsky, O. Vovchak, O. Dzyublyuk, T. Batuyeva, A. Vozzhova, I. Vahovych, N. Yegorova, M. Krupka, M. Kozoriz, A. Kuznetsova, K. Laktionova, A. Peresada, L. Fedulova and others. While noting a significant contribution of these and other scientists in solving of the issues related to the problems of bank lending of the entities of the economics, to some extent, some aspects of reasoning of issues,

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trends and directions of overcoming crisis phenomena remain neglected, considering extremely complex realities of the present time. The mentioned material defined a purpose of the represented work that consists in elucidating the problems, current trends and in reasoning the directions of activation of bank lending of the economics considering the current aggravation of the political and economic situation in the country and thereby, an increase of a number of threats that requires both their immediate solution and the development of perspective directions of realization of financial and credit politics both at macro and regional levels.

While considering the existing imbalances and regional characteristics of functioning of the banking system of Ukraine, we should pay attention to the so-called model «volcano» of H. Hirsh [1], the meaning of which consists in the identification of generation of innovations in an industrially developed region with volcanic eruption, the magma of which (innovations) spreads throughout the region, accruing the periphery and the backward areas, and thus provides an increase of the level of their development [2, p.10]. In spite of the fact that the authors of the theory tested it concerning the innovative development, to our mind, its postulates can fully be used concerning the development of the banking system of Ukraine at this stage of its development. We think that such a position is justified by the fact that in the banking sector of economics of Ukraine there will be observed a deepening of the role and value of several financial centers – generators of bank resources (so-called «volcanic» according to the theory of H. Hirsh [1]), but with the withdrawal some of them (in particular, Donetsk city) due to a number of reasons of uneconomic character. Their functioning, however, will be able to meet the availability and needs of real sector of the economy and population in banking products and services (so-called «magma») through the further optimization of the banking infrastructure and the introduction in practice the modern, mostly remote forms of work with clients. The conducted studies and generalizations allow us to state that geographically in Ukraine there were formed several powerful financial centers, the location of which is fully consistent with the scheme of macro- regionalization of Ukraine; the central cities of macro-regions act as the main financial centers of the country (Table 1 and 2). And exactly these centers formed during 2005 – 2014 in

Table 1

Assets and liabilities of banks, macro-regional cross-section as of 01.09.2014

Macro-region	Central	Western	Donetsk region	The Dnieper area	The Black Sea area	Kharkiv region	Together/ the share in total by	In all
City – center	Kyiv	Lviv	Donets'k	Dnipropetrovsk	Odessa	Kharkiv	–	–
As of September 1, 2014								
Assets of the banks of the city – the center of macro-region	728725,39	12449,59	38304,44	228164,03	32550,27	7730,33	8244,76 0,78%	1056168,8
Balance capital, millions of hryvnias of banks of the city – the center of macro-region	98175,99	1387,36	4944,17	23263,00	4128,60	976,93	1794,87 1,33%	134987,49
Obligations, millions of hryvnias of banks of the city – the center of macro-region	630549,40	10745,67	33360,28	204901,03	28421,67	6753,40	6449,89 0,7%	921181,33

* Calculated by using the data from the official site of National Bank.

Table 2

The structure of credit and investment portfolio, macro-regional section, as of 01/09/2014, millions of hryvnias

Indicator	Credit and investment portfolio **	Share (%)	Including					Securities
			Interbank credits	Provision for arrears of banks	Credits for corporate entity	Credits for natural persons	Provision for credits and arrears of customers	
Central macro-region								
Kyiv	550039,88	68,51	10017,6	548,25	422867,28	111862,9	84472,56	90312,93
Chernihiv	691,53	0,09	32,93	3,48	707,42	17,47	64,01	1,21
Dnieper region								
Dnipropetrovsk	175428,23	21,85	17230,40	227,56	149374,81	30694,88	23523,73	1879,43
Zaporizhzhya	2588,43	0,32	74,63	2,11	2183,38	245,70	189,33	276,17
Donetsk region								
Donetsk	29267,96	3,65	1296,22	28,86	23359,43	5128,46	3661,79	3174,5
Kharkiv region								
Kharkiv	6565,12	0,82	6,41	0,05	6182,91	613,39	360,86	123,33
Sumy	428,26	0,053	0	0	504,1	2,86	78,71	0
Black Sea region								
Odessa	58964,18	7,353	2592,44	57,72	47222,96	10259,78	7402,29	6349
Illichivsk	1707,77	0,213	97,56	1,49	1064,06	572,82	236,52	211,34
Western region								
Lviv	60671,95	7,566	2690	59,21	48287,02	10832,6	7638,81	6560,34
Lutsk	98,12	0,012	0	0	419,7	119,93	471,66	30,15
Together, the share of the corresponding indicator (by the cities – not the centers of macro-regions)								
	11,18	11,11	4,53	4,14	12,90	7,97	32,06	18,48

