TABLE OF CONTENT

INTRODUCTION

In the conditions of the market transformation of the economy in Ukraine, the improvement of management of banking activity is gaining importance. To effectively manage the activities of a commercial bank, we need a clear systematization and classification of principles and management methods. In order to choose the banking management strategy, there is a need for an analysis of the efficiency of the banking activity and the maintenance of the appropriate level of competitiveness. Therefore, it is necessary to identify the main factors that directly affect the competitiveness of the bank, and propose a method for effective management of them.

A civilized and reliable banking system is the key to the effective functioning of a market economy. However, bank capital will turn into a powerful stimulus for economic growth and increase living standards only if it will make a profit. To do this, you need to significantly improve the efficiency of banking management. Experience shows that the best indicators are those banks that have a high level of organization and management. Management effectiveness is fundamental to any business entity, but it gets a special value for a commercial bank. The feature of the banking business is a high degree of riskiness, so any managerial error threatens the loss of liquidity, solvency and ultimately bankruptcy.

The actual problem and the priorities of modern business have become issues of management efficiency. One of the key steps in successful management is the timely and accurate assessment of the effectiveness of banking activities. For domestic practice is characterized by the identification of assessment of efficiency of banking activities and the identification of indicators of profitability, as well as the application of the method of financial ratios as the main assessment tool. The question of the adequacy of using the traditional performance indicators current conditions of the banking business and the ability to take into account significant factors influencing the efficiency of banking activities requires an effective solution.

One of the most important components in the system of analysis of the financial stability of a commercial bank is an assessment of its financial profitability. The value of this estimate follows from the fact that income and profitability characterize the scope of banking assets, affect the growth of the bank's equity, determine the possibility of growth of active operations of the bank and expansion in the market, adds confidence to investors and creditors in maintaining business relationships with a particular bank, create a stock provide for the payment of dividends to investors.

The purpose of bank management is to ensure the efficiency of the bank in the short and long term. The main task in the process of organizing the activities of the bank and its structural divisions is to realize at least three of the most significant goals are achieving a high level of profitability, sufficient liquidity and security of the bank. High efficiency is most often estimated for cost to profit, while the idea of saving costs in the banking business prevails. The lower the cost elements, the more tangible and positive the end results of the banking institution.

Relevance of topic. The banking system has undergone several changes and crises during the last decades. Some of them are provoked by the global economic crisis, partly by local economic processes, as well as internal factors influenced by the state of the banking system, such as the quality of credit portfolios of individual banks, observance of their norms and other factors. Therefore, there is a need to determine which of these factors have the greatest impact on the general state of the banking system and the competitiveness of commercial banks in the credit market. This need is justified by the fact that the stability and efficiency of the banking system is one of the cornerstones of the country's economy, therefore maintaining this system in good condition is one of the important tasks of the present. To do this, it is necessary to conduct a detailed analysis of the factors of influence, in order to be able to predict the crisis phenomena and prevent them in a timely manner.

Therefore, the study of factors for the formation of banks' competitiveness in the credit market and their impact on the performance of the banking system is relevant and important in the context of the functioning of the banking system as a whole.

The research of problems of bank competitiveness was carried out by such scholars as V. Kiselev, R. Cotter, M. Pessel, T. Coelli, P. Rose and others. Other studies are aimed at analyzing the profitability of banks in groups of countries: Demirguc-Kunt & Huizinga (2010), Abreu & Mendes (2001), Staikouras & Wood (2003), Hassan & Bashir (2003), Goddard Molyneux & Wilson (2004). Ongore, V. O., & Kusa G. B. (2013). Musau, Muatle & Mwangi (2017) and others.

The aim of this study is to determine the importance of banks' competitiveness in credit market for the development of the banking system.

The research objectives include the following:

- to research of essence and meaning of competitiveness in the banking sector;
- to review main indicators and dynamics of the Ukrainian banking services market for 2014-2018;
- to analyze of competitiveness of Ukrainian banks and their rating;
- to determine of problems of competitiveness of banks in modern conditions;
- to research of ways to solve the problems of competitiveness of banks in modern conditions
- to analyze of competitiveness measures and their effectiveness

The object of research is the competitiveness of Ukrainian banks on credit market.

The subject of research is theoretical-methodological and applied methods of increase of competitiveness of Ukrainian banks on credit market..

The methods of research. The methodological and theoretical basis of the thesis has made a synthesis of the results of fundamental and applied research in the field of credit market, modern theory and methods of implementation of financial technologies. The thesis used such general methods of scientific knowledge, both historical and comparative, and special research methods, as particular abstract-logical, statistical and economic, monographic, analysis and synthesis, comparisons, benchmarking and other methods of economic research of economic-mathematical method, the analytical and logical generalizations.

Practical significance of the obtained results is in the fact that the scientific provisions, conclusions and recommendations of the research can be used to improve the efficiency of financial services on credit market and increase of bank competitiveness.

Publications. Some results of the research were stated in the scientific article "Competitiveness of a bank in credit market"// Конкурентоспроможність банку на кредитному ринку: зб. наук. ст. студ. денної форми навчання / відп. ред. Н.П. Шульга. – К.: Київ. нац. торг. - екон. ун-т, 2019. – 224 с. (С.182-186).

Structurally, the thesis consists of introduction, three chapters, including sections, conclusion, and list of references (52 positions) and appendixes. The volume of work is 55 pages including references - 6 pages, appendixes - 11 pages. The paper presents 8 tables, 2 figures, 7 appendices.

CHAPTER 1. THE ESSENCE AND MEANING OF COMPETITIVENESS IN THE BANKING SECTOR

Competitiveness of a bank is a complex comparative characteristic of it, which reflects the degree of superiority of a set of indicators of evaluation of the bank's activity, which determine its success in the banking services market as a whole or in individual markets (credit, deposit, etc.) over a certain period of time over a set of indicators of competing banks.

The concept of "competitiveness of the bank" stems from the very essence of competition and the ability of the bank to it. The concept of competition is complex and multifaceted. No concept in the economy or in other fields can ever be defined so clearly that its meaning remains clear in different circumstances. And of course, such a commonly used word as "competition" is no more protected from different constraints and interpretations in different contexts.

The competitiveness of a banking institution is determined by a number of factors, but the most important indicator of a bank's performance is the profitability of the bank.

Reviewing literature on bank competitiveness explains profitability through internal and external variables. Internal, or bank specific factors, are under the control of bank management. External variables trace the effect of the macroeconomic environment on banks' performance. Earlier studies on determinants of profitability were mainly focused on banking sector in financial sector (Bourke, 1989; Short, 1979). Short (1979) and Bourke (1989) provided the first studies on bank profitability. Short (1979) conducted a study on 60 banks and investigated the association between profit rates and concentration in domestic banking sector of each bank. He claimed that higher concentration would lead towards greater profit rates. Bourke (1989) studied on determinants of profitability of banks in 12 different countries and dissected the inside and outside determinants of profitability.

His findings were corresponding with US concentration and profitability studies on banks and also give support to Edwards-Heggestad-Mingo risk prevention hypothesis. By following to these pioneer studies several studies have been conducted to investigate the most important determinants of profitability.

Some subsequent studies aimed at explaining bank competitiveness in a single country were done by Berger (1995), Angbazo (1997), Guru, Staunton & Balashanmugam (1999), Ben Naceur (2003), Mamatzakis & Remoundos (2003), Kosmidou (2006), Athanasoglou, Brissmis & Delis (2006). Similarly, Berger (1995) and Anghazo (1997) found that US banks with relatively high capital adequacy were more profitable than other banks with lower capital ratio. Also, Angbazo (1997) investigated the determinants of bank profitability using a sample of banks in USA with data from 1989-2003 time periods. He concluded that opportunity cost of non-interest bearing reserves, leverage, management efficiency and default risk are positively related to bank interest margin. Berger, Hanweck and Hunphrey (1987) investigated the relationship between size and profitability using USA Banking industry. They suggest that only small cost saving can be achieved by increasing the size of a banking firm. This means that size expansion will not significantly reduce the cost of banking operations. In USA, Berger (1995), examined the profit structure relationship in banking firm. The study centred on the effect of managerial and scale efficiency on concentration and profit. The finding suggest that increased managerial and scale efficiency will increase market share and hence increase concentration and profit.

