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FINANCIAL SERVICES MARKET ASSETS IN UKRAINE

The article considers financial services market assets in Ukraine, which play important role in financial support of non-financial corporations and households. The number and volume of assets of financial corporations in Ukraine for the period from 2013 to 2020, as well as the mechanism of distribution of financial assets between financial corporations are analyzed. It is established that the number of deposit-taking corporations in Ukraine has decreased, and the number of non-bank financial corporations has increased. Financial assets distribution mechanism in financial services market can be understood through changes in interest rates of financial services.

Keywords: financial corporation's assets, deposit-taking corporations, other financial intermediaries, insurance companies, pension funds, financial services market.

Background. Financial services market plays important role in ensuring the sustainable development of country's economy and well-being of citizens, as a consequence. Ukraine 2020 Sustainable Development Strategy stipulates that "Ukraine must become a country with strong economy and advanced innovations", including because of financial services market reform [1]. In new economic and political paradigm, reforming vector of financial services market understood as "promoting innovation", namely, balanced interaction of market participants, latest management technologies, modern regulatory tools, financial inclusion and literacy [2]. Reform of the financial services market is due to new high (digital) technologies. Therefore, digital technologies in financial services market are becoming culture [3], because not only institutions make financial services market efficient, but in more cases clients' trust in them. Digital technologies, as a new channel of communication, have an unconditional impact on financial services market. Financial services market assets in Ukraine are in state of rapid redistribution, given the available opportunities to adapt it to global financial services market.

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Analysis of recent research and publications. The study of financial services market is done by a lot of scientists and practitioners. Among the most urgent areas of research are following questions: directions of integration of banks and non-bank financial institutions by O. V. Dzyublyuk [4]; the openness of transitional economies by Ye. O. Bublyk [5]; theoretical principles of financial and legal regulation of payment systems in Ukraine by M. A. Pozhidayeva [6]; the implementation of financial technologies by A. A. Mazaraki and S. V. Volosovych [7]; digitization as litmus test for banks' digital infrastructure by M. Shilling and A. Celner [8]; open banking by M. Leon [9]; strategic directions of development of financial architecture of Ukraine' economy in conditions of global transformation by M. O. Zhytar [10]; ensuring the stability of financial sector and financial security management of Ukraine based on information from financial market by O. L. Plastun [11]; economic and financial security of Ukraine in context of globalization by Z. S. Varnaliy [12]; increasing the importance of country's financial sovereignty as a component of its economic security by T. I. Yefymenko [13].

Undoubtedly, all authors have studied and researched many important factors in the development of the financial services market in Ukraine. However, the assets of financial corporations in Ukraine as a factor in the development of the financial services market and its adaptation to the global financial services market due to digitalization need more attention.

Materials and methods. As National Bank of Ukraine is responsible for compiling monetary statistics, study of financial services market was determined by the published data on stocks and flows of financial assets of financial corporations sector, which cover all deposit-taking corporations, other financial intermediaries, insurance companies, pension funds and also number of such financial institutions [14]. Research methods of quantitative and qualitative assessment, grouping, classification were used.

The aim of this research assets of financial services market in Ukraine as factor of financial support non-financial corporations and households.

Results. National Bank of Ukraine concluded that "the work of cleaning and increasing stability of banking system, conducted from 2015, given unconditional positive" [15] Moreover, during 2020 crisis, deposit-taking corporations were not destabilizing factor of economic, but supported business through lending. Scientific hypothesis of relationship between ratio of financial corporations' assets to total financial assets of financial services market and achievement of financial goals of nonfinancial corporations and/or households was formulated.

Whereas each segment of financial services market plays special role in satisfying financial needs of non-financial corporations and/or households, it is important to assess financial corporation's assets ratio to total financial assets in this market (*Figure 1*) shows result of ratio estimating of deposit-taking corporations, pension funds, insurance corporations and other financial intermediaries in Ukraine (*b*), compared to financial corporations in Global dimension (*a*).