Prepared according to the official website of National Bank of Ukraine and the official website of Independent Association of Ukrainian Banks.

average 89.73% of the total amount of banking infrastructure of the country. It is worth paying attention only to a few indicators that characterize the activity of the banking system.

For example, together in small cities there are concentrated only 0.78% of banking assets, 1.33% balance capital of the banks and 0.7% of liabilities of the banking system. A credit and investment portfolio of the appropriate cities together is only 11.18 millions of hryvnias or 11.11% of the total amount of portfolio of the banks of the countries. Interbank credits account only 4.53% and the reserves for active transactions amount to 4.14%. In the structure of the credit of such cities owned 12.9%; given to households 7.97%. The numbers, which are given above confirm a theory about the separation of financial centers, the status of which is conditioned by the concentration around them the main economic agents, banks and other financial institutions, leading institutions of education and science, the level of urbanization of the territories, and also their borderline status. It witnesses the presence of hyper-concentration of banking capitals.

In general, it should be noted that during the studied period (except 2006-2007) on the average 78.9% of the credits for non-financial organizations (in total credit, granted to this category of consumers of banking products) came to 4 regions: Kyiv and Kyiv region (52.74%), Dnipropetrovsk (14.7%), Donetsk (7.32%) and Odessa (4.14%) regions of Ukraine. These regions (except Odessa region according to the results of 2011) have shown by indicator, which is analyzed, higher than average Ukrainian value of the region's share in total of provided credits. On the average, for 8 years, during which the study lasted, on the credit involved by economic agents of Kyiv, accounted 52.74% of all directed to the economics of bank credit. A swing of asymmetry between them and, for example, Odessa region is 12.75 times. Also, it should be emphasized that in general the regions kept the limits of share in total of the given credit during the studied period.

Concerning the credits attracted by households. Throughout all the period of the study, the biggest part of credits attracted by households accounted for consumer credit (Fig. 1). Their share on the average in the country, in the structure of the given credits was about 70%, that in practice means that in all the regions about 70% of the attracted funds by the population did not have an earmarking and therefore did not affect the creation of regional value added and gross regional product (which is evidenced by the correlation calculation of dependency between the credit obtained by households and GRP, $R = 0,32$). Generally, the credit resources, created in the region, are derived from the result of manufacturing, economic and financial activity of the entities of economics of the region. On the contrary, an efficiency of functioning of the entities of the economics of the region is an indicator of effectiveness of financial and credit politics of the region. Despite the general ascending trend of physical amount of attracted from the entities of housekeeping deposits and directed in the economics credit resources, the impact of mechanisms of bank lending on the economic development of the regions remains sufficiently low and unstable.

We should emphasize the existence of contradictions between the duration guidelines of the development of banking, financial and real sectors of the economy, and therefore we consider that it is important to draw attention to the so-called hypothesis of «separation of financial sector from the real economy».

On the basis of the hypothesis of separation of the financial sector from the real one there are two conditions. It is believed that the rates of growth of financial markets are higher in comparison with the similar indicators in the real economy. It is supposed that financial markets are characterized by the deviations from the normal implementation of their functions. Many of the western scientists think, that the essence of the hypothesis of separation of the financial sector from the real one has the cause and effect relationship between these two prerequisites: a phenomenon of separation is the cause of dysfunctions [3].

