

PROBLEMS AND PROSPECTS OF THE DEVELOPMENT BANKING SYSTEM ON UKRAINE IN THE CONDITIONS OF GLOBALIZATION

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Summary. The state investigates the bank systems of developed countries and countries with transition economy in conditions of financial globalization. Such aspects of developed countries bank systems, as organizational structure, monetary policy and instruments were analyzed. Besides, the functional aspects accounting policies and benefits of using IFRS-compliant financial statements were explored.

Key words: globalization, banking system, capital, investments, financial statements, International accounting standards.

INTRODUCTION

Nowadays when we talk about new realities in Economy, Politics, Society and World View we can not but mention such processes as Globalization in Economy, which leads to rapid development of technologies, the world-wide process of formation of the new Information Society, the development of banking system.

Globalization - the growing integration of economies and societies around the world - has been one of the most hotly-debated topics in international economics over the past few years. Rapid growth and poverty reduction in China, India, and other countries that were poor 20 years ago, have been a positive aspect of globalization. But globalization has also generated significant international opposition over concerns that it has increased inequality and environmental degradation.

Economic globalization is based on the principle of free trade, market capitalism. This will hardly be news for most of us. Economic globalization works on the policies of trade liberalization, privatization and financial market deregulation. It is believed that free trade between nations, with no protective barriers, is the most effective way of increasing global wealth and lifting poorer countries out of their poverty. This global system only works where there is growth and so the economics of globalization is profit driven to the extreme. This drive towards continual growth has led to the emergence, and now dominance, of the Trans National Corporations (TNCs). And now, fifty of the world's 100 largest economies are TNCs. Corporate mergers and acquisitions have thus become a familiar feature of the globalization.

Therefore, in connection with passing to the new economic trends, all of enterprises have a necessity of application of international accounting standards.

RESEARCH OBJECT

The development of the financial system and a bank sector, as its basic constituent has an important role in the conditions of the national economy forming, new economic relations and euro integration processes. On this stage the Ukrainian financial-credit system develops exactly after the Europe bank-oriented model. Unlike the American mark-oriented model, in which the core of the system and place, where the resources of credits are mainly attracted is a market of securities, and in the bank-oriented model the core and basic place of credits resources turn is a bank sector. Exactly its development and effective functioning has a great importance for the economy of the country. Nevertheless the indexes of the banking system development greatly exceed the economic development indexes during last period of time, there are many problems which banking system of the country faces. First, it is volume, structure quality of bank assets and financial statements.

RESULTS OF EXPERIMENTAL RESEARCH

The attitude of general volume of assets toward GDP in Ukraine makes a little more than 40 %, in the countries of European Community from 70 % to 150-200% (Switzerland, Germany). And it is reflected on to the level of monetary process, to the satiation of the economy with money. The ratio of a credit brief-case toward GDP in Ukraine is about 30 %, in the countries of Europe - from 50 % and more (in some countries more than 100 %). In the structure of European banks the credit brief-case share of long-term credits is 70-80 %, in Ukraine it is about 50 %; which is important for an economy. The share of credits given to physical persons (about 50%) is considerably greater, in Ukraine it is less than 20% of a total volume.

First the shares of the security operations (fund instruments) are insignificant in a difference from the European banks, in the assets structure. The greater volume of such operations is caused by that 70-80 % of population own different corporate rights in the countries of European Community. The minority of joint-stock process is the widespread phenomenon.

Secondly, it is a resource providing of bank the activity. A considerable amount of money is beyond the banking system. The share of money aggregate M_0 (cash on a hand) is about 40 % in the general structure of money amount. In the countries of Europe, as a rule, it is 7-8, to 10 percents. Such high coefficient of depositing (ratio of cash toward deposits) in Ukraine limits the money multiplication and the possibility of the creation of money by the banking system.

The share of investments of physical persons (basic saving person in an economy) is only about 40 %; and the share of term investments that is known to be marked on the liquidity of banks level is considerably smaller in the structure of bank obligations.

Thirdly, it is a capitalization of banks level. Adequacy of the regular capital of the Ukrainian banking system is about 15 %. In the European countries, it is about 30%.