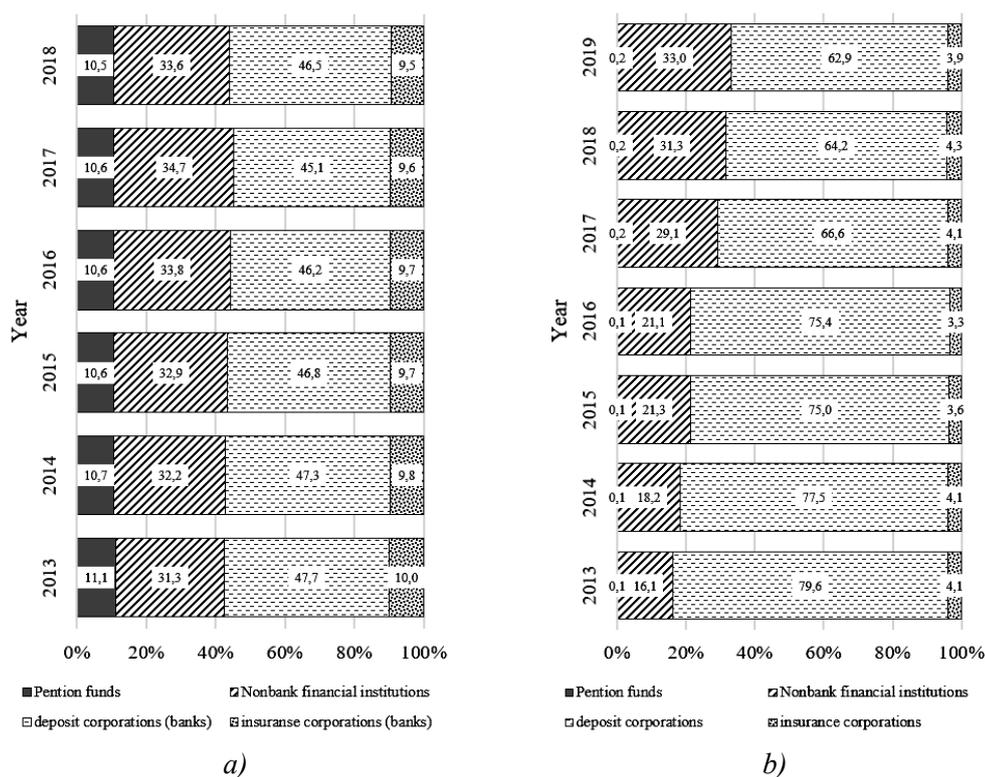


Figure 1. Financial corporation's assets ratio to total financial assets in financial services market in Ukraine (b) and Globally (a) in 2013–2019, %

Source: compiled by author on the basis [16].

Figure 1 shows result of ratio estimating of deposit-taking corporations, pension funds, insurance corporations and other financial intermediaries in Ukraine (b), compared to financial corporations in Global dimension (a).

Therefore, all world' deposit corporations assets achieved 47.7 % of global financial assets in 2013 and decreased to 46.5 % in 2018. In Ukraine for the same period, total assets of deposit corporations changed from 79.6 % to 64.2 % in accordance (decreased 62.9 % in 2019). Almost constant part of global financial services market holds nonbank financial institutions (31.3 % – in 2013 to 33.6 % – in 2018). In 2019 year, Ukrainian' nonbank financial institutions worked with 33.3 % financial assets of total financial assets Ukraine (for comparison, in 2013 year – 16.1 %). Global insurance corporations stable are in 10 % of global financial assets, but in Ukraine only 4 % from Ukrainian total financial assets. All world' pension funds' assets in 2013 year were 11.1 % in 2013 and 10.5 % in 2018 year from global financial assets, but in Ukraine during this period pension funds' assets increase from 0.1 % to 0.2 % accordingly from financial assets in Ukraine. Maintaining a constant balance of assets of financial corporations' sectors, such as a stable ratio of such assets in global financial services market, will contribute to development of economy as a whole.

Financial corporations specialized on financial services or auxiliary financial activity National Bank of Ukraine determines financial corporations for two types [14] deposit corporations and others financial corpo-

rations, according to Classifications of institutional sectors of economy in Ukraine – CISE, by Ukrainian [17]). Deposit corporations consist of National Bank of Ukraine (code CISE – S.121) and others deposit corporations (code CISE – S.122) under government or foreign control, or private: commercial banks, saving banks, development banks, credit unions or cooperatives, investment banks, mortgage banks, construction cooperatives, microfinance institutions (which taking deposits), postal savings banks (separate from government), rural or construction banks (separate from government). Other financial corporations under government or foreign control are money market funds (code CISE – S.123), investment funds, except money market funds (code CISE – S.124), other financial intermediaries, except insurance corporations and pension (code CISE – S.125), subsidiary financial corporations (code CISE – S.126), captive financial corporations (code CISE – S.127), Insurance corporations (code CISE – S.128), Pension funds (code CISE – S.129).

