

Yurkiv M.T.

post-graduate *

Lviv State Academy of Finance

**MANAGING PROBLEM LOANS IN THE BANKS OF UKRAINE:
CREDIT PORTFOLIO AS A BASIS FOR HEALTHY FUNCTIONING OF
THE FINANCIAL SYSTEM OF THE COUNTRY**

The aim of the article is caused by the need to analyze the status and trends of the loan portfolio of banks of Ukraine because of the efficiency of the latter depends largely on the amount of bad loans of the banking system and the stability of the financial system as loans take the lion's share in GDP of the national economy.

To improve the research of the topic it's necessary to use the combination of scientific methods of collection, processing and analysis of materials on the status and improvement of the loan portfolio of banks of Ukraine to ensure successful implementation of the goals and objectives of the study. The methodological basis of the article studies were modern foreign and domestic scientific approaches and trends of development issues management, statistics, economics, psychology, sociology, related to them and other sciences. In the process of writing used research methods such as comparative (in terms of matching and comparing the analyzed years), systematic (during the analysis of the loan portfolio in the system of finance of the domestic economy), synergistic (in terms of the impact the efficiency of credit portfolio management, which forms the basic part of the assets of the banking sector and the financial system of Ukraine in general).

While the working on the theme of the article it's proved the need for a rational approach and attitude in managing bank's loan portfolio in Ukraine. The focus of attention is primarily on high-impact level of bank's bad loans loan portfolio. It should be noted that the calculation of initial data indicate that the amount of income

* Research supervisor : Bitter A.A. – Ph.D., Professor

from bank lending operations in general is influenced by two main factors, the volume of loans and interest rates on loans, the latter because of the level of interest rates indirectly take into account such factors as the length of credit, loan security, risk, method of calculation and payment of interest method. In addition, the calculated efficiency ratio of credit portfolio management demonstrates a direct links between the level of NPLs in the banking system and efficient management of the latter, as the actual calculations clearly showed this indicator.

Well known that the basis for the healthy functioning of the banking system of Ukraine is effective work with problem loans of banks. Fully away to avoid losses on problem loans in practice is impossible, their value should be regarded as a kind of price risk of the banking business.

As a fact, proved direct links between the level of NPLs in the banking sector of Ukraine and the level of effective management of the loan portfolio. Lending activities of banks is the main source of income of the banking business and great attention to the process of bank's lending with the rational expectation management is key to sustainable functioning of the financial system in general.

The coefficient of losses formed by existing reserves for impairment loss is measured as the ratio of reserves for active banks' operations to the level of lent loans. In terms of protection against potential losses, the amount of provisions decreased by these calculations may indicate a deterioration of security, and thus the quality of the loan portfolio of banks in Ukraine.

To sum up the results of the research allow to develop a rational approach to the regulation of social relations between banking institutions on the one hand and borrowers to repay debts before the latest taken from banks under loan agreements and rational approach to working with clients on the other hand.

References

1. Hariaha, L. (2006), "Credit risk: identification, classification and evaluation", *Problemy i perspektyvy rozvytku bankivskoi systemy Ukrainy*, vol. 17, pp. 318-329.
2. Dovhan, Zh. (2010), "Credit risk management of banks in the economic crisis", *Visnyk NBU*, no. 8, pp. 51-55.
3. Lysenok, O. (2010), *Praktykum z kursu "Analiz bankivskoi diialnosti"* [Practical course "Analysis of Banking activity], tutorial, KNEU, Kyiv, Ukraine, 307 p.
4. Prymostka, L. (2004), *Finansovyi menedzhment u banku* [Financial management in the bank], textbook, KNEU, Kyiv, Ukraine, 280 p.
5. Shulzhenko, H. (2012), "Credit risk management in the context of providing and preserving financial stability of commercial banks", *Problemy i perspektyvy rozvytku bankivskoi systemy Ukrainy*, issue 36, pp. 311-318.

6. Annual reports NBU 2006-2013. The National Bank of Ukraine. (2014), available at: http://www.bank.gov.ua/control/uk/publish/category?cat_id=58023.
7. Data of the financial statements of banks of Ukraine. The National Bank of Ukraine. (2014), available at: http://www.bank.gov.ua/control/uk/publish/category?cat_id=64097
8. The main indicators of banks in Ukraine as of 1 January 2014. The National Bank of Ukraine. (2014), available at: http://www.bank.gov.ua/control/uk/publish/article?art_id=36807&cat_id=3679