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## THE IMPACT OF FOREIGN CAPITAL ON THE DEVELOPMENT OF THE UKRAINIAN BANKING SECTOR

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*Summary. The article investigates the share of foreign capital in the Ukrainian banking sector, analyzes its structure; the issues of the influence of foreign capital on the development of the domestic banking sector have been considered herein; the factors that contribute to the withdrawal of foreign*

*capital from the domestic banking sector have been revealed. The author proposes measures aimed at protecting of national interests in the banking sector and supporting of the stability of the financial system as a whole.*

**Key words:** *foreign investment, banking sector, banks with foreign capital, the financial system.*

The article investigates the share of foreign capital in the Ukrainian banking sector; an analysis of the presence dynamics of foreign capital in the Ukrainian banking sector in the period from January 1, 2007 to January 1, 2015, as well as of the ownership structure of assets, share capital and net profit (loss) of the Ukrainian banking sector by country as of January 1, 2015 has been made, moreover measures to protect national interests in the banking sector have been proposed.

On the background of political and economic instability, which negatively affected all sectors of the economy, increasingly issues of ensuring stable and efficient work of domestic banks by attracting foreign capital are raised. The high dependence of the Ukrainian financial system of the world's one, makes the banking sector particularly sensitive to currency fluctuations and leads to additional risks in case of a rapid outflow of foreign capital. It has been found

out that the impact of foreign capital on the development of the banking sector can be both positive and negative.

It has been proved that the main factors of reducing of the investment attractiveness of the domestic banking sector are the lack of important prerequisite to improve the business climate in the short term; the ban on lending in foreign currency; low-quality loan portfolio; opaque judicial system and the lack of the creditors' rights protection institution; instability in politics and currency; reduced aggregate demand and the flow of savings from the banking to non-banking sector; high level of uncertainty regarding further economic development; the reduction of economic activity of economic entities etc.

The development of the national interest's protection mechanism in the banking sector and the entire financial system long term stability maintaining require further research.

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