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DOI <https://doi.org/10.26661/2414-0287-2022-3-55-17>**FUNCTIONING OF UKRAINIAN BANKING SECTOR DURING WAR****Batrkova T.I., Snisarenko M.Ye.***Zaporizhzhia National University*
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ORCID: 0000-0002-5710-9416**Key words:**lending, banks, martial law,
agrarian sector, sowing

This article is devoted to the problem of providing banking services to individuals and legal entities during martial law in Ukraine. Starting the war with Ukraine on February 24, 2022, the aggressor country – Russia, brought suffering to ordinary citizens of our country, and dealt a devastating blow to the economy, including the banking sector.

According to experts, 2022 should be a year of economic expansion for our country, as last year's GDP accounted for around \$200 billion, which is the highest rate in its history, despite the occupation of Crimea and forming of breakaway states on our land. Unfortunately, this did not happen, the Russian army attacked our country, killed and tortured civilians, and shelled towns and villages. War always brings destruction not only to infrastructure and people, but also to economic processes. Even if our victory in this war will be quick, most industries will bear the loss, including the banking industry, the devaluation of its loan portfolio will absorb capital.

ICU analysts expect that most banks, including systemically important ones, will have negative capital at the end of this year due to the consequences of the war. Therefore, the National Bank will be forced to pursue a policy of easing regulatory requirements in 2023. In the future, military reparations from Russia may become one of the sources of bank capitalization.

Understanding the importance of lending as one of the most significant mechanisms for recovery and modernization of all industries in various sectors of the economy, Ukraine's banking industry seeks to provide credit to the real sector, thus increasing employment, business growth and new enterprises, as well as socio-economic development of the state and as a result – economic growth in general. The country, together with the National Bank, is doing everything possible to obtain refinancing by commercial banks so that they can increase their loan portfolio and provide entrepreneurs with access to credit resources for rebuilding our economy, that must start right now.

Understanding that lending will help stimulate the effective work of business, the government has signed several important laws that facilitate the lending process and change certain bank's regulations, that for violation of which it is no longer possible to apply enforcement measures, including capital adequacy and liquidity.

Also have been developed some governmental programs that allow borrowers to obtain a loan at 0 % during martial law and one month after. Most of these funds were directed to agribusiness: 42 %, because Ukraine is an agrarian country and now it is time for sown.

Thus, at this difficult time, the Government and the National Bank are trying to analyze the situation on time and act effectively to save the economy by facilitating lending processes and investing financial resources in the most necessary sectors, one of which is agriculture.

ФУНКЦІОНУВАННЯ БАНКІВСЬКОГО СЕКТОРУ УКРАЇНИ В УМОВАХ ВІЙНИ**Батракова Т.І., Снісаренко М.Є.***Запорізький національний університет*
*Україна, 69600, м. Запоріжжя, вул. Жуковського, 66***Ключові слова:**кредитування, банки, воєнний
стан, аграрний сектор,
економічні зв'язки

Стаття присвячена проблемі надання банківських послуг фізичним та юридичним особам в умовах воєнного стану в Україні. Розпочавши з 24 лютого 2022 року війну з Україною, країна – агресор – росія, принісла страждання звичайним громадянам нашої країни, та нанесла руйнівного удару економіці, в тому числі і банківському сектору.

За очікуваннями експертів 2022 рік для нашої держави мав би стати роком підйому економіки, адже ВВП у минулому році склало 200 мільярдів

доларів, що є найвищим показником в усій її історії, навіть не зважаючи на окупацію Криму та створенню ОРДЛО на нашій землі. На жаль, цього не сталося, російська армія напала на нашу країну, вбиває та катує мирне населення, та обстрілює міста та села. Війна завжди приносить руйнування не тільки для інфраструктури та людей, а й для економічних процесів. Навіть якщо наша перемога у цій війні буде швидко більшість галузей зазнають збитків, в тому числі і банківська галузь, знецінення її кредитного портфеля поглинати капітал.