For example, only the capital of most European bank - Dutch bank (Germany) makes more than 50 milliards of USA dollars, while capital of all banking system of Ukraine a little more than 4 milliards of dollars.

Fourthly, the optimization of the banking system structure is a substantial problem. 100 banks from 163 operating in Ukraine are only about 10 % assets of the banking system. (There are more than 60% of all assets to ten most banks)

Fifthly, there are disproportions in a regional development of the banking system. The differentiation about the regions is considerable according with the bank concentration and volume of assets.

A separate problem for the national banking system is coming of foreign banks. A point about the permission of foreign banks to open the branches arises sharply after to enter the WTO of Ukraine. This is a benefit as losses for the domestic banking system. In relation to benefits, it is expansion of resource base and its reduction (coming of cheap credit resources), the expansion of bank services assortment, the appearance of the new bank technologies, more skilled bank management, multiplying of foreign investments in the economy of the country through mediation of such Structures. The basic negative from coming of foreign banks can be the weakening of sovereign's of the banking system and the divisibility of investment processes. It includes the following: 1) A loss of certain part or a segment of national financial market, at first, because of the impossibility of national banks to compete with foreign banks. 2) A loss of the Central Bank the possibility to influence the realization mechanism of national monetary policy, and of the state - to pursue a sovereign monetary policy. So, a norm of the obligatory reserving of the bank savings in Ukraine is considerably higher than in the Western countries, and is the key and effective lever of the Central Bank regulation of the money suggestion and influences the inflationary processes. If decisions of the Central Bank in relation to this norm will not be obligatory for foreign branches, the possibility to change the money suggestion through money multiplication proportionally to the share of foreign branches in the assets of all banks will be lost. 3) The diminishing of tax receipt from a bank sector to the budget of the country. 4) The worsening of the control after the coming of foreign direct investments into the domestic economy through the branches of foreign banks.

The countries of Central and East Europe faced such problems after entering the WTO. Today the share of foreign banks assets makes near 70 -80 % in all their banking system assets.

Estimating dignities and lacks of entry of Ukraine in WTO, new requirements appear to the capital of the banking system structure, norms of obligatory backlogs, quality of the financial reporting.

International accounting standards are gaining widespread use and recognition throughout the world. Significant steps are being made by the Financial Accounting Standards Board and IASB towards the convergence of US GAAP and IAS.

Financial reporting requires management to exercise professional judgment and involves the use of both qualitative information about business events and transactions.

According to IAS 8, accounting policies are the specific principles, bases, conventions, rules and practices applied by an preparing and presenting financial statements.

Examples of accounting policies:

- Inventory valuation first-in, first-out or weighted average,
- Revenue recognition (when risk of ownership is passed to the buyer or first tax events),
- Provisions recognition or write-off.

Management should select and apply an enterprise's accounting policies so that the financial statements comply with all the requirements of each applicable IFRS. Where there is no specific requirement, management should develop policies to ensure that the financial statements provide information that is:

- relevant to the decision-making needs of users:
- reliable in that they:
 - 1) represent faithfully the results, cash flows and financial position of the enterprise,
 - 2) reflect the economic substance of events and transactions and not merely the legal form,
 - 3) are complete in all material respects.

Financial statements provide important information about an enterprise's financial position, financial results and changes in the financial position. Often they contain only minimal disclosure of some major items. However, there is lots of other quantitative and, what's more important qualitative information behind each figure on the "face" of financial statements. For example details of:

- Operating environment,
- Risks that an enterprise is facing,
- Accounting policies used for preparation of the financial statements,
- Breakdowns and comments on certain figures,
- Intentions and commitments of the enterprise,
- Other financial and non-financial information.

The notes to the financial statements of an enterprise should:

- Present information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and events,
- Disclose the information required by IAS that is not presented elsewhere in the financial statements,
- Provide additional information which is not presented on the face of the financial statements but that is necessary for a fair presentation.

Taking into account aforesaid, it would be desirable to make an example of the use of certain types of notes to the financial reporting in Bank of America (information 2007-2008 in Table 1).