In Malaysia, Guru, Staunton and Balashanmugam (2002), studied the determinants of bank performance using a sample of seventeen commercial banks from 1986-1995 time period. They concluded that efficient expenses management is one of the most significant explanatory variables of high bank profitability. Also, inflation is found to relate positively with bank performance, while interest ratio have a negative relationship with bank performance. They also suggest that banks usually transfer their overheads to depositors in terms of lower deposit rates and to borrowers in terms of high lending rates.

Athanasoglou, Brissimis and Delis (2005) examined the effect of bank-specific, industry-specific and macroeconomic determinants of bank profitability in Greece, using an empirical framework that incorporated the traditional market-power hypothesis. The findings of their study show that business cycle significantly affects bank profits. Also, inflation is established to positively and significantly affect profitability.

Other studies aim at analyzing bank competitiveness and its profitability in groups of countries: Molyneux & Thorton (1992), Demirguc-Kunt & Huizinga (1998), Abreu & Mendes (2001), Staikouras & Wood (2003), Hassan & Bashir (2003), Goddard, Molyneux & Wilson (2004). Molyneux and Thornton (1992) reviewed the factors affecting the performance of banks through a panel of 18 European countries determinants from 1996-1989. They replicated the methodology of Bourke (1989) and found alike results with US concentration and some other studies but unable to support the Edwards-Heggestad-Mingo hypothesis. Also, Molyneux and Thornton (1992), in a study of 18 European countries for the period 1986-1989, reports a positive relationship for state-owned banks. The results of the studies differ significantly due to the variation of the environment and data included in the analysis. However, there are common factors influencing profitability identified by several researchers. Molyneux and Thorton (1992) established a significant positive relationship between interest rates, concentration, government ownership, better quality/management and return on equity. Also, a significant negative relationship is found between level of liquidity and profitability. The discussion of these determinants follows. After this Demirgüç-Kunt and Huizinga (1999) had conducted a study on a panel of 80 countries banks for the period 1988-1995. Their study was principally focused on finding the impact of different interest margins and profitability on multiple determinants like bank level attributes macroeconomic indicators, regulations, taxation policies, financial structure and fundamental legal and institutional factors. Demirguc-Kunt and Huizinga (1999) examined the determinants of bank profitability using a set of macroeconomic indicators and bank specific variables.

Their findings reveal a positive relationship between capital ratio and bank performance. They concluded that in developing countries domestic banks were earning lesser margins and profit as compared to foreign banks operated in those countries. Authors discussed the most relevant studies on the determinants of profitability on banking sector and insurance sector.

Abreu and Mendes (2001) by following Demirgüç-Kunt and Huizinga (1999) conducted study on bank panel of four European countries (German Portugal, France and Spain) for the period of 1986-1999. They found that two ratios: equity to assets and loan to assets had direct relationship with interest margins and profitability of banks. Among external factors inflation has an impact on profitability and interest margins of the banks while exchange rates do not influence the profitability. Hassam and Bashir (2003) examined the relationship between bank loan and profitability, using Islamic banks from 21 selected countries. It is found that higher loan ratio have negative impacts on profitability. In their study on the impact of macroeconomic indicators on bank performance, Staikouras and Wood (2003) found growth of GDP and the variability of interest rate to have negative effect, while the level of interest rate have positive impact on bank performance. C. Staikouras and Wood (2003) studied the panel of banks working in 13 different European countries to investigate the performance of these banks. They concluded that internal factors mostly influence the performance of banks and banks which have greater levels of equity are more profitable. From external factors, growth of GDP and interest rates had indirect relationship with profitability of banks while levels of interest rates had direct relationship with profitability. After 2003 a little work on the main determinants of profitability was also done on insurance sector. On the contrary, Pasiouras and Kosmidou (2007) found a positive association between economic growth and financial sector profitability.

The literature in the field uses more approaches regarding bank performance, from profitability ratios to more complex composite indexes. Performance proxies commonly used are: the return on equity (ROE), computed as a ratio of the net profit to equity and the return on assets (ROA), computed as a ratio of the net profit to the total assets of the bank. While the former expresses the net return of the capital invested by the shareholders, the latter shows the net relative profit generated by the bank total assets and is considered a measure of management efficiency. Comparing to ROE, the use of ROA takes into account the risks derived from the leverage and is the key bank profitability ratio (Athanasoglou et al., 2005). A possible drawback of ROA is the existence of the off-balance-sheet assets, which represent an important source of profit for European banks, but are not considered in computing this measure. Thus, Goddard et al (2004) argue that the use of ROE is more appropriate. The use of average yearly values of equity and assets expresses the performance more accurate than the end year values. Thus we use the return on average assets (ROAA) and return on average equity (ROAE) as performance measures. The literature splits the factors that influence banks' profitability in two large groups: bank-specific (internal) factors and industry specific and macroeconomic (external) factors. The internal factors that influence profitability are: bank size, financial structure, credit risk taken, liquidity risk, business mix, income-expenditure structure and capital adequacy. An industry specific factor is the market concentration, while macroeconomic factors revealed by the literature are economic growth and inflation. Various studies identify the bank size as an internal factor that influences the performance. The effect is not clear. On one hand, greater size may generate economies of scale, thus an increase of performance, but in the same time, the large organizations are often affected by rigidities, inertia, bureaucracy, that may decrease the performance (Kosmidou, 2008; Athanasoglou et al., 2006). This factor is proxies by the natural logarithm of total bank assets. Another internal factor is the financial structure, which shows the way the bank's assets are financed and the capacity of the bank to cover losses (Hassan and Bashir, 2003). It may be expressed by the solvency ratio or capital adequacy ratio (the ratio of equity to total assets).

A higher solvency may have a positive effect on performance as it reduces the risks taken by the bank (Athanasoglou et al, 2006). On the other hand, higher solvency will reduce the leverage effect, thus it may increase the financing costs (Akbas, 2012). The credit risk is one of the main variables that affect the bank performance, as it exhibits the loss probability because of the failure of the debtor to fulfill its obligations to the bank. The literature usually expresses it by the ratio of loan loss reserves to gross or net loans granted by banks. We expect a negative effect on performance of the potential losses from bad quality loans (Mansur et al., 1993).

FadzlanSufian, and RoyfaizalRazali Chong (2008) examined the determinants of Philippines banks profitability during the period 1990–2005. Their empirical findings suggest that all the bank-specific determinant variables have a statistically significantly impact on bank profitability. They also found that size, credit risk, and expense preference behavior are negatively related to banks' profitability, while non-interest income and capitalization have a positive impact. According to their analysis inflation has a negative impact on bank profitability, while the impact of economic growth, money supply, and stock market capitalization have not significantly explained the variations in the profitability of the Philippines banks.

Shah-Noor Rahman and Tazrina Farah (2012), in their research paper on "Non Bank Financial Institution‟s Profitability Indicators: Evidence from Bangladesh" examined the indicators of the profitability of firms in the Non Banking Financial Institution (NBFIs) industry of Bangladesh. Their finding was profitability indicator variables have impact upon net profit. And there variable was Net profit as dependent variable and Current Asset, Financial Expense, Long term liability, Interest Income, and Operating revenue as independent variable. According to their report among the independent variables the Liquidity Condition and Operating Efficiency exert significant influence on Profitability of Non Bank sector in Bangladesh.

Fadzlan Sufian (2009) in his research paper title "Determinants of non-bank financial institutions' profitability: empirical evidence from Malaysia" analyzed the determinants of profitability on NBFIs in developed country.