Аналітики ІСУ очікують, що більшість банків, у тому числі системно важливі, матимуть від'ємний капітал наприкінці поточного року через пов'язані з війною наслідки. Тому Нацбанк змушений буде дотримуватися політики пом'якшення регуляторних вимог цього та 2023 року. У майбутньому воєнні репарації від росії можуть стати одним із джерел капіталізації банків. [<https://telegra.ph/Bankivska-sistema-Ukraini-v-umovah-vijni-03-18>]

Незважаючи на все вищенаведене, та розуміючи важливість кредитування, як одного з найважливіших механізмів відновлення та модернізації всіх галузей у різних секторах економіки, банківська індустрія України намагається забезпечити кредитними ресурсами реальний сектор економіки, тим самим сприяючи збільшенню робочих місць та зайнятості населення, зростанню бізнесу та появи нових підприємств, а також соціально-економічному розвитку держави і як підсумок – економічному зростанню в цілому. Держава разом з Національним банком роблять все можливе для отримання рефінансування комерційними банками, щоб останні могли збільшити свій кредитний портфель та надати доступ підприємцям до кредитних ресурсів, для відбудови нашої економіки, яку вже зараз потрібно починати.

Розуміючи що кредитування допоможе стимулювати ефективну роботу бізнесу Урядом було підписано декілька важливих законів, які полегшують процес надання позичок, а також змінюють певні нормативи в банках, за порушення яких тепер неможливо застосовувати заходи впливу, зокрема нормативи достатності капіталу та ліквідності.

Також розроблені державні програми, які дозволяють позичальникам отримати кредит під 0 % протягом дії воєнного стану та упродовж місяця після його завершення. Найбільше всього цих коштів було направлено в агробізнес: 42 %, адже Україна є аграрною державою і зараз йде час посівної.

Отже, в цей нелегкий час, Уряд та Національний банк намагаються своєчасно аналізувати ситуацію, та ефективно діяти аби мати змогу зберегти економіку, шляхом полегшення процесів кредитування та вкладання фінансових ресурсів у найнеобхідніші сектори, одним з яких є аграрний.

Problem statement

In this difficult time for Ukraine, the time of struggle against Russian aggression, our national economy is trying to adapt to difficult circumstances and work to ensure our victory. The banking industry is currently one of the leading, because it is designed to provide other economy sectors with financial resources to enable incessant operation.

The development of any country is impossible without lending to different business entities, but lending during martial law has a big risk for banking industry. Recent events have changed the functioning of loan institutions to make it possible for them to work in wartime. Analysis of these changes gives an understating how the government and National Bank of Ukraine have helped banks and other institutions to adapted to difficult circumstances caused by war, and also an understanding whether these changes are effective for Ukraine's economy and will ensure reliable and efficient functioning of critical infrastructure and various sectors of economy.

Analysis of recent researches

Lending research is impossible without understanding of the impact of the banking industry on the economy. This issue was considered by domestic scientists:

V. Kremen, O. Kremen, L. Gulyaeva, O. Irshak, Y. Prikhodko, T. Paentko, etc.

Thus, according to V. Kremen, O. Kremen, L. Gulyaeva, the development of Ukraine's economy is impossible without the effective functioning of the banking system, because lending has a crucial part in ensuring the reproductive processes in the economy. O. Irshak, Y. Prikhodko in their researches believe that lending activities of banking institutions have a direct influence on ensuring the sovereignty of the government and the realization of its national interests in the terms of globalization.

Thus, these views require systematization and generalization of theoretical and methodological developments on the idea of the role of banking for the state. Due to recent events, the issue of studying the banking system is relevant, which one of the main tasks is lending, as a mechanism that allows the economy to remain at a level that would ensure its stability.

Goals

The purpose of this article is to analyze the activities of credit institutions under martial law, as well as documents that facilitate lending to both individuals and legal entities. In this article some other purposes are also formed:

- definition of bank lending and martial law;

- determining the importance of lending for the development of the state economy; analysis of changes in legal system;
- study of the leading regions on loans to the agricultural sector.