Total numbers of financial corporations (except National bank of Ukraine), which operated in Ukraine during 2013–2019 years decreased to 11 % (from 3.677 – in 2013 year to 3262 – in 2019 year), which after not only banks, but also consist others financial corporations. *Figure 2* shows changes in numbers of financial corporations during this period. Therefore, the number of deposit corporations decreased to 58 % (from 180 – in 2013 year to 75 in 2019 year). Since the deployment of crisis in 2020, most deposit corporations (banks) in Ukraine were started to job online with continually holding high quality of service. To some extent, there has been a structural change in deposit-taken corporation' sector. Despite the temporary reduction in number of operating branches, the availability of banking services has not decreased [15].

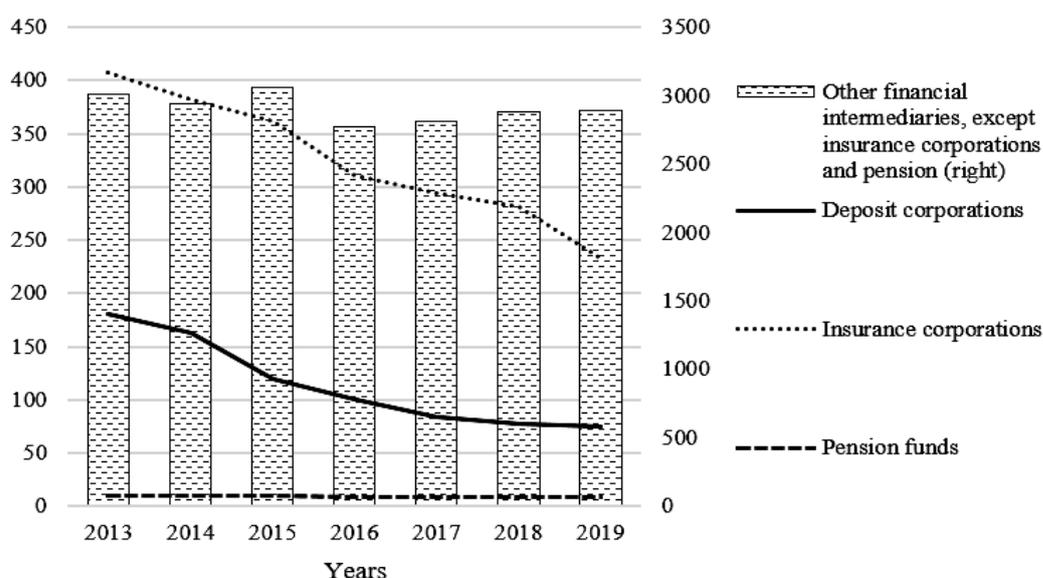


Figure 2. Numbers of financial corporations in Ukraine during 2013–2019 years

Source: compiled by author on the basis [15].

The number of insurance corporations decreased to 43 % (from 407 – in 2013 year to 233 – in 2019 year). The number of pension funds decreased to 20 % (from 81 – in 2013 year to 65 – in 2019 year). The number of other financial intermediaries, except insurance corporations and pension (right axis) changed in that period to 4 % (from 3009 – in 2013 year to 2889 – in 2019 year).

However, total assets of financial corporations in Ukraine (except National bank of Ukraine) during 2013–2019 years increased up to 2 %, from 1,604,000.29 UAH millions in 2013 to 1,642,556.94 UAH millions in 2019. *Figure 3* illustrates deposit corporates decreasing them financial assets during period to 19 %, from 1,276,994.50 UAH millions in 2013 to 1,033,666.78 UAH millions in 2019 year (axis on right). Insurance corporations also loosed total financial assets, to only 4 %, from 66,387.53 UAH millions in 2013 to 63,866.83 UAH millions in 2019 year. However, other financial intermediaries, except insurance corporations and pension, and pension funds increased them financial assets from 2013 to 2019 year (110 % and 50 % accordingly).

