BACKGROUND OF INTENSIFICATION OF INTERNATIONAL INVESTMENT ACTIVITY OF COMMERCIAL BANKS OF UKRAINE UNDER THE CONDITIONS OF GLOBALIZATION

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Abstract Financial globalization, which is an essential feature of the current stage of the world economy development, has a significant impact on overall economic growth, mainly due to the increase of global capital supply and stimulation of the national financial system development, which increases the efficiency of resource allocation, creates new financial instruments and improves banking services quality. Consequently, foreign investment becomes the determinative part of domestic economic processes of the majority of countries, in particular Ukraine. According to this, the article is devoted to the research of the global vectors of international investment activity expansion of commercial banks of Ukraine taking into account the update banking system potential.
Keywords: globalization, financial globalization, financial instruments, investments, investment scope, investment activity, international investment activity, investment potential, banking system, bank investments.

Introduction

The guiding feature of the financial globalization should be regarded the unification of separate national financial markets into a single global financial space that requires liberalization of domestic financial sector and the operations of international capital flows. The result of this liberalization is the intensification of international capital flows and changes in their structure. Consequently, the international migration of capital, including investment, among other factors of production becomes the important guiding factor in the development of the global economy and This requires the research of priority vectors of Ukraine commercial banks activity development in the international investment markets.

An important contribution to the study of issues of commercial banks international investment activity is reflected in scientific works of scholars such as Balatsky O., Berger F., Vasylyk O., Gladkikh D., Lutsiv B., Mirkin J., A. Peresada A., Puriy V.M., Sharpe W. and others. Justification of guideline of expansion of commercial banks international investment activity have been researched by Achkasov A., Birman H., Britchenko I., Vakarin S., Glushchenko S.V., Danilov Y., Dyakonova I., Ivanov N.V., Kyrychenko A., Kyselyov V., Kryckliy A.S., Redhed K. and others. However, the issues of the definition of global vectors of commercial banks activity development in the international investment market, taking into account the potential of the banking system of Ukraine, require a more thorough investigation. All this requires substantiation the global vectors of commercial banks international investment activity. This includes the following tasks: to determine the impact of financial globalization on the commercial banks international investment activity expansion, to substantiate the investment potential of the banking system of Ukraine, development of priority vectors of the commercial banks investment potential in the international financial environment.

Results

The important task of Ukraine integration into the international financial system is meant to be its access to global capital markets, particularly to implement the investment potential. Despite the high level of general economic openness and positive trend in the subsequent integration of Ukraine into the world economy, the financial sector of the country is defined by a low level of interaction with international financial markets. In relation to the underrun of the integration into the global economy in the financial sector there is a need to change economic policy in order to increase foreign investments and credit financing. The task of integration into the globalized investment space facing Ukraine requires taking into account the features of the modern global economy structure, the careful selection and use of tools that are able to maximize the speed and effectiveness of such integration and also to minimize possible losses from this process. Along with this, it should be noted that intensification of banking activities beyond national borders and increase of international bank investments cause a threat of global banking crises.

With the development of the financial market and international integration of credit and investment system not only the positive trends in the banking sector are enhancing, but also the potential threats. The sensitivity of national economies to global crises is increasing, the effectiveness of monetary regulation at the national level is reducing, and the intensity of the international movement of bank capital is increasing. In particular, there is not only a transfusion of banks' capital, but also the international movement of loan capital, concentrated in banking. At the core of international banking investments is the uneven economic development of individual economic entities, industries, countries, regions (Mencinger, 2003). The main assumptions that cause international movement of bank capital include the following: the desire to expand the market segment; desire to retain customers who expand their activities abroad; desire for diversification and stability; desire to avoid the limitations of national legislation on certain types of banking activities; getting access to cheap resources or the possibility of more efficient allocation of the available resource base; the desire to optimize tax payments or political risks etc.

The main components of the bank capital international movement is a direct investments in the form of new banks in foreign markets, opening departments overseas, the stock of shares acquisition in foreign banks, investments in securities. Establishment of subsidiary banks in foreign markets is rather risky because most of the banks purchase the ready banking business or open overseas offices. The movement of foreign banking capital in the form of the acquisition of the banking business is a background for the development of international bank financing. Foreign banks and banks with foreign capital operating in emerging markets, having more attractive conditions of resources allocation, offer massive opportunities to obtain loans from parent banks, to arrange Eurobonds etc. Central banks of CIS countries even have to restrict the volume of international borrowings of domestic banks.