He found that "Malaysian NBFIs with a higher risk exhibits lower profitability level. On the other hand, the large Malaysian NBFIs with high operational expenses exhibits higher profitability level, thus supporting the expense preference behavior hypothesis”. He also suggested that specialization has no significant relationship with Malaysian NBFIs profitability.

James W. Scott and José Carlos Arias (2011) in their study” Banking profitability determinants” surveyed top five bank holding companies in the United and concluded that profitability determinants for the banking industry include positive relationship between the return of equity and capital to asset ratio as well as the annual percentage changes in the external per capita income. There was also a virtual consensus identified concerning the effect that the internal factor of size as measured by an organization‟s total assets had on its ability to compete more effectively, even in times of economic downturns.

Christos K. Staikouras & Geoffrey E. Wood (2011) examined the factors that that influence the profitability of financial institution in their research paper “The Determinants of European Bank Profitability”. Their main finding was “the rate of return earned by a financial institution is affected by numerous factors. These factors include elements internal to each financial institution and several important external forces shaping earnings performance. The type of explanation would determine possible policy implications and ought to be taken seriously”. Their paper quantifies how internal determinants (“within effects” changes) and external factors (“dynamic reallocation” effects) contribute to the performance of the EU banking industry as a whole in 1994-1998.

Balchandher K. Guru, J. Staunton & B. Shanmugam (2009) in this research paper “Determinants of commercial bank profitability in Malaysia” examined to what extent are the profitability performance disparities due to variations in management controllable internal factors and external factors. He took net profit as his dependent variable and Asset Composition, Capital, Deposit Composition, Expenses Management, Liquidity, Firm Size, Inflation Rate, Market Growth, Market Interest, Market Share and Regulation as his independent variable.

He suggested that all variable has significant relationship with net profit. And also he added that in order to increase profitability the Expense Management should be proper as this variable significance is very high.

Demirguc-Kunt & Huizinga (2001) and Bikker and Hu (2002) find a negative relationship between stock market capitalization and banks‟ profitability, it means that equity and bank financing acts as substitutes rather than complements. In case of the industry-specific factors, the Structure- Conduct-Performance premise point out that growing market power enhances the profitability (income) of banks.

Antonina Davydenko(2011) surveyed about 3236 bank-quarter observations and concluded that Ukrainian banks suffer from low quality of loans and do not manage to extract considerable profits from the growing volume of deposits.

James W. Scott and José Carlos Arias (2011) in their study" Banking profitability determinants" surveyed top five bank holding companies in the United and concluded that profitability determinants for the banking industry include positive relationship between the return of equity and capital to asset ratio as well as the annual percentage changes in the external per capita income. There was also a virtual consensus identified concerning the effect that the internal factor of size as measured by an organization‟s total assets had on its ability to compete more effectively, even in times of economic downturns.

Nadim Jahangir', Shubhankar Shill and Md. AmlanJahidHaque(2007) surveyed 15 commercial banks in Bangladesh and found that market concentration and bank risk do little to explain bank return on equity, whereas bank market size is the only variable providing an explanation for banks return on equity in the context of Bangladesh. They found that market size and bank's return on equity proved to have strong relationship. Also, a strong and significant relationship was identified between market size and bank's return on equity. It suggests that capital adequacy is important for a bank to be profitable.

Determining the essence of profitability of the bank, especially the assessment of profitability, as well as finding out factors that can positively affect this criterion of the efficiency of the bank should consider the peculiarities of the organization managing its profitability.

The profitability of a commercial bank depends on many aspects of it activity and has a complex structure. Its components can be attributed profitability of the capital base, profitability of the resource base and its commercial profitability.

The effectiveness of a bank industry is influenced by a number of factors, which also need to be taken into account, the most important of which are: achieving a high level of extensive development of a regional network of sales of banking services, in which the number of regional offices of banks per one thousand inhabitants has already approached the European equal; while the demand of retail clients for banking services is much lower than in the EU countries; the unevenness of the territorial coverage of the market by a regional network of sales of banking services, differentiation of access of the population to the services of banks in different regions of the country; growth of bank expenditures on affiliate network maintenance (lease, banking equipment, personnel). These factors predetermine the need to improve the business management mechanism of a bank.

We now consider the factors that determine the competitiveness of banks in the credit market. Increasing competition between commercial banks for gaining financial markets encourages them to find ways to reduce the cost of loans and reduce the cost of lending. At the same time, banks are trying to issue a large number of loans, not always taking into account their stability and guarantee of return. There is a problem in which the number of loans is high and competitive, but their quality is decreasing. Therefore, the question arises of the complex study of factors of competitiveness in the credit market, taking into account not only the volume and profitability of the loan portfolio, but also the quality of loans.

Commercial banks are important financial intermediaries in the economy who perform the basic functions of accepting deposits, lending the money and offering transfer services. The commercial banks also represent a vital link in the transmission of government's economic policies particularly monetary policy to the rest of the economy (Ongore&Kusa, 2013).

The main goal of the loan portfolio management is to find the optimal solution in terms of maximizing income and minimizing risk. The most lucrative loan agreements at the same time are also the most risky, that is, there are a number of risks of non-repayment of credit funds under the influence of various factors.

In order to evaluate the ratio of risk and yield to each transaction and loan portfolio, in general, an analysis of individual indicators, such as the ratio of loan security; loss ratio; coefficient of protection of loans from losses; loss ratio; coefficient of loan coverage by equity. Based on these data for a certain period of time, a mathematical model is developed that allows predicting the future dynamics of the above indicators and, accordingly, take appropriate measures to minimize the risk. These measures can increase the competitiveness of the bank by influencing the risk factor.

The state of bank liquidity also depends on the level of risk associated with each particular type of asset. In the process of assessing the quality of assets, the probability of timely repayment of the bank is determined. The results of this analysis allow us to assess the continuity of the automatic conversion of assets into a liquid form with the onset of maturity of loans or securities, payment of interest on loans granted, repayment of receivables, receipt of dividends from share participation in other enterprises, etc.

The highest risk accompanies the lending operations of the bank; therefore the analysis of the quality of the bank's loan portfolio is a necessary stage in the assessment of bank liquidity. The reliability of borrowers to some extent determines the need for liquidity. Loans that are not repaid in time and require restructuring worsen the liquidity position of the bank.

If the proportion of overdue, prolonged and bad loans is quite large, then, in order to determine the liquidity needs, it is necessary to take into account not only the terms of repayment but also the probability of such revenues.

Commercial banks pursue financial inclusion with the main aim of increasing the numbers of their customer base and consequently boosting their deposits and loans accounts. However, increasing financial inclusion leads to increase in NPLs which jeopardize the stability of commercial banks by increasing credit risk of commercial banks (Musau, Muatle & Mwangi, 2017).

The main competitive business of commercial banks and non-bank financial and credit institutions in the domestic credit market is consumer lending, which has recently become large scale, but still characterized by high value of loans for individuals and a high probability of non-repayment of loans to creditors. Under such conditions, ensuring the growth of incomes of commercial banks from lending, and especially the consumer, is possible in keeping with the strategic development of the characteristics of individuality. The essence of this approach is to use the most complete databases of consumers, individualization of services and maximum concentration on preserving the existing client base. This is possible on the basis of a client-oriented approach, which is the development of new management and information technologies, aimed at expanding knowledge about customers, to form a mutually beneficial relationship with them. Also, the bank should develop and implement new services in the field of lending, through which it will have advantages over other banks. These can be credit cards with a dynamic limit, an automatic installment for certain amounts of card account costs, the possibility of an instant increase in the credit limit and other services.