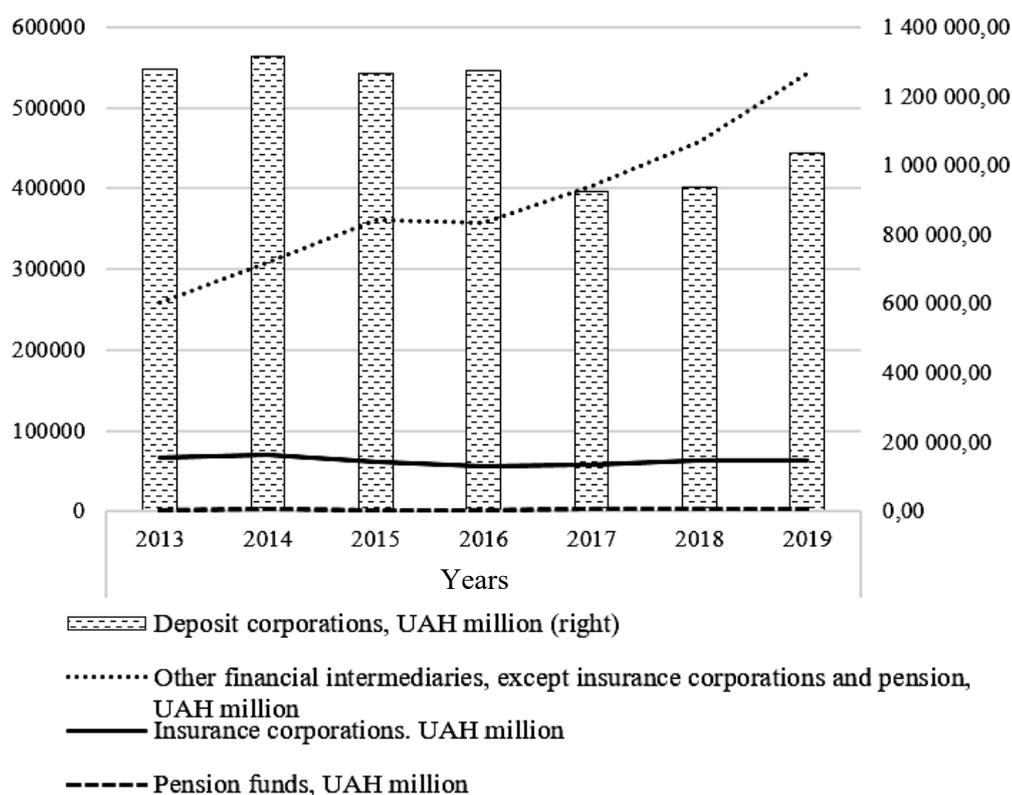


Figure 3. Total assets of financial corporations in Ukraine during 2013–2019 years, UAH millions

Source: compiled by author on the basis [18].

At what way was distributed financial assets between financial corporations during analyzed period shows *Figure 4*. For this illustration was took total assets of financial corporations in Ukraine at the beginning of period (2013 year) and at the end of this period (2019 year). Despite the fact

that deposit-taking corporations were loos financial assets by 19 % during period, there was a significant restructuring within this market sector. Therefore, number of commercial banks controlled by the government were down from six banks to four banks, but they total financial assets were growth to 342 %, from 129,333.78 UAH millions in 2013 to 572,077.47 UAH millions in 2019 year. One savings bank controlled by the government increased financial assets to 141 % from 103,573.17 UAH millions in 2013 to 249,953.34 UAH millions in 2019 year. However, private deposit-taking corporations decreased they financial assets to 80 % (1,044,087.55 – 2013; 211,635.97 – 2019) and they number decreased from 173 to 70 banks accordingly. Present situation on which state-owners banks hold over 79 % of total financial assets for the end of 2019 year is financial security problem because of status deposit-taking sector as market driver. The deputy governor of the National Bank of Ukraine Yurii Heletii during online discussion in the framework of the Annual Ukrainian Investment Roadshow on 8-th of December 2020 [19] announced that three state-owner banks Privatbank, Oschadbank and Ukreximbank wait for privatizations of this banks, and hope of forming market relations on financial services market. Urgency of privatization of state deposit corporations is necessary to avoid the problem of state' financial security.