The national banking system, given the small volumes of capitalization compared with transnational banks can not significantly affect the global banking market. One of the main indicators of the banking system, which characterizes the degree of banks credibility, is the level of capitalization. The reliability of the entire economic system and the dynamics of its further development depend on quality and value of the total capital of banks across the country. Despite the gradual growth of the balance capital rate the capital of Ukrainian banks is very low.

The value of assets of all Ukrainian banks is comparatively low, and thus their impact on the banking market is quite small. It should be noted that despite the positive dynamics of 2008-2013, a further period of difficult economic and political situation in Ukraine has a negative impact on the formation of these indicators.

It should also be noted that the participation of commercial banks in the investment process has both positive and negative features. The positive ones include the following. Firstly, the admission of banks to the stock market is instrumental in competition among its participants that means reducing expenditures of issuers and investors. Secondly, banks' investments in securities are diversifying its assets, that increases the stability of a bank, and hence the reliability of the cost preservation of depositors. Thirdly, the interpenetration of banking and industrial capital improves the transfer of information, enhances the competitiveness of banks and industrial sector. In addition, one should determine the negative aspects of commercial banks' participation in investment business, namely: a) securities transactions is fairly risky activity; b) losses of banks resulting from changes in market value of securities or unsuccessful placement of securities at issuance could harm the interests of banks, destabilize the banking system; c) a combination of banking and investment business could cause a conflict of interest between bank's departments.

In recent years Ukraine has significantly improved the conditions for effective credit and investment activity. The main factors that positively affected the banking investment in the real sector of economy are: country's economic recovery; increase in earnings of individuals and legal entities; increase in banks' capital rate; enhancement of banks' financial capacity by active fundraising; increase of banks' liquidity; reduce the cost of credit; increase of the investment attractiveness of the domestic economy. However, despite the positive developments in the economy, activation and effective banking credit and investment activity by Ukrainian banks depend also on other equally important factors. Among them, first of all, special mention should go to the sufficiency of the resource base. Proper finance endowment enables banking institutions to conduct greater range of active operations. In such circumstances the scope and structure of bank resources are of importance. After all, only funds raised or borrowed for a long term, can be used in investment operations. Availability of short-term funds mainly encourages banks to invest them in their usual active operations, such as providing consumer loans.

The level of credit demand, changes of which affect the level of activation of investment banking is equally important. Credit cost increase reduces the demand for them, especially in the largest category of borrowers – citizens. Under these conditions, banks are forced to seek alternative ways of activity maintaining. The best option in this case is to invest in securities; that, in turn, implies developed securities market availability. Market condition depends on the demand and supply of securities and their attractiveness to potential investors. Bank investments in financial assets increase with decrease in the value of stock instruments. Otherwise, banks prefer credit financing (Glushhenko, 2007).

An important background of bank investment activity is the borrowings market monitoring. Demand for short-term and consumer loans slows down banks' investment activity and the growing need for long-term investment credits stimulates it. The national economic policy is essential for the development of international credit and investment banking. The introduction of effective monetary, fiscal and legal instruments will help to improve the conditions of business dealing that would improve the investment climate in the country. In addition, one of the necessary measures, in our opinion, is the improvement of existing normative acts and development of new ones regarding banking investments, including credit and investment banking activity. The presence of a common approach, a clear strategy and legal framework in this area is essential not only for the efficient operation of the banking sector, but also for social and economic development of the country.

But nowadays, when the global financial crisis has caused significant changes in the economy, the new problems in the development of economy and investment appeared. The reasons that restrain banks' investment activity in Ukraine are (Purij, 2009): banks' short-term resource base; financial insolvency of most borrowers, lack of guarantees of return their loans and floating charge; intake of Ukrainian banks by foreign capital, resulting in loss of economic independence; loss of credibility of citizens and entrepreneurs to Ukrainian banks, due to the events of the economic crisis worsening in Ukraine and abroad; high levels of internal and external investment risks which banks are not ready to accept; high credit interest rates; lack of an effective mechanism of stimulation on the part of the state.