Consequently, when developing a strategy for developing activities in the market of loans, each bank should determine its target benchmarks to achieve the highest competitive position in this market. Here are the main ones:

- to determine the forecasted volumes of loans in general in the banking system and based on these data to determine the desired minimum share of the bank in the credit market and to keep it at the specified level;

- to approach the lending process with care, assessing the borrower's creditworthiness;

- to provide a sufficient level of profitability of credit operations by providing credit services to borrowers with a high credit rating;

- to intensify work on repayment of loans and accrued interest in case of a threat of non-return;

- maximize income from lending operations at the permissible level of risk assumed by the bank, that is, to balance the level of risk and profitability;

- to achieve and secure the acceptable quality of the loan portfolio for the bank (the ratio of risk-free and risky loans);

- To increase the competitiveness of the bank by achieving the highest quality of customer service and using the latest credit products.

Another important factor in increasing the competitiveness of banks in the lending market is the use of innovative financial lending technologies. This list can include credit insurance, providing virtual loans in various currencies, using flexible loyalty programs for major clients, developing credit programs for various business and consumer loans.

So, the modern requirements of the bank in the credit market require its speed in decision making, openness to new technologies, flexible credit policy and a number of other steps to improve competitiveness.

Thus, we investigated the main factors that determine the competitiveness of the bank as a whole and the credit market in particular, and outlined directions for further research.

CHAPTER 2. ANALYSIS OF THE BANKING SECTOR OF UKRAINE AND THE COMPETITIVENESS OF BANKS ON IT

2.1 Main indicators and dynamics of the Ukrainian banking services market for 2014-2018

The banking system of Ukraine is one of the most important elements of its financial system. Like the entire Ukrainian economy, the banking system is undergoing fundamental changes that affect its structural and functional part. Changes are fixed by banking legislation, the development of which is based on international experience, the experience of the first years of economic reforms in Ukraine, modern ideas about the nature and appointment of banking institutions.

The banking system of Ukraine is one of the important factors that determines the further successful development and competitiveness of the economy of Ukraine. The stability of the national currency, continuous and operational cash flows, the provision of business entities by financial resources depend on the efficiency of functioning of the banking system. Modern development of the banking system is characterized by a merger of individual banks, which arranges conditions for a competitive and reliable banking system, which is able to resist internal and external threats.

The economic nature of banks is expressed in their specific function: to perform the role of special financial intermediaries in the economic market. In this role, banks attract free cash, which are released in the course of economic activity of some entities - the state, economic entities, individuals - and provided on conditions of security, repayment, timeliness, payment and target direction for temporary use by others. Thus, they carry out the function of bank lending.

It is the banking system that accumulates a huge fund of cash in both cash and non-cash form. Thus there is a gradual redistribution of capital - both interbranch and interregional. The main indicator of the implementation of effective commercial activities of bank is the size of the profit and the level of profitability.

They are a measure of the success of the institution and the achievement of its ultimate goal. The purpose of shareholders, investors, management apparatus and borrowers is different. Shareholders seek to get good dividends or build up the institution's capacity to receive high dividends in the future, hence their greater interested in the rate of return on capital. Investors who form the resource base institutions interested in appropriate compensation for the risk of investing their capital, that is, in obtaining income on deposits and guarantees of returning these funds, if needed.

The main indicators that characterize the profitability of the bank are as follows:

- rate of return on capital (return on equity) (ROE);
- profitability (return) of assets (ROA);
- cost-effectiveness;
- net spread;
- net interest margin;
- level of other operating income.

These indicators and coefficients of the total return on assets and the yield of interest-bearing assets make it possible to fully characterize the bank's performance in terms of its effectiveness.

Main determinants of profitability are Return on Assets, Return on Equity, Loans ratio, Bank size, Cost Income Ratio, Loans Risk ratio, Liquidity risk, Capital.

Two ratios are commonly used to describe bank profitability as the return on equity (ROE) and the return on assets (ROA). ROA indicates how effectively a bank manages its assets to generate income. It indicates income earned on each unit of assets. The problem of ROA is that it excludes off-balance sheet items of the bank creating a positive bias in evaluating bank performance. ROE measures the return to shareholders on a unit of their capital. The drawback of ROE is that banks with lower level of capital will generate a higher ratio. These banks have a high level of financial leverage which is undesirable and associated with high degree of risk. Moreover, ROE is not an optimal measure of profitability since degree of capitalization is often established by the regulatory authority. The view in favor of ROA versus ROE is also supported in the literature. Golin (2001) concludes that ROA is the key measure of profitability for banks.

The rate of return on assets, sometimes abbreviated as ROA, is defined as the ratio of profit before tax to total assets.

The return on assets formula is a company's net income divided by its average of total assets. The return on assets formula looks at the ability of a company to utilize its assets to gain a net profit.

ROA = Net Income / Average Total Assets (2.1)

Net income in the numerator of the return on assets formula can be found on a company's income statement. Net income is the amount earned by a company after subtracting out the expenses incurred, including depreciation and taxes.

Average total assets in the denominator of the return on assets formula is found on a company's balance sheet. The average of total assets should be used based on the period being evaluated.

The formula for return on equity, sometimes abbreviated as ROE, is a company's net income divided by its average stockholder's equity. The numerator of the return on equity formula, net income, can be found on a company's income statement.

ROE = Net Income / Average Stockholder`s Equity (2.1)

The difference between return on equity and return on assets can be found in the denominators of each formula. For return on assets, the denominator is average total assets and for the return on equity formula, the denominator is average stockholder's equity. Both of these variables can be found on a company's balance sheet.

Assets shown on a balance sheet is stockholder's equity plus liabilities. Therefore, the return on equity formula is the same as return on assets except that it does not include liabilities.

To study the state of the banking services market, we will consider the dynamics of the main indicators of the banking system for 2016-2018 years.

Table 2.1

Main indicators of the banking system for 2016-2018, UAH mln.

#	Indicator	2016	2017	2018	Change			
					2018/2017		2018/2016	
					Abs.	%	Abs.	%
1	Assets	1256299	1333831	1359703	25872	1,94	103404	8,23
2	Liabilities	1132515	1172723	1204743	32020	2,73	72228	6,38
3	Loan portfolio	1005923	1036745	1118860	82115	7,92	112937	11,23
4	Income	-158294	-25743	22979	48722	-189,26	181273	-114,52
5	ROA, %	-12,6	-1,93	1,69	3,62	-187,56	14,29	-113,41
6	ROE, %	-116,74	-15,84	14,67	30,51	-192,61	131,41	-112,57

* source: NBU (https://bank.gov.ua/control/uk/publish/article?art_id=34661442)

Thus, from table 2.1 we can see that the overall state of the banking system for the years under review had a positive trend, and in 2018, finally, the cumulative profit will receive a positive value.

The dynamics of assets, liabilities and credit portfolio are growing in almost the same proportion as can be seen in Figs. 2.1.

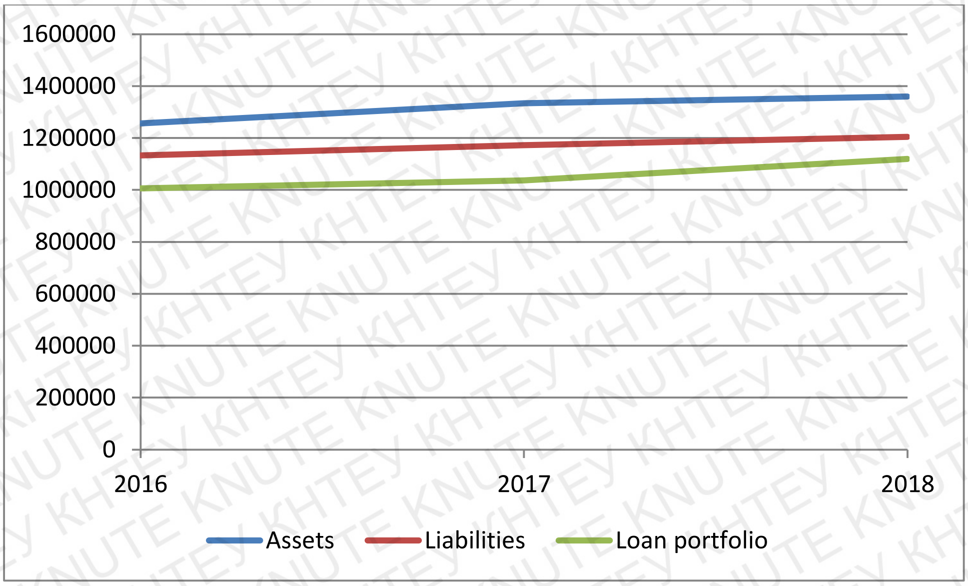

Fig. 2.1 Dynamics of main indicators (by table 2.1)

Now let's look at the quality of a bank's loan portfolio to determine its impact on competitiveness.