Main material presentation

After the beginning of the war in Ukraine, on February 24, 2022, martial law was declared in our country, changing the lives of all its inhabitants and the activities of enterprises in all industries, including the banking industry. In the new conditions of increased turbulence, it is very important to reconsider on time what is going on and how to adapt to the current situation without losing its solvency and competitiveness. Despite the fact that the economy does not work without the money cycle, without it the financial ties between economic entities both within the country and abroad are destroyed, of course – without the efficient operation of the banking sector, during martial law it is almost impossible to do business. activity of different industries. It is known that at the beginning of the large-scale invasion, 2 banks (Sberbank and VEB) out of 71 were liquidated, they were indirectly owned by the Russian government. These banks owned 2 % of the total assets of the banking sector, their closure did not have much impact on the banking system. Ukrainian banks were able to adapt well to work in wartime, despite the profitability risks on capital, were able to organize work where there is no active fighting.

Lending is one of the most significant components of economic development, so the important question is how lending will be conducted in wartime conditions in Ukraine.

First, let's figure out what concept of lending is. Since a bank loan is the most common form of credit, we need to determine what it is. According to the Law of Ukraine "On Banks and Banking": Bank Credit shall mean any commitment of a bank to extend a certain amount of money, any guarantee, any obligation to acquire the right to claim debt, or any extension of the debt maturity, which occurs in exchange for the borrower's commitment to repay the debt amount, as well as an obligation to pay interest and other charges due on this amount [1].

Why lending is important for the development of the state's economy? It is known that bank loans play an important role, as they help in the activities of various household entities, by providing temporarily free funds, thereby helping to increase employment, business growth and the emergence of new enterprises, as well as social and economic development and as a result – economic growth. However, martial law, which was declared because of the aggression by Russia, imposes certain limits on the activities of all individuals and legal entities.

According to the Law of Ukraine "On the Legal Regime of Martial Law", namely Article 1, Martial Law is a special legal regime that is introduced in Ukraine in case of an armed aggression or a threat of an attack, a threat to state sovereignty and territorial indivisibility of Ukraine. This rule involves granting the relevant state Executive, Local self Government organs, and the Military Command necessary powers to prevent threats and to guarantee national security. It also involves temporary, (threat determined) restrictions of human constitutional rights and freedoms as well as the rights and legitimate interests of all legal persons with an indication of the period of effectiveness for these restrictions [2].

From the definition, it seems that martial law means only restrictions for the citizens of Ukraine. However, this means not only restricting their rights and freedoms through fighting, but also some simplifications. For example, the Law of Ukraine "On amendments to the Tax Code of Ukraine and other legislative acts of Ukraine concerning the effect of regulations for the period of martial law" [3] was adopted, due to which some banks introduced credit vacations during the war. According to this Law, the following possibilities appear: during martial law and within 30 days after the day of its termination or cancellation, citizens are released from liability to the creditor if they have not paid their obligations within the specified period. It is also forbidden to raise the interest rate for the use of credit, except in cases where the contract provides for a change. It is also important to clarify that all fines and other payments that are in the consumer loan agreement and accrued from February 24, 2022 inclusive for late payments are subject to write-off. However, the NBU noted that if there are sufficient reserves to repay debts, they should be paid [4].

There have also been some simplifications for banks, and it is no longer possible to apply sanctions to them for violating regulations, in particular, capital adequacy and liquidity. This means that banks can lend even when they suffer losses. Another facilitation of banks is that they have the opportunity to restructure loans, if such need appeared due to the Russian invasion. It should be noted that most banks at this difficult time still provide credit limits function to their retail customers, which they actively used at the beginning of the war.

The above actions done by the state and the NBU encourage banks to expand lending programs by increasing the availability of free funds. For example, the change in the terms of 'Affordable Loans 5–7–9 %' program. According to the decision of the Cabinet of Ministers, any business during the martial law and within a month after its completion will be able to get a loan at 0 %. After that, the credit rate will be 5 %. The maximum loan amount was increased to UAH 60 million [5].