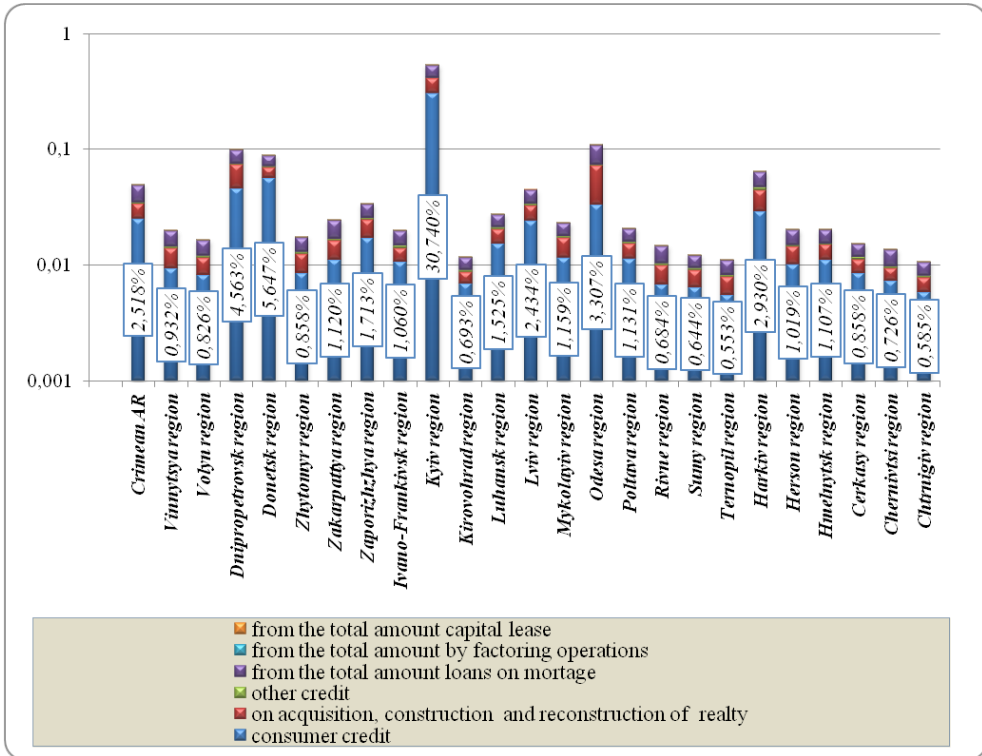


Figure 1. The structure of credit attracted by households, at the end of May 2014, from the total amount of credit by earmarking (% , from the total amount of the given credit to the households by the system)

Today the structure of banking credit by branches and terms does not meet the needs of modernization processes – the prevailing share of credit (about 70%) is focused on the current activity and for the last three years the structure of investments did not change: during 2008-2013 the largest amount of credit comes to food industry (26.7% of all credit to the manufacturing industry on the average for the period), metallurgy (12.4%), chemical and petrochemical industries (8.9%), engineering (6.4%), industries of non-metallic mineral products (4.9%). However, the most of credit to the industrial sector is short-term (one year – 47%), a share of long-term credit remains low (over 5 years – 4.3%). The highest level of variation of features is marked on credit granted: to fishing and pisciculture – 182.59%, to the production and distribution of electricity – 171.97, to the mining industry – 155.65%; hotels and restaurants – 137.25 [2, p. 10].

Also, we think that we can not completely positively evaluate that the maximization of credit investments to the real economy allows to maximize the economic effects that as a result of these injections may occur. During the studied period GRP growth, which is provided by the credit investments to the economics of the regions, by regions of the country (Fig. 2) was slight and did not exceed 6,88%. It should be noted the position of the so-called regions – leaders. None of them during the whole period of observations played the role of a system-making region.