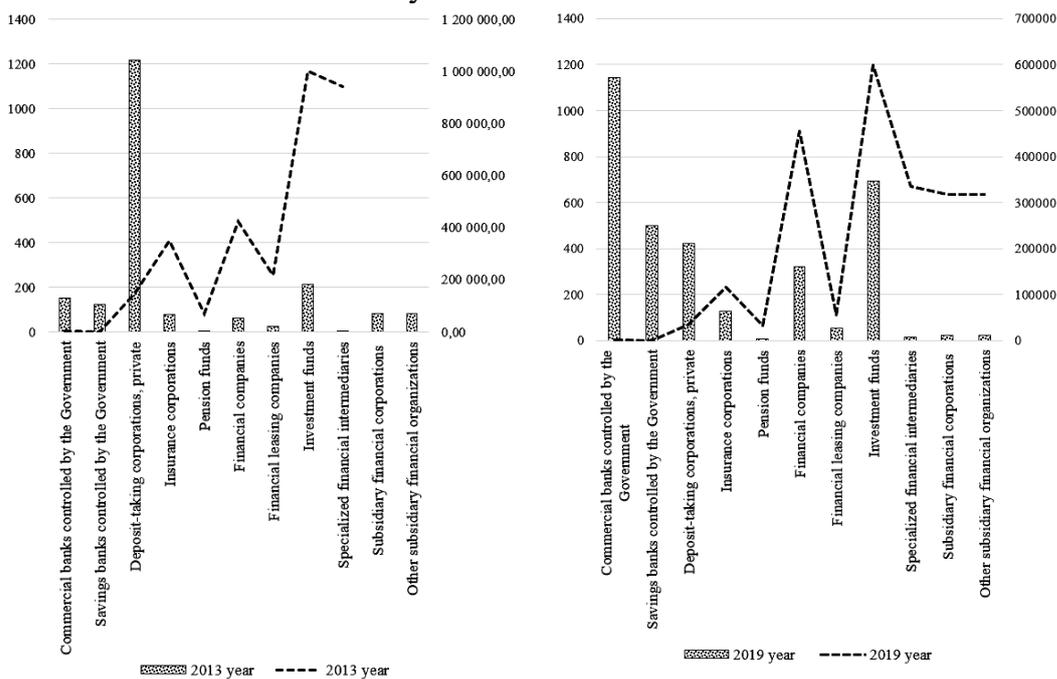


Figure 4. Distribution of financial assets between financial corporations during 2013–2019 in Ukraine

Source: compiled by author on the basis [18].

Other financial intermediaries, except insurance corporations and pension funds, are include financial companies, financial leasing companies, investment funds, specialized financial intermediaries. Figure 4 shows growth for total financial assets of financial companies to 207 % (523,64.91 UAH millions in 2013 to 160,570.34 UAH millions in 2019). Therefore, financial

leasing companies increased they total assets to 30 % (21,094.53 UAH millions in 2013 to 27373.22 UAH millions in 2019); investment funds – to 92 % (180,951.55 UAH millions in 2013 to 347,156.15 UAH millions in 2019); specialized financial intermediaries – to 65 % (4,117.45 UAH millions in 2013 to 6,780.29 UAH millions in 2019). Accountable organizations to National bank of Ukraine which are included in to the sector of other financial corporations are insurance corporations, pension funds, subsidiary financial corporations, and other subsidiary financial organizations. Insurance corporations during accountable period loosed institutional number to 43 % (from 407 in 2013 to 233 in 2019), and their total financial assets decreased to 4 % (66,387.53 UAH millions in 2013 to 63,866.83 UAH millions in 2019). Number of pension funds decreased institutional number to 20 % (81 in 2013 to 65 in 2019), but their total financial assets increased to 50 % (2,089.82 UAH millions in 2013 to 3,143.32 UAH millions in 2019). However, it is need for further redistribution of assets between deposit-taking corporations, pension funds and insurance corporations in direction of increasing assets of latter in Ukrainian financial services market for sustainable economy. Other subsidiary financial organizations (stock exchanges, custodians, securities brokers, etc.) hold not more than 0.7 % from total financial assets of financial corporations (in 2019 year). Total financial assets of non-taking deposit financial corporations in 2019-year account increased to 38 % (631,049.8433 UAH millions) from total financial assets of all financial corporations (1,664,716.626 UAH millions).

