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### **VALUE OF FOREIGN BANK INVESTMENT IN UKRAINE'S ECONOMY IN THE CONTEXT OF GLOBALIZATION**

Providing domestic and foreign banks equal opportunities in the financial market of Ukraine is one of the conditions for the global integration of our country. Globalization of the world economy can't avoid the banking system of Ukraine, especially in view of the openness of the national economy and its integration through foreign capital expansion. With entering of Ukraine to WTO and realization of eurointegration course there is a gradual increase of presence of foreign capital in the domestic banking system. The arrival of foreign banks with proper reputation is an important factor in the development of the banking sector of the state.

Bank investments abroad are money which juridical person-nonresident inlay in the bank sector of certain country with the purpose of profit. A concept "foreign bank" appeared yet 19 years ago, when the first foreign bank in Ukraine was created. In particular, in May 1993 the National Bank of Ukraine registered bank with 100% of foreign capital "Kredi Lione Ukraine" [7, с.44].

According to the Law of Ukraine "About banks and bank activity", a foreign bank is a bank that is associated with a citizen or juridical person of any country other than Ukraine. Functioning of foreign banks is variously rationed in the legislation of the world countries. Thus, in Ukraine bank with foreign capital is defined as a bank in which the share of capital owned at least by one foreign investor is not less than 10% [3].

We can conclude that the notion of a foreign bank should be understood as the bank with 100% of foreign capital, which is wholly owned by foreign investors, has operations in the host country, which is governed by national law, and the concept of bank with foreign capital should be understood as a bank institution with a partial foreign capital.

The countries that most actively invest in the bank system of Ukraine are Cyprus, Austria, Russia and France. According to statistics, from January 2007 to October 2012

the number of operating banks in Ukraine increased from 170 to 175. During this period significantly increased the number of banks with foreign capital – from 35 to 55, including banks with 100% of foreign capital – from 13 to 23. The share of foreign capital in the bank system of Ukraine in October 2012 was 31.43%. Accordingly, the share of foreign capital in the authorized capital of banks increased from 27.6% in January 2007 to 39.3% in October 2012 [6].

Objective reasons of foreign banks investments in Ukraine's economy are:

- increase of demand for resources from the real sector of the national economy and the inability to satisfy these needs from domestic sources;
- direct use of modern banking technology and banking management as preconditions for further institutionalization of the national financial system;
- increase of the competitiveness and integration into the global economy;
- expansion of banking services and improvement of their quality;
- reduction of internal shocks influence on the stability of the bank system;
- increase of international financial rating of Ukraine and foreign investments in its economy;
- increase of participation in objective processes of globalization [4, c.46].

In relation to the policy of admittance of foreign capital in the banking system the world practice identify a few approaches which represent the different level of protectionism:

a) the principle of national regime (the most liberal approach to organizations that operate in the country and are controlled directly or indirectly by non-residents, provides a regime in which in the process of licensing of credit organizations are not taken into account its “nationality”, and in the process of activity apply the same rules of banking regulation as it applies to organizations-residents);

b) the principle of reciprocity (the regime in which nonresidents need permission to start operations in the banking business, as there are certain restrictions on foreign institutions admission on the market in the countries of origin of the investor);

c) the principle of national interests priority (is used by countries that are developing, this regime provides the admission of foreign capital into the banking system through the use of protective equipment – limiting the participation of non-residents by setting a maximum threshold control of aggregate bank capital or assets, adjusting the conditions of participation of foreign investors in the privatization of state banks, the definition of organizational-legal forms of presence of foreign banks in the country that are most appropriate to the needs of banking systems) [2, c.124].

The presence of foreign capital is available in various forms: the creation of banks with foreign capital (including creation of joint bank with several foreign partners, purchasing by foreign bank 100% of shares of domestic banks, sale of shares of domestic banks by foreign investors), the opening of branches or representative offices of foreign banks, banks exit on international capital markets, placement Eurobond loans in foreign markets, the formation of the share of non-residents in liabilities and assets of banks in Ukraine, the providing cross-border banking services.

The process of expansion of foreigners on the Ukrainian banking market started from the 1990s, when foreigners studied new market by trial and error: founded in Ukraine banks and observed how business function. Instead, the Ukrainian banking system has

no branches of commercial banks outside the country. Exceptions are established by the National Bank of Ukraine in 1999, but not active, the Ukrainian department of Black Sea Bank of development and trade in Thessaloniki (Greece) and Branch of “Privatbank” in Nicosia (Cyprus), whose activity is insignificant by volume of operations and does not any significant effect both on the activities of the “Privatbank” and Ukrainian banking system [5, p.36].

The presence of banks with foreign capital in the banking system of Ukraine answers the interests of the national financial system, helps to attract foreign investments and expand the resource base of economic and social development. However, there are serious financial and economic risks of rapid growth of the share of foreign bank capital associated with the possible loss of sovereignty in the field of monetary policy, possible increase of instability, unexpected fluctuations in liquidity, speculative changes of demand and supply in the money market, possible outflow of financial resources. Therefore, the question of the form of expansion of the presence of foreign bank capital in the banking market must comply with the strategic goals of social-economic development, improve national competitiveness, economic security, strengthening the monetary system of Ukraine [1, c.24].

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