

THE TENDENCIES OF BANKING NETWORK DEVELOPMENT IN UKRAINE

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Summary. The present situation and problems of the banking network of Ukraine are under consideration. The biggest banks structures including their branches and their concentration are studied.

Key words: bank, banking system, banking network, branches of banks, departments, concentration.

The level of development of banking network of the region to a certain extent reflects its financial potential. In total economic processes which happen in the country and at regional level are closely connected among themselves. As a result of these economic processes are the financial streams accumulated, moved and redistributed through the financial institutions (banks and their network).

The development of a regional network of banks as preconditions for economic development of the territory has the importance for national economy. Thus consideration of tendencies of development of banking network is topical issue in terms of the future development not only of the banking system, but also economy as a whole.

The aim of the study is to assess trends of development of banking network in Ukraine.

As it was already noted, any economic development needs financial resources. The redistribution of these resources happens through a network of bank functional subsections.

As banking network here we understand banks – the main offices and separated structural divisions (subsidiaries and branches).

As of 01.01.2013 20935 units of banking institutions, 176 of which – banks (others – their territorially separated divisions) functioned in Ukraine. From 2008 to 2012 the number of bank divisions was reduced by 2196 units or for 9,5 %. More accelerated reduction occurred during 2008–2010. In the structure of banking network this reduction had uneven character. So number of banks of branches was reduced by 80 % (from 1226 units in 2008 to 246 units in 2012), number of bank offices thus was reduced only by 5,6 % (from 21721 units in 2008 to 20513 units in 2012).

The structure of banking network has also been changed. If in 2008 branches accounted for about 5,3 % in structure of banking institutions, in 2012 only 1,2 %.

The tendency concerning closing of branches and replacement with their branch offices lasts. On the one hand branch offices are cheaper in the contents, on the other hand – they have the right of carrying out only to a limited circle of bank operations, such as settlement and cash servicing of clients, maintaining currency accounts, non-trading operations and attraction of deposits of individuals. Mostly they have no authority to issue loans.

For today there are only four banks which have branches in each region of the country: Privatbank, Ukreximbank, Oschadbank and Raiffeisen Bank Aval (Ukreximbank and Oschadbank are the state banks).

The overwhelming number of the main offices of banks is in Kiev and their number continues to grow (2013 – 115 banks and 2072 bank divisions against 114 banks and 1808 bank divisions in 2009). It is one of the reasons that promotes accumulation of monetary resources in the only center – in the capital. Such state of affairs complicates development of other regions through limitation of access to financial resources, limitation of resources of crediting, bureaucratic processes, intra bank limits and so forth.

As of April 1, 2013 among the banks with the most developed territorial structure it is possible to distinguish: Privatbank – 32 branches or 14,2 %, Ukreximbank – 29 branches or 12,9 %, Oschadbank and Raiffeisen Bank Aval – on 25 branches (11%), Ukrinbank – 18 branches (8%), Pivdenniy Bank – 16 branches (7,1 %). As a whole 76,4 % of branches are the share of 8 banks.

Total number of branches as of 01.04.2013 is 225 units.

The concentration of the banking network looks as follows: 70 % of bank subsections are the share of 15 banks. Among them the biggest are Oschadbank (28 %) and Privatbank (16,5 %).

In total on system there are 20685 units of bank divisions.

More than 50 % of banking institutions (the main offices and divisions) are concentrated in 7 regions. In Kyiv there are 11 % of all banking institutions; in Donetsk and Dnipropetrovsk regions – 8 % and 7 %; to Odesa, Kharkiv, Lviv and the AR of the Crimea – on 6 % respectively. Other twenty regions have on their territories from one to four percent of establishments of banking network.

The structure of banking network in a regional section experienced such changes: network growth network was observed in 8 regions. From them most of all in Kyiv – on 14 units, in Kirovograd region – on 5 units, in Ivano-Frankivsk and Ternopil regions – on 3 units respectively. The insignificant increase took place in Zhitomyr, Odesa, Vinnytsia and Mykolaiv regions.

One of the reasons of banking network optimization is certainly the economic crisis of 2008–2009 that led to decrease in volumes of crediting. So, in the first quarter of 2013 the tendency concerning reduction of banking network lasts. As of 01.04.2013 the banking regional network totals 20861 units against 20935 for the beginning of year. In its structure there are 20460 offices (20513), 225 (246) branches and 176 banks.

As a whole 280 regional offices including 18 branches and 262 offices have been closed. 121 regional offices including 10 branches and offices have been opened.

In 2013 the tendency of strengthening of unevenness of territorial distribution of banking institutions proceeds. The greatest concentration takes place in Kyiv – over 2201 units regional network of banking institutions, in Donetsk region – 1731 units and Dnipropetrovsk – 1550 units. The nature of changes is also uneven. In comparison with the first quarter of 2009 when tendency change took place, considerable reduction is observed in Donetsk and Dnipropetrovsk regions. But in Kyiv the regional network grew by 15 %.

Thus, the existing tendency of concentration to three financial centers indicates uneven nature of the development of economy, weakening of regional development and concentration of the majority of financial resources in the only center. As a consequence of this it has negative impact on the economic situation in general due to the lack of appropriate access to the financial resources.

The conducted researches testify to unevenness of distribution of banks in regions. The tendency concerning reduction of own network of banks which began in the first quarter of 2009 proceeds. However dynamics of recession of the last three years (2010–2012) stopped a little. During the first quarter of 2013 changes in bank networks have rather individual than system character, generally they are connected with domestic policy of each separate bank.

However the tendency concerning concentration of banking institutions in 4–5 regions with the main center in Kyiv which also remains the most provided by the banking institutions proceeds.

The centralization of banking network is the important indicator of dynamics and a condition of economic and social development of the country.

Therefore structural shifts of banking network which happen recently can't but disturb, they even without additional researches indicate directly on the centralization of resources. Changes in its structure testify to essential reduction of branch and their replacement by branch offices. The tendency concerning optimization of own network arose as policy of economy of resources after crisis of 2008–2009. The specified situation was affected also by deterioration of an economic situation of the country as a whole.

Competition level grows in the cities with high degree of concentration between banks which has mainly speculative character.

Kyiv, Donetsk and Dnipropetrovsk regions, the AR of the Crimea, Odesa, Lviv and Kharkiv regions where 50,9 % of banking institutions and their regional subsections are concentrated remain the most attractive to the banking sector.