COVID-19 pandemic has acted as a catalyst for digitization infrastructure of deposit-taking corporations all over the world [8]. At the other hand, National Bank of Ukraine said that Ukraine's economy has proved more resilient to crisis than expected at the beginning of the *COVID-19* pandemic because of Ukrainians' ready to band difficulties [15]. Present digitalization of financial services in Ukrainian market mainly relates to such areas as mobile banking, Internet banking, round-the-clock access to banking services (automated teller machine-ATMs, cash replenishment, information service), POS-terminals in retail chains, electronic balance (service "without coins") [20]. For example, open banking started from 13-th January 2018 and now obtained the possibility for growth. "Open banking can help to achieve this goal by using application programme interfaces (APIs) to provide account information services (AIS) and for payment initiation services (PIS)" [9]. Understandable that financial services market integration into global is possible through digitalization at our days.

Mechanism of distribution financial assets possibly understand through change interest rates. *Figure 5* shows interest rates dynamic during 2020 du months. Interest rates in 2020 in Ukraine became change.

Interest rates on deposits decreased in 2020-year, *Figure 5 (a – on deposits)*. Dynamics of interest rate at period from 2013 to 2019 years indicate rapid adaptation of Ukraine' financial services market to integration into the global financial services market by digitalization, which was accelerated during 2020 crisis.

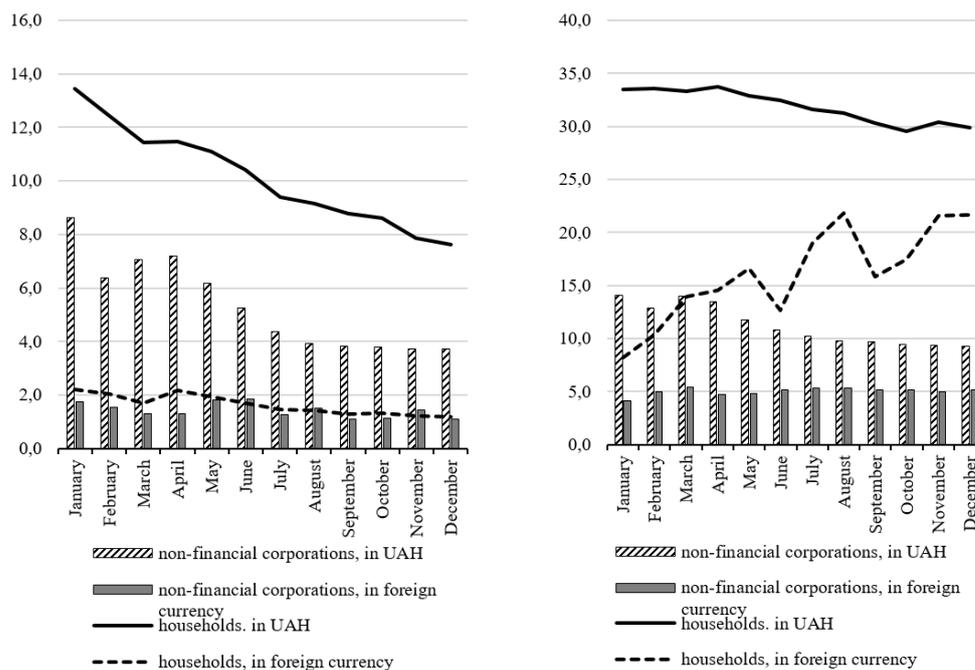


Figure 5. Interest rates in Ukraine during 2020 year, %
a) on deposits, b) on loans

Source: compiled by author on the basis [21].

Interest rates on loans (including overdraft, loans with original maturity up to 1 year, over 1 year and up to 5 years, over 5 years) in 2020-year Figure 5 (b) shows. High increasing interest rates on loans in foreign currencies in 2020 year is implementation politic of not-dollarization of Ukrainian economy. It will make possible to achieve result of growth GDP in 2021 at 4.2 % and to keep inflation in the range of 5 ± 1 % [15], as National Bank of Ukraine forecast.