Note 1- Principles of Consolidation and Basis of Presentation

The Consolidated Financial Statements include the accounts of the Corporation and its majority –owned subsidiaries, and those variable interest entities where the Corporation is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated. Results of operations of companies purchased are including from the dates of acquisition. Assets held in an agency or fiduciary capacity are not included in the Consolidated Financial Statements. The Corporation accounts for investments in companies in which it owns a voting interest of 20 percent to 50 percent and for which it has ability to exercise significant influence over operating and

financing decisions using the equity method of accounting. These investments are included in Other Assets and the Corporation's proportionate share of income or loss is included in Equity Investment Gains.

Note 22 – Performance by Geographical Area

Since the Corporation's operations are highly integrated, certain asset, liability, income and expense amounts must be allocated to arrive at Total Assets, Total Revenue, Income Before Income Taxes and Net Income by geographical area. The Corporation identifies its geographical performance based upon the business unit structure used to manage the capital or expense deployed in the region as applicable. This requires certain judgments related to the allocation of revenue so that revenue can be appropriately matched with the expense or capital deployed in the region.

Table 1. Performance by Geographical Area

Indexes, dollars in millions	At December 31		Year ended December 31	
	Total Assets	Total Revenue	Income Before Income Taxes	Net Income
Domestic	1300 711	64 189	28 041	18 605
	1 18 953	51 860	21 880	14 778
Asia	32 886	1 117	637	420
	32 272	909	521	344
Europe, Middle East and Africa	113 129	5 470	1 843	1 193
	57 226	1 783	920	603
Latin America and the Caribbean	13 011	2 247	1 452	915
	18 352	1 539	1 159	740
Total Foreign	159 026	8 834	3 932	2 258
	107 850	4 231	2 600	1 687
Total Consolidated	1 459 737	73 023	31 973	21 133
	1 291 803	56 091	24 480	16 465

CONCLUSIONS

It is possible to level the negatives from coming of foreign banks, due to the creation of such condition (economic, fiscal and legal), at which domestic financial structures would compete with foreign. It must include the following:

At first, it is necessary to achieve such conditions at which the Ukrainian banks will have some time on adaptation to the European standards of conducting business during negotiations in relation to the entering the WTO. For example, China, while entering WTO, stipulated that it would be impossible to create the branches of foreign banks on its territory for 5 years. In more than 100 member-countries from 149 the limitations on access of foreign capital in the banking system operate up to now.

Secondly, the experience of some countries testifies about the expedience of the functional limitations and introduction international standards accounting policies.

The benefits of using IFRS-compliant financial statements may be seen to include the following:

- Financial statements prepared according to IFRS should be objective, comparable and relevant to user needs,

- The proactive approach of IASB in monitoring of changes in user needs should mean that those needs are better met,
- They should facilitate harmonisation of reporting standards and so enhance comparability and “transparency” country, industry and industry,
- They should help to promote a degree of trust and understand ability amongst foreign user,
- They should help in gaining access to international capital markets.

Thirdly, the creation and support of financial institutes which work for the development of the banking system, in particular, innovative financial-credit establishments, growth of small business, development of tourism, development of agrarian sector funds, public institutions of mortgages and credit-guarantees and others like that (these institutions, at first, make the function of interest rates compensators on credit-sides and even more. The considerable amounts of budgetary costs are redistributed on the development of economy through them).

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ПРОБЛЕМЫ И ПЕРСПЕКТИВЫ РАЗВИТИЯ БАНКОВСКОЙ СИСТЕМЫ В УКРАИНЕ В УСЛОВИЯХ ГЛОБАЛИЗАЦИИ

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Аннотация. В статье рассмотрены банковские системы развитых стран и стран с рыночной экономикой в условиях глобализации. Были проанализированы такие аспекты развития банковских систем, как их организационная структура, монетарная политика и инструменты ее реализации. Кроме того, были исследованы функциональные аспекты учетной политики и преимущества использования международных стандартов бухгалтерского учета в финансовой отчетности.

Ключевые слова: глобализация, банковская система, капитал, инвестиции, финансовые декларации, Международные стандарты бухгалтерского учета.