

FINANCE AND MONEY TURNOVER

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COOPERATION BETWEEN THE BANKING SYSTEM AND THE REAL ECONOMY DURING THE WAR

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bank lending, discount rate, real economy, financial resources, international support.

The military actions launched by Russia in 2022 on the territory of Ukraine have had a significant negative impact on all sectors of the national economy, both the real and banking sectors. The occupation of part of the territory, destruction of critical infrastructure, mining, loss of logistics links and partners led to economic instability, and completely new, previously unknown military risks faced by the national economy. This state of uncertainty has led to a deterioration in the financial condition of most enterprises and significant risks of default on previously obtained loans, forcing banks to raise interest rates and tighten requirements for borrowers, which has limited access to, or even made it impossible for many enterprises to obtain bank loans. The article examines the main problems faced by real sector enterprises in obtaining loans during the period of military operations, such as increased collateral requirements, high interest rates and limited access to banking services in the war zone. The article examines the important role of the National Bank of Ukraine in maintaining financial stability, namely the regulation of the key policy rate during the war, which was used to curb inflation and regulate interest rates on loans. The article analyses the dynamics of the NBU discount rate and its impact on lending. It also examines the impact of state programmes proposed by the government to support the real sector of the economy and the financial support of international partners that allowed the Ukrainian economy to survive in difficult wartime.

СПІВПРАЦЯ БАНКІВСЬКОЇ СИСТЕМИ ТА РЕАЛЬНОГО СЕКТОРУ ЕКОНОМІКИ ПІД ЧАС ВІЙНИ

Батракова Т.І., Забеліна Д.Ю.*Запорізький національний університет**Україна, 69011, м. Запоріжжя, вул. Університетська, 66***Ключові слова:**

банківське кредитування, облікова ставка, реальний сектор економіки, фінансові ресурси, міжнародна підтримка.

Військові дії, розпочаті росією у 2022 році на території України, значною мірою негативно вплинули на усі сектори національної економіки, як реального сектору так і банківського. Окупація частини територій, знищення об'єктів критичної інфраструктури, мінування територій, втрата логістичних зв'язків та партнерів призвели до економічної нестабільності, виникли зовсім нові, раніше невідомі військові ризики, з якими стикнулася національна економіка. Такий стан невизначеності призвів до погіршення фінансового стану більшості підприємств та до значних ризиків неповернення раніше отриманих кредитів, це змусило банки підвищувати відсоткові ставки і посилювати вимоги до позичальників, що обмежило доступ, або й зовсім призвело до неможливості отримання банківського кредитування багатьом підприємствам. У статті досліджені основні проблеми підприємств реального сектору економіки, з якими вони стикаються під час отримання кредитів в період проведення військових дій, такі як підвищені вимоги до заставного забезпечення, високі процентні ставки та обмежений доступ до банківських послуг у зоні бойових дій. Досліджена важлива роль у підтримці фінансової

стабільності Національного банку, а саме регулювання облікової ставки під час війни, яка використовувалася для стримування інфляції та регулювання відсоткових ставок за кредитами. У статті проаналізовано динаміку облікової ставки НБУ та її вплив на кредитування. Також досліджено вплив державних програм, запропонованих урядом для підтримки реального сектору економіки і фінансова підтримка міжнародних партнерів які дозволили вистояти економіці України в складний військовий час.

Problem statement

Bank lending is one of the sources of financing for the real economy. Therefore, studying the impact of the war on bank lending is an important scientific task, as it allows identifying key challenges and developing effective strategies to overcome them. The full-scale invasion of the Russian Federation in 2022 led to increased risks of loan defaults, massive deposit outflows, and economic instability, which forced banks to increase their requirements for borrowers, significantly complicating access to financial resources for businesses and households, and negatively affecting the development of the real economy. Therefore, it is now important to study and identify mechanisms that will facilitate effective cooperation between the banking system and the real economy, which is important for the functioning of various industries during the war and the sustainable development of enterprises in the post-war period.

Analysis of research and publications

Bank lending is an important instrument of financial support for economic development, especially in the real sector. Recent studies have focused on analysing the impact of bank lending on the development of various industries, such as engineering, construction, and agriculture. Researchers N.A. Dekhtyar and N.G. Pigula (2024) focus on the role of bank lending in supporting the real sector of the economy. The article by V. Margasova and O. Garafonova (2024) examines the impact of bank lending on the development of key sectors of the economy. In his study, V. Dziuba (2023) paid special attention to the impact of bank lending on the development of the corporate sector. The study by I.V. Kohan and T.V. Solodiak focuses on the analysis of the mortgage lending market in wartime. All these studies confirm the important role of bank lending for the development of the real economy. Further research should focus on improving lending mechanisms and ensuring the financial stability of the banking system.