According to the results provided by the Ministry of Economy of Ukraine, loans totaling UAH 1.1 billion were issued to 826 businesses on February 24, 2022. Of all the loan money issued under 'Affordable Loans 5–7–9 %' program, 42 % accounted for the agricultural sector.

Agribusiness is the main growth driver for the Ukrainian economy. Ukraine has been known as the breadbasket of Europe, accounting for about 25 % of the world most fertile black soil. Ukraine is the world's largest exporter of sunflower oil and one of the top exporters of grains. The core agricultural crops making Ukraine one of the world leaders are grains and forage crops, including wheat, corn, barley, sunflower, sugar beet, legumes, fruits and vegetables, tobacco, etc. [6].

About 12.000 farms used the available loans. On the received funds farmers are going to purchase fertilizers, fuel, plant protection products [7]. These data are obligate, because now is the time of sowing, which is important not only for Ukraine's economy but also for the rest of the world, because our country is one of the largest exporters of sunflower oil, corn, wheat and other agricultural products.

Based on this, Ukrainian banking institutions for the period from mid-March to April 5 issued agricultural programs of loans under government programs to support

the sowing company in the military turnover of the Russian Federation in Ukraine for a total of 1785 billion UAH.

According to Figure 1, we see that most farming loans were issued by banks in Kirovohrad region, number reaches UAH 405 million and is 22.7 % of the total amount of loans taken. The second place is taken by Vinnytsia region with UAH 365 million and 20.4 % of the total loans. Next are Dnipropetrovsk region, where the percentage of the total amount is 15 % and is equal to 267 million UAH, Odesa region with 161 million and 9 % and Lviv region with 159 million UAH and 8.9 %. The remaining 23.9 % (UAH 428 million) falls on other regions of Ukraine.

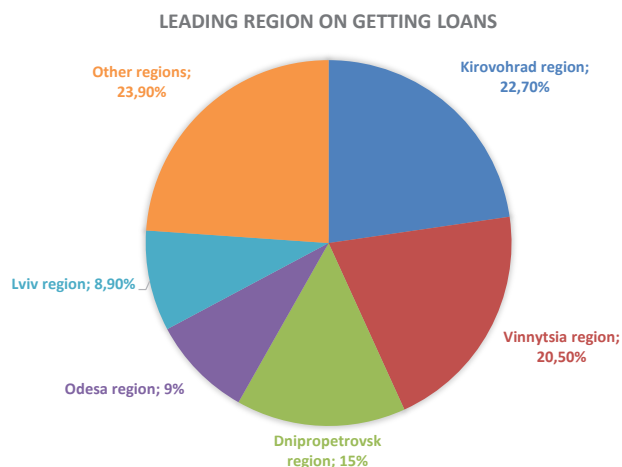


Fig. 1 – Leading region on getting loans

Source: made by authors based on [8]

The government also supported the decision, which will allow retailers to attract soft loans of up to UAH 1 billion for one year at 5 %, because they provide Ukrainians with those goods that are extremely important in such a difficult time. This decision is very important, because it will replenish working capital instead of closing shops and will help to pay Ukrainian producers for products on time, so that villages and towns of our country will have food and goods without which the lives of ordinary citizens are impossible.

Conclusions

Despite Russia's military aggression, Ukraine has the opportunity to support its economy through lending. Looking at the above signed documents and changes in some procedures by the government and the NBU, which greatly simplify the procedure for lending to banks and borrowers, it becomes clear that lending in wartime is possible and even has a crucial role in the economy, because in this way it contributes to the restoration and modernization of production, which must adapt to the new realities of life; helps with sowing, by issuing loans at an interest rate of 0 % per annum under the program "Available loans 5–7–9 %"; provides retail chains with funds, with the help of soft loans up to UAH 1 billion for a period of one year at 5 %.

Through these actions, the government is restoring Ukraine's economy, which has stalled due to recent events, as well as providing sowing, because if we harvest, we will ensure the export of goods to the agricultural sector, which gives Ukraine about 40 % of foreign exchange earnings.

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