Table 2.2

Main indicators of the loan portfolio for 2016-2018, UAH mln.

#	Indicator	2016	2017	2018	Change			
					2018/2017		2018/2016	
					Abs.	%	Abs.	%
1	Loan portfolio	1005923	1036745	1118860	82115	7,92	112937	11,23
2	Loans granted to public authorities	1 427	1 517	2 865	1348	88,86	1438	100,77
3	loans to economic entities	847 092	864 412	919 071	54659	6,32	71979	8,50
4	loans to individuals	157 385	170 774	196 859	26085	15,27	39474	25,08
5	loans to non-bank financial institutions	20	42	66	24	57,14	46	230,00

* source: NBU (https://bank.gov.ua/control/uk/publish/article?art_id=34661442)

Loans to economic entities have the lowest growth rate, although the dynamics are positive compared to the previous year. Loans to non-bank financial institutions have the highest percentage of growth.

Table 2.3

Share of problem (non-performing) loans of the loan portfolio for 2016-2018, %.

#	Indicator	2016	2017	2018	Change			
					2018/2017		2018/2016	
					Abs.	%	Abs.	%
1	Loan portfolio	55,61	54,54	52,85	-1,69	-3,10	-2,76	-4,96
2	Loans granted to public authorities	2,31	0,69	29,22	28,53	4134,78	26,91	1164,9
3	loans to economic entities	58,24	56,03	55,83	-0,2	-0,36	-2,41	-4,14
4	loans to individuals	58,12	53,51	46,04	-7,47	-13,96	-12,08	-20,78
5	loans to non-bank financial institutions	8,34	6,22	3,71	-2,51	-40,35	-4,63	-55,52

* source: NBU (https://bank.gov.ua/control/uk/publish/article?art_id=34661442

The table shows that rather large proportion of problem loans belong to economic entities and individuals (about 50% of all loans).

A significant portion of problem loans in the banks' loan portfolio significantly impedes the development of the Ukrainian banking system. Reducing the level of problematic debt of domestic banks is extremely slow. With the current state of the judiciary and executive systems are unlikely to expect a significant organic reduction in problem loans in banks this year. Nevertheless, some legislative steps have already been taken to reduce debt and protect creditors' rights. One of the most successful options is to create special agencies to accompany "bad" loans along the entire chain of work with them. It is advisable to use a state-owned asset management structure - a newly created one that would acted in accordance with the best international management principles. Such an agency would be responsible for the purchase of distressed assets at market prices only from state-owned banks. It is the state and not the private ownership of such a structure that can provide an effective solution to the problem of non-performing loans, guaranteeing institutional support from the government. The details of dealing with bad portfolios of state-owned banks should be set out in a separate law. Given the over-politicization of the financial sector in Ukraine, the rules of the game in the market should be very clear. Further strengthening of protection of the rights of creditors and borrowers and creation of specialized agencies will help to reduce significantly the amount of bad debt in the banking system.

Thus, the current state of Ukrainian banks in terms of assets is positive, but the banks' profitability is insufficient, ROA and ROE indicators were negative during 2016-2017, and only at the end of 2018 they were positive, but rather small. This result is explained by the large number of problem cretins (up to 50%). Thus, the competitiveness of banks depends on the quality of the loan portfolio.

2.2 Competitiveness of Ukrainian banks and their rating

Commercial banks are grouping to four groups of banks by criteria NBU as on 2019:

1. With the state share in the authorized capital (7 banks), which of banks with 100% charter capital of the state (PJSC "Oschadbank", PJSC "Ukreximbank", PJSC "Privatbank", PJSC "UGB").

2. Banks with the participation of foreign banking groups (19 banks).

3. Banking group with assets of more than 0.5% of the banking system assets (13 banks).

4. Banking group with assets of less than 0.5% of the banking system assets (78 banks).

A significant number of small banks (2/3 of the total number) are indicate to a high proportion of oligopoly on banking market and the complexity of competition in the Ukrainian banking market.

Banks shall form a reserve fund to cover possible unforeseen losses in all asset items and off-balance sheet liabilities. The allocations to the reserve fund shall not be less than 5% of the bank's profit until the reserve fund reaches 25% of the bank's regulatory capital. Should the activity of the bank pose a threat to interests of depositors and other creditors of the bank, the NBU has the right to require an increase in reserves and annual contributions thereto. Banks shall form other funds and reserves to cover losses in assets in conformity with the NBU regulations.

As a result the banking system again has damages resulting from political crisis in 2014 and the war in the east of Ukraine after several profitable years (2010-2013). An increase of number of administration pro tempore in commercial banks, banks began bankruptcy. At the same time investors – individuals are guarded against by the state because Ukraine has a Deposit Insurance Fund (covers deposits up to 200 thousand UAH per depositor in one bank). Legal persons having a deposit at the banks were in a much worse situation, since may file their claims against the bank only in the process and procedures of bank bankruptcy.

However, in terms of settlement and cash services Ukrainian banks have enough qualified and meet modern standards for speed and reliability of bank transfers, security, banking, etc. Almost all commercial banks have joined the system “Society of Worldwide Interbank Financial Telecommunications” (SWIFT), which allows active foreign economic activity Ukrainian enterprises. Also, most of the banks are members of payment systems Western Union, MoneyGram, etc., which enables to provide services to individuals with instant money transfer any or anywhere in the world where is the same bank-member.

Banking Regulation and Supervision in Ukraine is quite rigid and consistent with all modern requirements and trends. For example, at the present time almost all the banks are transparent in terms of the structure of shareholders of financial institutions, and to date, 98.7% of banks’ assets are in bank transparency, which are known, who is the owner. In fact, it is 100%, because the remaining 1.3% is the minority shareholders who own smaller share than is necessary for the disclosure and may not be disclosed. This is a fairly high rate compared with international practice.

Also, the National Bank of Ukraine has tough policy on capital buffers, refinancing, currency write-offs, and monitors transactions subject to financial monitoring. Most of the control and regulation functions are not visible to customers and banks do not create practically any difficulties for ordinary consumers of banking services.

Banks in Ukraine can function as universal or specialized. By specialization, banks can be savings, investment, mortgage, settlement (clearing).

Our empirical estimation is based on two unbalanced panel data sets. First data set contains financial information of top 10 banks operating on the Ukrainian market over period from 2016 to 2018. This set includes information about Return on Assets, Return on Equity, Loans ratio, Bank size, Cost Income Ratio, Loans Risk ratio, Liquidity risk, Capital of top 10 banks.

Second data set includes observation on macroeconomic determinants in Ukraine. It contains information about Gross Domestic Product, Inflation, Bank Asset Concentration in Ukraine.

Financial information about banks activity was collected from www.aub.com.ua (Association of Ukrainian Banks' website) and from http://www.bank.gov.ua (National Bank of Ukraine`s website). Macroeconomic determinants were obtained from www.minfin.gov.ua (website of Ministry of Finance of Ukraine) and http://ukrstat.gov.ua/ (website of State Statistic Service of Ukraine).

We will consider the performance of the largest Ukrainian banks with the highest rating and competitiveness (Table 2.4)

Table 2.4

Assets of TOP-10 banks for 2016-2018, UAH mln.