Forming the goals of the article

The purpose of this article is to study the impact of bank lending on the development of the real sector of the economy during the war and the post-war recovery period: to investigate and identify key factors that facilitate or impede effective financing of enterprises during the war and the recovery period, and to develop recommendations for improving credit support for business in difficult economic conditions. The article analyses the changes in the volume and terms of lending, identifies the main problems faced by both banks and enterprises during the war, and assesses the effectiveness of measures taken to revive the real economy and the impact of lending on this process.

The scientific novelty of the article lies in a detailed analysis of the impact of the war on bank lending, especially in the context of increased risks of loan default, rising interest rates and limited access to financial resources in the war zones. The paper examines the role of the National Bank of Ukraine in regulating the key policy rate and the impact of these measures on the real economy, as well as the effectiveness of government programmes such as «Affordable Loans 5-7-9» and «eRobota» in supporting businesses during the war. It is also important to assess the geographical distribution of lending, in particular in the frontline regions, which is a new approach to studying banking cooperation with the real sector during the war.

Outline of the main material of the research

The full-scale military invasion of Ukraine by the Russian Federation in 2022 led to significant shocks in the banking system, making it difficult to lend to the real economy. Military operations, the occupation of part of the territory, and economic instability created a high risk of loan defaults, which led to a decrease in banks' confidence in borrowers and caused liquidity problems. This, in turn, led to an increase in interest rates, which reduced the availability of credit for businesses and individuals. Banks were forced to tighten lending requirements, review their loan portfolios and limit lending in particularly risky regions. In the initial stages of the conflict, lending volumes declined significantly due to the uncertainty and high risks associated with the hostilities. Banks faced a massive outflow of deposits, which affected their liquidity and ability to provide new loans. This led to the temporary suspension or reduction of lending programmes. In particular, businesses located in the areas of hostilities lost access to financial resources. At the same time, the government introduced a number of measures to support the banking sector and ensure stability. For example, the 5-7-9 programme is aimed at supporting small and medium-sized businesses through concessional lending. However, these measures only partially offset the negative effects [1].

Forced but necessary to ensure Ukraine's financial stability in extremely challenging conditions of growing external threats and internal instability, the step taken by the National Bank of Ukraine to raise the discount rate was aimed at strengthening financial stability. This step helped reduce the risks of capital outflow and contributed to preserving the NBU reserves. The war significantly increased state spending on defense and social support. A high discount rate makes borrowing more expensive for the government, which may incentivize the government to use budget funds more rationally and reduce the budget deficit.

On the one hand, the increase in the key policy rate was aimed at minimising economic losses during the war and ensuring the country's macroeconomic stability, but it made loans less affordable for businesses and individuals, further complicating the economic situation. For example, according to the National Bank of Ukraine, the average interest rate on business loans increased by 5% in the first half of 2022. This was also reflected in the structure of lending: banks began to favour less risky sectors of the economy. Interest rates have remained high throughout the conflict, although some support programmes and international assistance have contributed to a partial reduction. The analysis of the dynamics of interest rates on loans to different business entities presented in figure 1 shows how banks responded to the changing risk environment during the hostilities.

The risk of loan default became one of the biggest challenges for banks during the war. Many businesses and individuals lost the ability to service their debts due to the destruction of infrastructure and economic difficulties. In response, banks were forced to tighten their requirements for borrowers and review their loan portfolios. Support from the government and international financial institutions played an important role in stabilising the situation.

To support the banking sector, the Ukrainian government has developed and implemented a number of government programmes aimed at stimulating lending to the real economy. One of the key programmes is 'Affordable Loans 5-7-9', which allows entrepreneurs to obtain loans at preferential rates, which significantly eases the financial burden on businesses in difficult times. In 2024, UAH 18 billion was allocated for this programme, which significantly expanded the access of enterprises to credit resources [3]. The programme provides support to businesses in various industries, including the processing industry and energy efficiency projects, which are critical to the country's economic recovery.

Another important programme is eRobota, which includes six grant programmes, including microgrants for starting a business, grants for the development of a processing plant, and financing for greenhouse farming. This programme has helped to boost entrepreneurship and create new jobs, which has had a positive impact on the banking sector by increasing the number of potential borrowers.

The eRobota programme allocated UAH 4 billion in 2024 to support businesses [3].