Average value of indicator in Ukraine varies from 0.34% in 2013 to 1.19% – in 2010. We should admit that with a slight but stable (up to 2013) growth in the amount of lending, the change in the amount of GRP caused by this growth is very low. The general trend to the decline in the amount of lending of the real sector of the economy that is appropriate for 2013, is fully confirmed by the results of

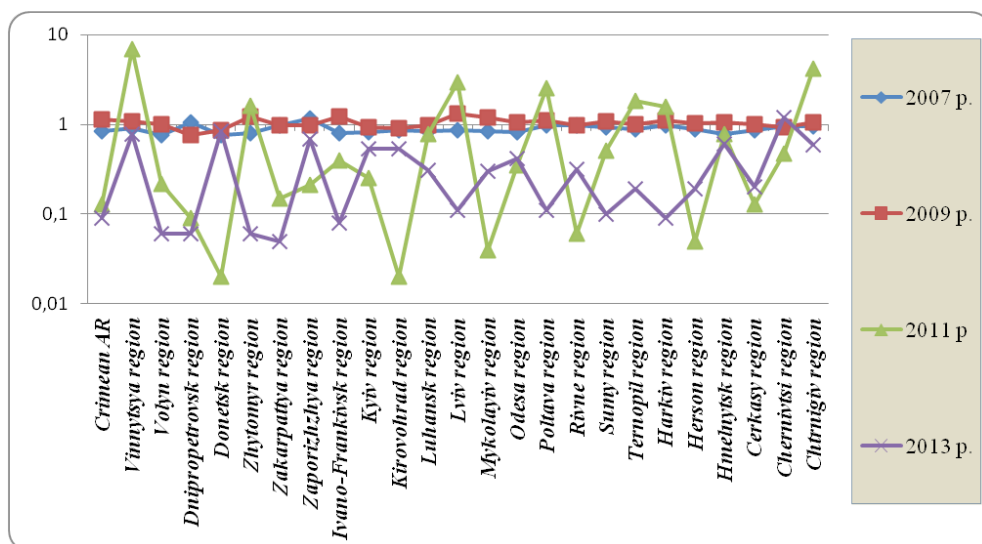


Figure 2. The growth of GRP caused by a change of the amount of credit in the economies, the regional dimension, 2007, 2009, 2011, 2013

The growth of GRP caused by a change of the amount of credit in the economies, the regional dimension, 2007, 2009, 2011, 2013.

calculations. So we can affirm that the credit policy, which is conducted in the regions can not be considered effective.

In general financial and credit imbalances of functioning and development of the regions are based on many not only meso-, but also macroeconomic problems. It is observed a deepening of asymmetry in provision of the regions by financial resources that is directly associated with a number of existing imbalances, in particular: irregularity of natural and resource potential and connected with it a development of productions; the concentration of capitals, including banking, on the most industrially developed areas; a standard of living and a level of labor migration of the population of the regions; a discrepancy of the regional politics of the country to the aims and possibilities of development of its regions.

The analysis of the received results shows an interesting trend by which industrially developed regions do not serve as leaders in growth of gross regional product, which is provided by the growth of credits in their economies. Although these regions are leaders in terms of credit, directed to their economies, the amount of gross regional product and the created gross value added. In terms of shocks the impact of financial (credit) sector on the real one is insignificant. The development of the real sector of the regions takes place due to the other factors.

The above confirms the imbalance between the development of financial and real sectors of the economy, moreover the development of financial is much faster, which explains the received results. Among the reasons for this situation: accelerated rates of growth of the loan capital over the rates of growth of GRP, the acceleration of the growth of assets of financial sector rate over the real sector [4].

In this situation, in recent years, banks conduct conservative credit politics, as a result of which an access to a long-term lending obtain only few enterprises that operate significant cash flows, have a good credit history and a fairly liquid provision. The lack of funding and the inaccessibility of lending – are main trends, which characterize the economic conditions of functioning of the industrial production in Ukraine. The problems are compounded by a fact that the credit activity of banks is a highly risky activity. On the other hand, it provides a main share of the revenues of

commercial banks. Therefore, a formation of the resource base of banks stands as one of the main factors of influence on the possibility of activation of credit processes not only from the standpoint of provision of the regional development, but also at a state level.

