

**COMPETITION FEATURES OF CREDIT MARKET OF UKRAINE**

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Competition is one of the important factors that affects both price and quality of services in the credit market. The analysis of the impact factor is one of the main tasks of each bank and the urgent problem for research because 80% of the bank's capital consists of borrowed funds.

Credit markets in Ukraine and all over the world are going through significant changes due to globalization of financial markets, implementation of modern information technologies in banking management and increase in a range of non-banking products in the banks. Therefore the importance of analyzing the competitive advantages of banks led to the necessity for more detailed study of the competitive environment characteristics of the credit market in Ukraine.

Banking competition is a process of rivalry among banks and other financial and credit institutions. In the course of this process all the agents seek to ensure the leading position in the banking market [2, p.15].

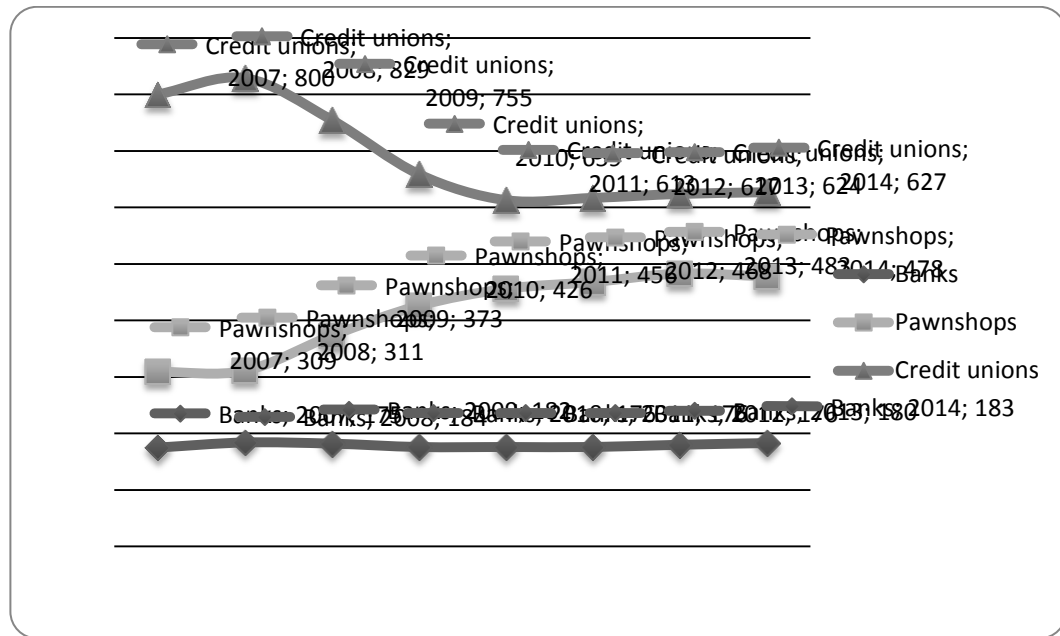
A competitive bank is a commercial organization that clearly understands its strategic goals, has competent staff and efficient mechanism for dynamic adaptation to the modern world and customers' requirements [1, p. 13].

Generally there are two groups of economic actors that take part in a competitive relationship: commercial banks and non-banking financial institutions. National Bank of Ukraine does not take part in competitive relationship in the financial market of Ukraine although it's an actor of the credit market.

According to the data of the State Register of financial institutions the number of non-banking financial institutions in Ukraine tended to increase significantly from 2007 to 2014. As for the banks the tendency is opposite (Fig.).

Especially great increase of non-banking financial institutions is observed from 2011 till 2014. This trend can be explained with the suspension of lending during the crisis, a complication of loans and lower cost loans comparing with banking institutions service cost, which in turn led to increase in the amount of funds involved by non-banking financial institutions. These factors lead to a significant increase in activity of these institutions due to the increased popularity of their services on the credit market.

This situation is rather ambiguous for Ukrainian banks. On the one hand, increased competition promotes intensive development, improves the mechanism of operation and on the other hand, the growing number of credit unions and pawnshops leads to decreasing profits of the banks and undermines their financial security [3, p. 316].



**Figure – Dynamics of the number of banks, pawnshops and credit unions in Ukraine in 2007-2014 [done on the base of materials [4]]**

The special features of banking competition in Ukraine at the modern stage should include:

- significant barriers to market penetration of new competitors;
- a considerable impact of the state regulation on the banks' policy;
- high level of competition in general with the prevalence of generic competition;
- tougher competitive environment in comparison with other financial markets;
- intersectoral banking competition is expressed in the form of "transfusion" of capital in the form of functional competition;
  - the use of both price and non-price competition, but the price competition restriction highlights the problem of quality control of banking products and advertising;
  - important role of banking sector in economic and national security ensuring.

So, the level of competition in the modern Ukrainian credit market is quite high and tends to increase due to the growing number of non-banking financial institutions. But competition itself on the credit market is an objective process of intensification of market relations in the country which can lead to increasing competitiveness of the banks. But for this purpose competition need to be monitored and regulated in the context of law and business ethics. Credit market research proves that credit markets in Ukraine continue to evolve and improve taking into account the globalization of financial markets and the challenges of post-industrial economy.

## References

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