International assistance has also played a key role in stabilising Ukraine's banking sector by facilitating the mobilisation of additional financial resources to support businesses. The EU-supported FinancEast programme, implemented under the EU4Business initiative, aims to finance investment projects of small and medium-sized enterprises (SMEs) in eastern Ukraine. Thanks to this programme, many businesses have been able to obtain the necessary funds to develop their projects even in the face of war, contributing to the overall stabilisation of the economic situation in the region [4].

Thus, thanks to comprehensive government support measures and international assistance, Ukraine's banking sector was able to ensure stability and support business development during the war. This underscores the importance of cooperation between government and international institutions in overcoming crises and ensuring economic resilience.

Thus, despite the challenging environment, banks continued to provide loans, which helped to support the economy in this difficult time. Below is the data on lending by depository corporations (other than the NBU) for the period from December 2022 to April 2024.

As of the end of 2022, the amount of loans granted by depository corporations (other than the NBU) was UAH 1,007,648 million, and exactly one year later it fell by 1.08% to UAH 997,877 million. In April 2024, the indicator increased by 3% compared to January of the same year, which may indicate an increase in demand for loan products from households or businesses.

The sectoral distribution of loans plays an important role in maintaining the economic stability of a country, especially during martial law. In 2023-2024, a significant portion of loans was provided to agriculture, which is the main source of food security in Ukraine. The manufacturing sector also received substantial support as businesses continued to operate and adapt to the new environment. The IT sector, which remains one of the fastest growing and most profitable in Ukraine, also received significant credit resources to develop and implement the latest technologies. According to the National Bank of Ukraine, in 2023, loans to agriculture accounted for about 30% of the total amount of loans issued, to manufacturing – 25%, and to the IT sector – 15% [6].

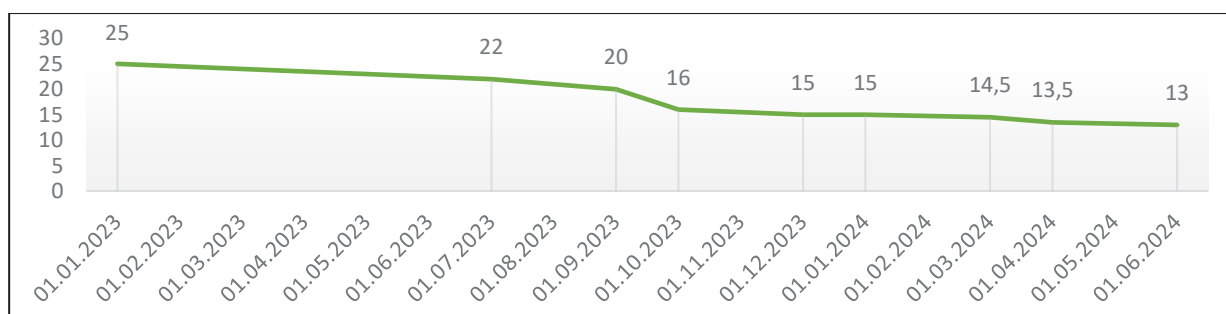


Fig. 1 – Dynamics of the NBU key policy rate (in %)

Source: created by the author based on [2]

Table 1 – Dynamics of interest rates on loans to various business entities by size, by type of currency, weighted average (annualised rates, %)

Period	The volume of lending (UAH million)	Average rate	Large business entities	Medium-sized enterprises	Small business entities	Micro business entities
2018	16 225	19,9%	15,4% 17,3 nat.cur. 4,5 for.cur.	18,1% 18,9 nat.cur. 11,5 for.cur.	17,0% 18,7 nat.cur. 8,0 for.cur.	19,9% 20,0 nat.cur. 8,2 for.cur.
2019	27 674	16,9%	14,5% 17,8 nat.cur. 4,8 for.cur.	19,3% 20,7 nat.cur. 11,6 for.cur.	17,3% 18,7 nat.cur. 8,4 for.cur.	21,0% 21,3 nat.cur. 6,4 for.cur.
2020	51 194	13,4%	10,3% 10,9 nat.cur. 4,0 for.cur.	13,3% 14,4 nat.cur. 5,5 for.cur.	9,8% 10,1 nat.cur. 7,0 for.cur.	58,8% 61,7 nat.cur. 6,5 for.cur.
2021	44 641	10,2%	8,6% 8,6 nat.cur. 7,1 for.cur.	10,8% 11,8 nat.cur. 3,9 for.cur.	9,4% 9,6 nat.cur. 6,3 for.cur.	13,8% 14,8 nat.cur. 8,2 for.cur.
2022	25 379	12,9%	12,6% 12,6 nat.cur. 7,2 for.cur.	14,8% 14,9 nat.cur. 3,7 for.cur.	15,6% 15,7 nat.cur. 5,35 for.cur.	18,6% 18,7 nat.cur. 8,5 for.cur.
2023	50 227	18,9%	20,8% 20,8 nat.c. ---- for.cur.	19,9% 20,3 nat.c. 6,0 for.cur.	17,8% 17,9 nat.c. 5,4 for.cur.	20,3% 20,4 nat.c. 8,2 for.cur.