#	Indicator	2016	2017	2018	Change			
					2018/2017		2018/2016	
					Abs.	%	Abs.	%
1	Privatbank	220018	259061	525248	266187	102,75	305230	138,73
2	Oschadbank	210099	234241	291011	56770	24,24	80912	38,51
3	Ukreximbank	160304	171011	231958	60947	35,64	71654	44,70
4	Raiffeisen Aval	56000	72108	83664	11556	16,03	27664	49,40
5	Ukrgasbank	53681	69274	92368	23094	33,34	38687	72,07
6	Alfabank	38954	49530	69493	19963	40,30	30539	78,40
7	Ukrsibbank	45367	46577	55829	9252	19,86	10462	23,06
8	PUMB	44553	46532	59336	12804	27,52	14783	33,18
9	Sberbank	48356	42363	67217	24854	58,67	18861	39,00
10	Credit Agricole	29895	30946	35129	4183	13,52	5234	17,51

* source: NBU (https://bank.gov.ua/control/uk/publish/article?art_id=34661442)

All banks have positive asset dynamics, although their size increases are not uniform. Only at Privatbank we see dynamics more than 100%, growth of assets of other banks is not so significant.

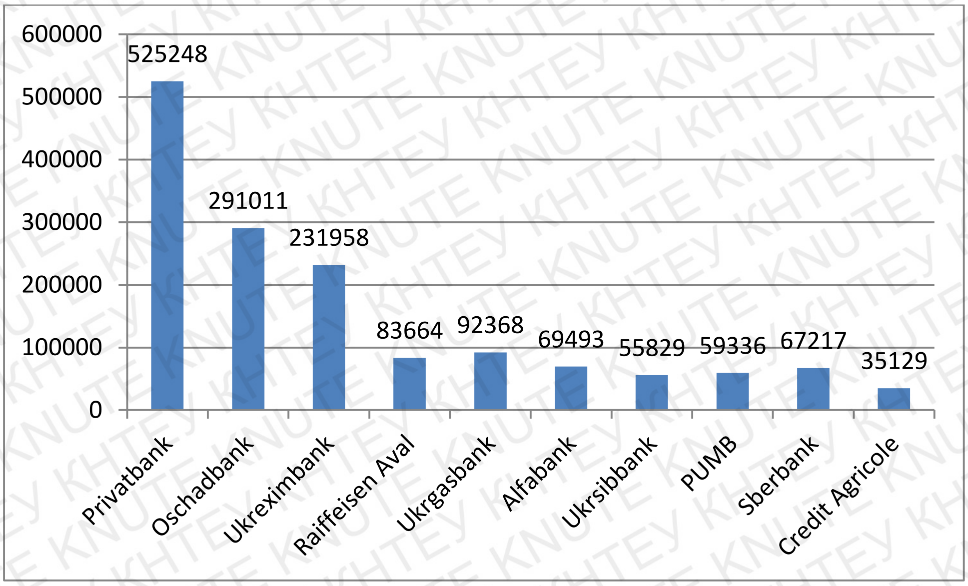

Fig. 2.2 Comparative chart of assets TOP-10 banks (by Table 2.3)

The qualitative indicators of banking services include:

1) reliability and reputation of the bank - this indicator includes the following features: payment guarantee; experience in banking services market; position in the ratings; bank customer feedback; media support (positive or negative feedback);

2) quality and convenience of service; this comprehensive indicator includes the following characteristics: bank mode: days and hours (convenient for customers); number of branches in the city;

3) information support of banking services;

4) value of banking services - the number of loans and deposits provided, the volume of assets, ROA, ROE.

Macro-level competitiveness assessment is based on the formation of rating or integrated indicators.

Table 2.5

Rating of TOP-10 banks in Ukraine for 2016-2018

#	Indicator	2016	2017	2018	Change			
					2018/2017		2018/2016	
					Abs.	%	Abs.	%
1	Privatbank	3,05	3,05	3,59	0,54	17,70	0,54	17,70
2	Oschadbank	4,06	3,69	3,65	-0,04	-1,08	-0,41	-10,10
3	Ukreximbank	3,25	3,61	3,69	0,08	2,22	0,44	13,54
4	Raiffeisen Aval	4,36	4,74	4,58	-0,16	-3,38	0,22	5,05
5	Ukrgasbank	3,84	3,72	3,83	0,11	2,96	-0,01	-0,26
6	Alfabank	3,29	3,52	3,53	0,01	0,28	0,24	7,29
7	Ukrsibbank	3,88	4,38	4,49	0,11	2,51	0,61	15,72
8	PUMB	3,11	3,49	3,57	0,08	2,29	0,46	14,79
9	Sberbank	3,02	3,00	2,80	-0,2	-6,67	-0,22	-7,28
10	Credit Agricole	4,41	4,06	4,06	0	0,00	-0,35	-7,94

* source: https://minfin.com.ua/banks/rating/

We see that the ratings of banks have unstable dynamics, so their competitiveness does not depend directly on the level of assets or their dynamics.

2.3 Problems of competitiveness of banks in modern conditions

Lending is one of the most important activities of banks, which provides them with significant income from the placement of temporarily free funds. Domestic banks operate under difficult socio-economic conditions of uncertainty and dynamism of the environment, under which external and internal factors that destabilize their work arise. The analysis of banks' activities shows that regardless of the type of credit policy, quality of the loan portfolio, methods of assessing the creditworthiness of the borrower and the methods used in credit risk management, all banks in one way or another are faced with problems of loan repayment, which, first of all, leads to the problem arrears of loans or their transition to the problematic state. An increase in such debt is a negative factor for the bank as it affects the bank's liquidity, which could further lead to the bankruptcy of the financial institution.

The liquidity status of a bank also depends significantly on the level of risk associated with each particular type of asset. The process of assessing the quality of assets determines the likelihood of a timely return of the bank. The results of such analysis allow us to estimate the continuity of automatic transformation of assets into liquid form with the maturity of loans or securities, payment of interest on granted loans, repayment of receivables, receipt of dividends from unit participation in other enterprises, etc.

The highest risk is associated with the bank's credit operations, which is why analyzing the quality of the bank's loan portfolio is a necessary step in assessing bank liquidity. Borrower reliability determines to some extent the needs for liquidity. Loans that do not return in a timely manner and require restructuring impair the bank's liquidity position. If the proportion of overdue, prolonged and non-performing loans is large enough, not only the repayment period but also the likelihood of such receipts should be taken into account to determine liquidity needs.

Ukraine remains the country with the highest share of NPLs in the banking system's assets: the NPL ratio is 56.5% [3]. According to the NBU, the share of non-performing loans in the banking system of Ukraine is a record one. The rise in non-performing loans led to the war in the East, the annexation of the Crimea, as well as the decline in economic activity and the devaluation of the hryvna, which adversely affected the income of bank customers. As of 01.01.2018, the volume of non-performing loans amounted to UAH 500 263 million (56.03%), while as of 01.01.2019 the volume of non-performing loans amounted to UAH 535 770 million, or 55.83% of the total volume of granted loans, and as of 01.04. In 2019, their share was 55.24%, which leads to an increase in non-performing assets of banks as a whole and reduces the ability to lend to the national economy in a competitive environment.

The problematic loan portfolio of state-owned banks of Ukraine is deeply toxic not only because over 65% of borrowers do not serve it, but also from the viewpoint of the weak bargaining position of creditors. Corporate debt is the main component in the structure of state-owned banks' credit portfolio, accounting for up to 70%. Major debtors are large holding companies or politically related parties. These debts are not sold because there is no effective and transparent mechanism selling them. First of all, these are problems in the court system and insufficient protection of the creditor's rights. In addition, state-owned banks, with the Ministry of Finance's shareholders, make it easier to ask the state for additional capitalization than to work on repaying loans. So it is not surprising that state-owned banks proved to be extremely inefficient in dealing with borrowers. Among the banks present on the market, the worst (in relative terms) situation in "PrivatBank": the share of bad loans in it as of 01.04.2019 was almost 83% of the loan portfolio.

