

JEL Classification G21, E40

INDIVIDUAL LENDING IN UKRAINE: THE CURRENT STATE AND DEVELOPMENT PROSPECTS

ZHEZHERUN Yuliia*PhD, Assoc. Prof. of Finance and Banking,**Banking University, Cherkasy Institute**ORCID ID: <http://orcid.org/0000-0001-8200-730X>**e-mail: Julia_Dm@ukr.net*

Abstract. *The article investigates the nature and types of bank lending to individuals. The dynamics and structure of loans provided to individuals by banks in 2009—2018 by purpose, by terms of crediting, and by type of currencies have been reviewed. The dynamics of interest rates on new loans has been analyzed. The risks have been identified, and the prospects for the development of individual lending in Ukraine have been investigated.*

Keywords: *bank lending to individuals, consumer lending, mortgages, currency risks, non-performing loans.*

The article investigates the nature and types of bank lending to individuals. The dynamics and structure of loans provided to individuals by banks in 2009—2018 years by purpose, by terms of crediting, and by type of currencies have been reviewed. The dynamics of interest rates on new loans has been analyzed. The risks have been identified, and the prospects for the development of individual lending in Ukraine have been investigated.

The purpose of the article is to study the current state of bank lending to individuals, identify risks and prospects for its development in Ukraine.

In Ukraine, prevail unsecured short-term consumer loans with high interest rates. This is due to the fact that individual lending is a highly profitable and risky activity. Due to the devaluation of the national currency, the development of inflationary processes, the decline in real wages, the low solvency of the

population and high interest rates on loans, the share of non-performing individual loans in foreign currency remains significant. At the same time, competition among banks in consumer lending is increasing, that will lead to lower requirements for borrowers. However, there are no significant gaps in the maturity of assets and liabilities among banks focused in this lending segment. Currency risk is diminished because, since 2009, foreign currency lending to individuals has been restricted by the law.

The bank lending to individuals has significant growth prospects. Instead, the trend towards secured loans is recovering slowly. For activation and successful development, banks need to reduce credit risks through the rejection of aggressive credit policy, and careful checking of borrowers' income; improve the internal regulatory framework for individual lending and work more effectively with

borrowers at all stages of the credit process. With a conservative approach to lending, experience in the segment, and quality scoring, credit risk can be moderate.

Further development of bank lending to individuals will depend on improving the financial condition of individuals themselves and increasing consumer demand.

References

1. Moskalev, A., Stelmakh, Ya. (2018) Suchasnyi stan ta zakhody stymuliuvannia kredytuvannia fizychnykh osib v Ukraini [The modern state and activities of stimulation individual crediting in Ukraine]. *Scientific journal «ΛΟΓΟΣ. The art of scientific mind»*, 1, 42–45 [in Ukrainian].
2. Tax Code of Ukraine № 2755-VI. (2010, Desember 2). Retrieved from: <https://zakon.rada.gov.ua/laws/show/2755-17> [in Ukrainian].
3. The Civil Code of Ukraine № 435-IV. (2013, January 16). Retrieved from: <https://zakon.rada.gov.ua/laws/show/435-15> [in Ukrainian].
4. Savluk, M., Moroz, A., Pukhovkina, M. etc. (2002). Hroshi ta kredyt [Money and credit]. M. Savluka (Ed). (Vol.3). K.: KNEU Publ. [in Ukrainian].
5. Chaikovskiy, Ya. (2017). Analiz suchasnoho stanu ta perspektyvy rozvytku bankivskoho spozhyvchoho kredytuvannia v Ukraini [Analysis of current state and prospects of development of the banking consumer crediting in Ukraine]. *Ekonomichnyy analiz – Economic analysis*, 27, 1, 156-163 [in Ukrainian].
6. Law of Ukraine on the Consumer Lending № 1734-VIII. (2016, November 15). Retrieved from: <http://zakon3.rada.gov.ua/laws/show/1734-19> [in Ukrainian].
7. Law of Ukraine on Consumer Protection № 1023-XII. (1991, May 12). Retrieved from: <http://zakon3.rada.gov.ua/laws/show/1023-12> [in Ukrainian].
8. Financial Stability Report. (2019, December). Official website of the National Bank of Ukraine. Retrieved from: https://bank.gov.ua/admin_uploads/article/FSR_2018R2.pdf?v=4.
9. Bank balance sheets. Official website of the National Bank of Ukraine. Retrieved from: https://bank.gov.ua/control/uk/publish/article?art_id=34661442&cat_id=34798593.
10. Monetary and financial statistics. Official website of the National Bank of Ukraine. Retrieved from: https://bank.gov.ua/control/uk/publish/article?art_id=27843415&cat_id=44578#1.
11. Law of Ukraine On Amendments to Some Laws of Ukraine in order to Overcome the Negative Consequences of the Financial Crisis № 1533-VI. (2009, June 23). Retrieved from: <https://zakon.rada.gov.ua/laws/show/1533-17>[in Ukrainian].