Source: created by the author based on [2]

Table 2 – Loans granted by depository corporations (other than the NBU) in UAH million

Period	Total	Less than 1 year	From 1 to 5 years	More than 5 years
12.2022	1 007 648	526 712	332 196	148 740
12.2023	997 877	512 364	330 734	154 779
01.2024	993 169	511 780	330 004	151 385
02.2024	995 305	510 718	333 084	151 503
03.2024	1 012 845	519 653	340 687	152 505
04.2024	1 023 047	523 481	345 420	154 146

Source: created by the author based on [2]

Loans provided to the manufacturing industry ensured the continuity of production processes, which is critical for the economy in times of war. Support to the transport sector helped to ensure the logistics of both domestic and foreign supplies. The energy sector also received significant loans to modernise infrastructure and ensure stable energy supply. This distribution of loans helped to keep key sectors of the economy afloat, providing jobs and economic stability.

The geographical distribution of lending shows that the bulk of the loans were disbursed in the regions remaining under Ukrainian control. Kyiv and Kyiv region, being the economic centre of the country, received the largest number of loans. The western regions of Ukraine, such as Lviv, Ternopil and Ivano-Frankivsk, also received significant lending, due to their relative security and economic activity. In the east and south of the country, where the fighting continues, lending was limited due to high risks of non-repayment and infrastructure damage [7].

However, despite banks' restrictions on lending to businesses located in the frontline regions, these regions received funding from government and international support programmes, which helped to maintain their economic activity and rebuild the destroyed infrastructure. Below is a table of lending volumes by region in 2023-2024.

Table 3 – Lending volumes by region in 2023-2024

Regions	Amount of loans (UAH million)
Kyiv and Kyiv region	150 000
Lviv region	100 000
Ternopil region	50 000
Ivano-Frankivsk region	50 000
Zaporizhzhya region	75 000
Odesa region	100 000
Mykolaiv region	75 000

Source: created by the author based on [7]

So, despite the fact that during the war, banks were forced to revise their lending terms to reflect the increased risks and economic uncertainty. Interest rates increased and collateral requirements became more stringent. This made loans less affordable for many borrowers, especially in the frontline regions. Thanks to the Government's intervention and the NBU's effective actions, cooperation between the banking system and the real economy has gradually stabilised and is becoming mutually beneficial. Government and international support programmes have helped to reduce the cost of loans and increase the availability of financial resources for businesses. Thanks to these programmes, even in the difficult conditions of the war, banks continued to provide loans, which helped to

support economic activity and ensure the restoration of the destroyed infrastructure [8].

Conclusions from the study

An analysis of lending to the real sector in Ukraine during the full-scale invasion shows that the banking system managed to withstand and adapt to the challenges of the war, continuing to provide the necessary financial support. This was made possible through effective cooperation with the government, the implementation of government programmes and assistance from international partners.

State programmes such as Affordable Loans 5-7-9 and eRobota played a key role in providing access to finance for businesses, reducing the financial burden on enterprises in difficult times. In particular, in 2024, UAH 18 billion was allocated to the Affordable Loans 5-7-9 programme, which significantly expanded access to credit for businesses. The eRobota programme includes six grant programmes that promote the creation of new businesses, the development

of the processing industry and greenhouse farming, which are critical to the country's economic recovery. The banks' cooperation with international partners to attract additional financial resources played an important role in stabilising the situation.

The distribution of loans by industry shows support for critical sectors of the economy, such as agriculture, manufacturing and IT. Geographical analysis shows that loans were directed to regions with a relatively stable situation, which helped to support economic activity even in the frontline areas. Despite rising interest rates and stricter lending conditions, banks continued to operate, ensuring financial stability.

Effective cooperation between government agencies, banks and international partners helped to overcome the crisis and support Ukraine's economy during the war. Thus, comprehensive measures allowed the banking sector not only to withstand, but also to actively support the real economy, contributing to its recovery and development.

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