As a whole, banks with state participation increased the volume of corporate lending by 32.5% and natural persons by 7.9 times during the period under review. Moreover, state-owned domestic banks account for 37.9% of the total volume of bank loans to legal entities and 39.8% of loans to individuals in 2018, which testifies to the significant role of these banks in the banking services market of Ukraine. It should be noted that during 2016-2018, Oschadbank was the leader in corporate lending (among other state-owned banks) (39.8% of the total portfolio of loans to state-owned banks), with an increase of 12, 6%. Second place is Ukreximbank, which owns 37.8%, with an increase of 14.6% over the studied period. Ukrgasbank is a leader in increasing the volume of corporate lending: the increase is 154%, and the share in the total portfolio of legal entities among state-owned banks is 17.9%. Instead, PrivatBank demonstrated a change in the benchmarks of its lending policy and reduced business lending by 154% to UAH 7 674 million. or 4.3% in the portfolio of loans to legal entities of publicly-owned banks.

With regard to loans granted by state-owned banks to natural persons, PrivatBank was the leader here in 2018, with a 56% gain and 84.2% in the portfolio of loans granted to state-owned banks. Oschadbank also showed a 30.4% increase in the volume of retail lending for 2016-2018, and its share was 10.5%. The volume of retail lending by Ukrgasbank amounted to 16.5% and its share to 4.7%. However, Ukreximbank showed a negative increase in the volume of lending to individuals - -8.3%, and its share is only 0.6%.

Thus, having analyzed the dynamics of state-owned banks' loans in the context of borrowers, we can say that loans to these banks are dominated by corporate clients, and their share in the total credit portfolio of state-owned banks is 82.9% as of January 01, 2019 Thus, state-owned banks, as leaders of public policies to promote socio-economic development, focus on lending to large businesses and state-owned enterprises in their lending activities. At the same time, we can expect an increase in lending to individuals, which is associated with significant deferred demand during the crisis.

Despite these positive trends, the credit portfolio of state-owned banks has numerous problems, including significant non-performing loans.

Considering the global experience in regulating the credit sector, we can distinguish the following ways of overcoming problematic debt of domestic banks and increasing their competitiveness in the credit market:

- application of innovative technologies and techniques for assessing customer solvency;
- formation of a single credit register for banks;
- the spread of the practice of buying bad loans by collecting companies, the use of factoring (it is urgent to create a single company - a redevelopment bank from the NBU, but the discussion on this issue at the national level is still ongoing). Particular attention should be paid to the introduction of new mechanisms for the sale of problem loans to specialized financial institutions companies through the use of existing ones or the creation of new institutions, such as bridgebank, bad bank, AMC (asset management company), etc.;
- formation of sufficient amounts of debt reserves;
- selecting and implementing a model for restructuring distressed assets in the banking sector, such as setting up a distressed assets bank or a transition bank (involving the state or private investors);

- simplification of mechanisms of sale, transfer, write-off of assets, including in the framework of pre-trial procedures;

- enhanced supervision of banks and the introduction of the same system for non-banking institutions;

- raising the level of identification of problematic clients by combining data from different registries, credit bureaus and other banks.

The implementation of these measures will minimize credit risks in the banking sector, reduce the amount of bad debt and, accordingly, ensure the economic growth of the state.

Thus, the problem of competitiveness of banks in the credit market is a large number of problem loans, the number of which has declined somewhat in recent years, but their share is quite large. Therefore, in order to increase competitiveness, attention should be paid to state mechanisms to protect the rights of creditors, as well as to improve the effectiveness of working with clients in assessing creditworthiness and reliability.

CHAPTER 3. DIRECTIONS TO INCREASE THE COMPETITIVENESS OF UKRAINIAN BANKS

3.1 Ways to solve the problems of competitiveness of banks in modern conditions

Solves of problems of competitiveness of banks in modern conditions include a number of methods. Methods and models play an extremely important role in organizing profitability management in a bank, in particular, methods and models of research of the process of formation of bank profitability indicators, methods of substantiation of acceptance decisions on providing and improving profitability of the bank, methods and models of research and determining the optimal conditions for the bank to maximize its profitability.

For competitiveness management purposes, it is expedient to use such tools as the calculation of marginal revenue, the definition of the threshold of profitability of sales of goods (break-even points), the definition of financial stability reserves, direct-costing, etc.

The profitability of the bank plays an important role in its activities. A comprehensive and clear assessment of the bank's profitability makes it possible to obtain maximum information for analyzing the financial stability of the bank. This assessment is due to the need to obtain a clearer and more objective conclusion about the financial condition and prospects of the bank development for its clients, depositors, creditors, and for the central bank of the country, which carries out continuous supervision over the activities of banking institutions. Effective management of bank profitability, its reliable assessment and objective analysis will contribute to the achievement of strategic and tactical financial goals of the bank.

For more detailed research, apply PEST and SWOT analysis. The external environment is a source that provides the organization of the resources necessary to maintain its internal capacity at an appropriate level. The external environment of the enterprise can be divided into two components:

1. Macro-environment (general) - these are the factors of the environment that act on the enterprise indirectly through certain levers, forming the general atmosphere and business conditions.

2. Micro-environment (operational) - subjects of market relations, who directly contact with the enterprise, affect it, and the company also has the ability to influence them.

According to foreign practice, macro-factors can be estimated using the so-called PEST analysis.

PEST is an abbreviation of four English words: P - Policy (politics); E - Economy (economy); S - Society (society, society); T - Technology. In other words, according to this method, 4 of their groups are to be evaluated as the main macro-factors. In the simplest form, the PEST analysis technique is as follows:

1. For each of the four groups of factors, partial factors are selected that, in the opinion of the expert, have the greatest impact on the enterprise (or will be in the future). Each of the factors is written in the appropriate time of the special PEST table.

2. Each of the partial factors is evaluated in terms of its impact on the company (+ - "positive" - - "negative").

3. All positive and negative estimates that are set for each group of factors are counted. If positive assessments are greater - the macro-environment factor is positive for the enterprise and it is necessary to develop ways to use its positive impact. If negative assessments are greater - the macro-environment factor is unfavorable for the enterprise and it is necessary to develop ways to reduce its negative impact.

The analysis of the macro environment (general) of bank activity will be carried out using the PEST analysis methodology. To do this, we will construct a PEST-matrix, which will display at least 5 factors for each of the components and determine the direction of the impact of each factor on financial sector (+ - "positive" - - "negative").

Table 3.1

PEST-analysis of bank activity

Policy	**Rate**	Economy	**Rate**
Taxation policy	+	Inflation	+
Elections of President or Parliament	-	Energy prices	-
International law	-	Increasing the level of effective demand	+
Political relations	-	Development of market infrastructure	+
State regulation	+	Lending rates	-
Society	**Rate**	Technology	**Rate**
Reputation of bank	+	Emergence of innovative technology	+
Changing values among population	+	Development of competitive technologies	-
Consumer preferences	+	State protection of intellectual property	+
Changing work patterns	-	Improvement of technologies of the company	+
Legal	**Rate**	Environmental	**Rate**
Introduction of stricter customs and trade regulations	-	Environmental rules and regulations	-
Licensing and normative regulations related to the bank industry	+		

The analysis showed that the company is more negatively affected by economical and technological factors, as among the most influential ones, most have received a negative assessment.

This indicates a significant instability in the country, as well as low activity of the state in the field of technological and techno-innovative support of domestic enterprises. The economic recovery in the country, which is observed in the last year, has a positive effect on the company's activity, as evidenced by the results of the analysis of economic factors (most of them have a positive value).

Thus, the most influential are technological and economical factors.

We will analyze the factors of the micro-environment, macro environment, internal strengths and weaknesses of the bank activity, using SWOT-analysis.

After evaluating the external and internal environment of the bank activity, it is necessary to conduct a SWOT analysis to establish links between the opportunities, threats, strengths and weaknesses of the enterprise. The SWOT matrix allows you to choose the most suitable strategy based on the strengths and weaknesses of the organization, its potential and threats that arise from the outside.