In connection with the given above, we think that the solution of problems, which exist in the banking system of the country and its regional divisions concerning the possibilities of credit provision of the entities of the economics consists in the formation of interaction and interplay of the entities:

- at the internally regional level – through an action of mechanisms of integration of the banking sector in the economics of the regions; an adjustment of cooperation of the banking and real sectors of the economy, an increase of the effectiveness of using of the credit potential on purpose of provision the growth of its financial capacity and as a result – the increase of capitalization of the region and the achievement of ultimate goal – the provision of its constant social and economic development.
- at the interregional level – through the processes of flow of bank capitals and, consequently, a formation of centers of concentration of financial resources, the action of mechanisms of bank lending, that comes up on the basis of the given above;
- at the national level, due to the participation of the state as a regulator of monetary and fiscal policy.

The specifics of the problem is that the impact of the mentioned mechanisms is interdependent and complementary by all levels of interaction which is determined by the nature of banking activity. The mentioned above requires from the position of macro-level, an implementation of the following tasks: a generation of the credit resources in the region; an increase of the client flows, an improve of the quality of presence in the regional market by introduction of new products and services, a reduction of the cost of attractions, a rise of investment activity in the regional market, active investment activity of the financial intermediaries and etc. We should pay attention to a number of problems connected with the expansion of the sources of formation resources. Their solution consists in the improvement of the mechanisms of concessional lending through the provision of mechanism of state insurances for the receiving of credit resources in long-term projects, activation of mortgage lending, micro-lending; an attraction of credit funds for the modernization of enterprises, a development of mechanisms for credit support of the entities of manage of the sector with attraction of international financial organizations etc.

Secondly, at the meso-level it is necessary to introduce mechanisms of clear coordination of activity between the center and the financial intermediaries of the region, the organization of cooperation of regional entities of management; a modernization of the economy of the region in favor of innovative industries, that provides an activation of investment processes, a stimulation of investment activity both regional and outside investors; a determination of needs of the region in credit resources; a formation of the system of management of the credit potential of the region; a formation of mechanism of management of credit potential of the region; an increase of economic, social, market potential of the region through:

- an optimization of the structure of economics of the region and the development of priority sectors of manage;
- investment infusions into the innovative sectors and the modernization of the economics of the region in general;
- an improvement the quality of life, the level of welfare of the population;
- an increase of the level of development of competitive environment of the region; an expansion of lending for small and medium-sized business;
- a creation of institution of regional guarantees of private investment infusions of population of the region in its economics etc.

From the standpoint of macro-level: a provision of legislative and legal framework; to bring it to the modern world standards; a formation and adherence of effective state monetary policy and a determination of priorities of the international financial and credit policy; an enhancement and quality improvement of the politics of regionalization of the economics; state guarantees of complying with the rules of customers of financial intermediaries; the provision of independence of regional authorities concerning the management of financial and credit intraregional flows; a support of the processes of globalization, integration into the financial and banking sector, by compliance of priority of the development of domestic banking and etc.

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Музика І. С. Кредитування економіки регіонів: проблеми, тенденції, напрями активізації.

На підставі проведеного дослідження концентрації ресурсної бази вітчизняних комерційних банків визначено наявність в Україні шести фінансових центрів, які формували протягом охопленого дослідженням періоду близько 90% банківської інфраструктури країни. Проаналізовано структуру кредитно-інвестиційного портфеля комерційних банків у розрізі визначених фінансових центрів і в розрізі суб'єктів залучення. Акцентовано на проблемах міжрегіональної диференціації за показниками, які характеризують кредитування суб'єктів економіки в Україні. Доведено, що не можна однозначно позитивно оцінювати те, що максимізація кредитних вливань у реальну економіку дозволить максимізувати й економічні ефекти, які в результаті таких вливань можуть відбуватись. Спираючись на таке твердження, встановлено, що ефективність кредитування має визначатись через приріст ВРП, який спричиняються залученням в економіку кредитних ресурсів. Розраховано частку ВРП, яка була створена в результаті залучення суб'єктами економіки регіонів країни зазначених ресурсів. Отримані результати дозволили констатувати незначність такого ефекту. На основі проведеного дослідження запропоновано низку напрямів розв'язання окреслених проблем, які було згруповано за принципом організації взаємодії та взаємовпливу трьох основних рівнів: національного, регіонального та місцевого.

Ключові слова: кредитування, банківські установи, регіон, диспропорції, регіональний розвиток.

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