In order to activate banks' international investment activity state must ensure, firstly, the possibility of accumulation of the necessary funds by banks; secondly, to share with them the risk of investment activity, due to the economic situation of the country; third, to enhance the profitability of investment activity. Practice shows that in order investment to function banks should have cheap resources that are reallocated on behalf of the state. Under these circumstances it is urgent to establish the specialized investment banks on the basis of public resources, but on the basis of commercial ones (Bregeta, 2010).

The banking system of Ukraine is able to provide a significant amount of investment resources required by the domestic economy at the present stage of development. Banks' investment activity and economic growth are two interrelated processes. Economic growth is largely dependent on the implementation of investments by banks and vice versa. So, to improve the investment climate and ensure the further development of investment banking in Ukraine, there is a need to develop and substantiate the state investment policies aimed at transforming of local banks in active investors of Ukrainian economy which will ensure the mobilization of sufficient volumes of investment resources in priority areas of economic development. The banking system is the most powerful segment of the domestic financial sector, which contains the overwhelming share of the total assets of financial institutions in Ukraine. The characteristic feature of the development in recent years is rapidly increasing volumes of active operations, primarily in consumer and mortgage lending, increase of the profitability of banks and increasing presence of foreign capital.

In order to facilitate transactions with financial assets of other countries on the stock exchanges of Ukraine it is necessary to create the legal and organizational conditions for the production and circulation of Ukrainian depositary receipts. Further development of the banking investment market should take place in accordance with international practices and the requirements of European standards especially concerning the creation of regulated financial instruments markets. Such a task should be done through the creation of infrastructure institutions, primarily accounting and clearing

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and trade ones, high-tech and most comfortable ones for financial market participants. The lack of such infrastructure deters investors, leads to impairment of Ukrainian enterprises; focuses asset trading in the shadow of offshore companies. For this purpose the implementation of the following measures is expedient: creating of favorable organizational and legal conditions for the emergence of competitive and efficient domestic market of rating services, for independent rating agencies activities; modernization of accounting stock market infrastructure, which would facilitate transactions between investment entities, contribute to the effective implementation and insurance of agreements and accelerate the integration of the national market to European and world markets. Furthermore, there should be improved exchange system in the financial market of Ukraine, which is designed to provide the modern standards of securities and fixed-term contracts trading, inherent in any liquid and regulated market.

In order to improve the debt policy efficiency one should apply to the production of new debt instruments. In this regard it is important in the domestic market to conduct a turnover of the long-term securities with circulation period of 5 years or more that would not create a troubled period of repayment in the short and long term; prioritize different parts of the public debt in order to prevent violations of the rights of existing creditors and investors in the country by issuing the new government debt instruments. In other words there should be the defined priority in creditors meeting requirements and the interest rate on government debt securities must be its reflection; issuance of government debt securities linked to key macroeconomic indices.

Global vectors of international investment banks activity development in Ukraine should be based primarily on the measures regarding foreign investment operations stimulation: reducing the tax burden of banks, especially in long-term crediting of the real economy; facilitation of banks capitalization through the income tax exemption, which is aimed at this goal, because specifically sufficient equity of proprietary capital provides active and profitable activities in the field of investment; exemption from commercial banks profits share taxation or reducing the tax rate for banks, if they direct their funds to the development of science and innovation projects; improvement of the system of commercial banks investment risks insurance to encourage banks to provide long-term loans; improvement of mortgage lending, the development of the internal market of mortgage-backed securities (mortgages and mortgage bonds); creating conditions for revival of investment activity in special zones and priority development territories, where there is a special investment regime for entities.

Discussion

In order to expand the international innovative capacity of commercial banks in Ukraine it is appropriate, firstly, the introduction of tax benefits and reservation of securities portfolio depending on the composition and thus encouragement of commercial banks to engage in long-term investments in the economy; secondly, NBU review of level of issuers risk securities in which the state has a substantial interest in order to prevent diversion of significant resources of commercial banks for creation of provisions; thirdly, simplification of refinancing credits against securities which are in the investment portfolios of a commercial bank; fourthly, adaptation of the investment minimizing risk provisions to the dynamic features of modern commercial banks; fifthly, setting inherent limits on investments in securities in accordance with a bank development strategy; sixthly, the increase of capitalization of banks by reducing the number of uncompetitive ones by means of mergers and consolidation.

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