Conclusion. After research assets of financial services, market in Ukraine as factor of financial support economy, it is possible to make next conclusions.

In contrast to existing publications, for the first time was formulated scientific hypothesis of relationship between ratio of financial corporations' assets to total financial assets of financial services market and achievement of financial goals of nonfinancial corporations and/or households.

The distribution of financial assets between financial corporations in Ukraine is close to general situation at global level. Thus, at the beginning of 2020, deposit-taking corporations operated with 62 % of all financial assets of financial services market in Ukraine, pension funds – 0.2 %, insurance corporations – 4.8 %, other non-banking corporations – 33 %. For comparison, in the global financial services market, the ratio between these financial institutions in recent decades are: deposit-taking corporations accounted for 47 % of all global financial assets in global financial services market, pension funds – 10 %, insurance corporations – 10 %, other non-banking corporations – 33 %.

After beginning of financial services market reform in 2015 in Ukraine, the number of deposit-taking corporations decreased by a third, and the crisis of 2020 prompted the transition to remote services, which also led to closure of many bank branches. The number of non-bank financial corporations in 2013–2019 began to grow.

During period from 2013 to 2019 years in Ukraine, there was a redistribution of assets of financial corporations in financial services market in direction from deposit-taking corporations to pension funds and insurance corporations. This trend will be strengthened by changes in interest rates of deposit-taking corporations, which determines the direction of further research.

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Аванесова І. Активи ринку фінансових послуг в Україні.

Постановка проблеми. Цифрові технології як новий канал комунікацій мають безумовний вплив і на ринок фінансових послуг, активи якого в Україні перебувають у стані швидкого перерозподілу, зважаючи на наявні можливості його адаптації до глобального ринку фінансових послуг.

Аналіз останніх досліджень і публікацій показав, що попри наявність окремих наукових доробок залишається невирішеною важлива науково-практична проблема щодо розподілу активів фінансових корпорацій на ринку фінансових послуг в Україні.

Мета статті – дослідити активи ринку фінансових послуг в Україні як фактор фінансової підтримки нефінансових корпорацій та домогосподарств.

Матеріали та методи. У процесі дослідження використано методи кількісної та якісної оцінки, групування, класифікації.

Результати дослідження. Висунуто наукову гіпотезу про наявність залежності між співвідношенням активів окремих секторів фінансових корпорацій і загальними фінансовими активами ринку фінансових послуг та досягненням фінансових цілей нефінансових корпорацій та/або домашніх господарств.

За результатами дослідження розроблено комплекс пропозицій, зокрема: важливість дотримання постійного балансу співвідношення активів окремих секторів фінансових корпорацій для сприяння розвитку економіки в цілому на зразок сталого співвідношення таких активів на глобальному ринку фінансових послуг; необхідність подальшого перерозподілу активів між депозитними корпораціями, пенсійними фондами та страховими корпораціями в напрямі збільшення активів останніх на українському ринку фінансових послуг; терміновість приватизації державних депозитних корпорацій для уникнення проблеми фінансової безпеки держави та розвитку ринку фінансових послуг.

Реалізація цих пропозицій сприятиме подальшій структурній зміні в секторі депозитних корпорацій, пенсійних фондів та страхових корпорацій; інтеграції ринку фінансових послуг у глобальний ринок фінансових послуг через цифровізацію; адаптації ринку фінансових послуг України до тенденцій глобального ринку фінансових послуг через зміну відсоткових ставок.

Висновки. На відміну від наявних публікацій, вперше сформульовано наукову гіпотезу залежності між співвідношенням активів окремих секторів фінансових корпорацій і загальними фінансовими активами ринку фінансових послуг та досягненням фінансових цілей нефінансових корпорацій та/або домашніх господарств.

Викладені концептуальні положення потребують подальшого наукового дослідження щодо перерозподілу активів секторів фінансових корпорацій на ринку фінансових послуг України у напрямі від депозитних корпорацій до пенсійних фондів та страхових корпорацій.

Ключові слова: активи фінансової корпорації, депозитні корпорації, інші фінансові посередники, страхові компанії, пенсійні фонди, ринок фінансових послуг.