In the external environment, dynamic processes of change are constantly flowing, something is constantly disappearing and something appears. One part of these processes opens new opportunities for the organization, creates favorable conditions for it, and another more frequent, on the contrary, creates additional difficulties and limitations. In order to successfully survive in the long run, the organization must be able to predict what difficulties may arise in its path in the future, and what new opportunities can be lifted for it. Therefore, strategic management in the study of the environment focuses on clarifying what threats and what opportunities conceal the external environment.

But in order to successfully deal with threats and effectively use opportunities is need more information about them. One can know about the threat, but not having the opportunity to resist it and thereby suffer defeat. We can also know the language of the opportunities that are opening, but have no potential for their use and, therefore, not be able to get rewards from them. The strengths and weaknesses of the organization's internal environment, to the same extent as threats and opportunities, determine the conditions for a successful existence of the organization.

Therefore, strategic management in the analysis of the internal environment is interested in identifying exactly what strengths and weaknesses are the individual components of organization and organization as a whole.

Thus, the analysis of the environment, as it is carried out in strategic management, is aimed at identifying the threats and opportunities that may arise in the external environment in relation to the organization, and the strengths and weaknesses of the organization. The SWOT analysis involves the following steps:

I. Evaluation of opportunities and threats of the environment.

Analysis of opportunities and threats is part of the enterprise's SWOT analysis. It consists in the fact that there is a need for the division of all factors of the environment, which were identified earlier, on the possibilities and threats.

In practice, SWOT-analysis in the part that deals with the identification and analysis of external capabilities and threats uses ranking techniques and probabilistic factors. In doing so, the following requirements must be met:

1. Only "paired" factors of opportunities and threats are selected (for example, "growth and cash incomes of the population" is an opportunity, and "reduction of cash incomes" is a threat);

2 Factors of opportunities and threats can be independent (for example, "access to the market of foreign competitors with a lower level of expenses" is a threat which in the process of analysis does not have a "pair" possibility).

To assess the internal environment build the matrix of the SWOT analysis for the bank activity (table 3.2.).

Table 3.2

Matrix of the SWOT-analysis of the bank activity

	Strengths:	Actions	Actions
Internal environment	1.Many years of experience in the market 2. Broad, deep and diverse range of services 3.A significant number of regular consumers 4.Good reputation of the bank 5. A clearly formulated strategy 6. High level management, clearly defined management and organizational structure 7. A high level of qualification and training of personnel; experience	1.Increased participation in the market by reducing number of services for inefficient sales 2. The increase in the number of high-effective services 4. The conclusion of contracts on cooperation with the aim of market coverage 5. Ensuring stable high quality of services will contribute to the preservation of the achieved positions	1. Cost reduction through the introduction of cost management system 2. Search for ways to reduce costs without reducing the quality of services

End of Table 3.2

	Weaknesses:	Actions	Actions
Internal environment	1.High cost of services 2. The low profitability of bank activity 3. The reduction of the market share 4. The lack of a sufficient amount of its equity	1. Formation of assortment policy, closely linked to the diversification in the direction of expanding the services 2.The use of multiple pricing methods and pricing policies 3. Implementation of innovative technologies	1.Attracting the attention of new customers by forming optimal assortment of services at an affordable price 2. Optimization of the number and quality of services

By results of the conducted SWOT-analysis established that bank activity has a number of strengths and opportunities in the relevant market. Bank it is possible to offer a specific strategy for the potentiating of the parties and possibilities of the subject and limit the impact of weaknesses and threats that provide the bank a competitive advantage.

Currently, the bulk of Ukrainian banks are able to perform qualitatively no more than 40-50 types of operations and services. At the same time, leading foreign banks offer over 500 types.

The most significant risks inherent in banking are credit risk, which is the likelihood that the borrower will default on the terms of the loan agreement.

Credit risk can be generated by factors that depend on the client (creditworthiness, business efficiency, system of project organization, etc.), external environment (general economic development trends, inflation rates, dynamics of exchange rates, legal field, etc.) and the bank (organization by the bank credit process)).

In banking, it is necessary to distinguish between credit risk under a separate agreement (the probability of losses from a borrower defaulting on a specific loan agreement) and credit risk of the loan portfolio (the magnitude of the risks on all loan portfolio transactions).

Accordingly, different risk assessment and management methods are used for each level.

Consider the main aspects of credit risk management at the level of a single transaction.

One of the most important aspects of managing and minimizing credit risk is to assess the borrower's creditworthiness and determine its rating, which is also a prerequisite for forming reserves to cover possible losses from credit operations (provided that the bank reaches a positive decision on granting a loan). Thus, it is possible to divide the preliminary rating of the borrower's rating, the main purpose of which is to determine the expediency of crediting of a project, and the current assessment of the rating of the borrower, the main purpose of which is to determine the normative amounts of reserves to cover possible losses resulting from the conduct of credit operations. A borrower's creditworthiness is his ability to fully and within the terms stipulated in the terms of the loan agreement to pay for its obligations (the amount of principal and interest thereon). Thus, unlike solvency, creditworthiness does not capture the amount of defaults over a certain period, but predicts the ability to repay the debt in the short term.

Therefore, the level of creditworthiness of the client indicates the degree of individual risk of the bank associated with the lending to a specific borrower.

World and Ukrainian banking practice allows to distinguish the following criteria of the borrower's creditworthiness: the nature of the client, his ability to act as a borrower, the ability to obtain economic benefits, thereby earning money to repay the debt, the equity of the borrower, securing a loan, the terms of the loan agreement, control.

The nature of the client is understood as his or her reputation as a legal entity, as well as the reputation of the leading managers of the borrower, the degree of responsibility of the client for repayment of the debt, the clarity of his ideas about the purpose of the loan and compliance with such goals to the credit policy of the bank. The reputation of the client as a legal entity consists of such factors as: the client's experience in business, the correspondence of the main indicators of his activity to the industry, credit history, reputation of his main partners, etc. Managers' reputation is judged on the basis of their professionalism, work experience, personal qualities, personal financial and marital status, etc.

The ability of a client to act as a borrower means the client's right to apply for a loan, sign documents and have certain powers to represent the borrower's interests, etc.

The ability to obtain economic benefits means the existence of a stable financial activity of the borrower, which ensures the regular receipt of revenue to the enterprise, which is the basis for repayment of the major part of the debt, interest and other payments.

The client's own capital and its participation in the implementation of the credit project is a very important factor that ensures the psychological responsibility of the borrower for the implementation of the project and the return of the borrowed funds.

Securing a loan acts as an additional source of loan repayment.

The general conditions under which the credit transaction was carried out include the macroeconomic situation in the country, the pace of development of the industry, the general political situation in the country and so on.

Under the control of the legal basis of the activity of the borrower is understood the rights and necessary permissions to carry out certain transactions and possible changes in the legislation that may in one way or another affect the development of the business of the borrower.

Thus, the system of creditworthiness of the borrower can be reduced to the evaluation of the following elements:

- business risk assessment;
- management evaluation;
- evaluation of the client's financial stability;
- estimation of financial ratios of activity;

- analysis of the client's cash flows;
- collecting general information about the client;
- monitoring of the borrower's activity.

When determining specific indicators of the credit rating of the borrower are used groups of creditworthiness indicators, which are determined by each commercial bank, taking into account the recommendations and provisions of the NBU, current trends in the economy, the general purpose of the bank, development strategies and more.

Consequently, the current stage of digitization of the economy identified the trends and directions of the banking sector development, but at the same time it exposed the challenges and threats in response to which banking institutions should concentrate on their own potential. In particular, priority tasks should include the need to identify priorities of digital initiatives and establish their clear consistency with the corporate strategy for the development of a banking institution. In addition, the impact of digital initiatives should be reflected in key performance indicators, as well as in assessing the growth of business value before and after the introduction of financial innovation.

Another important issue is the creation of teams within the corporate structure of a number of highly skilled and talented professionals and the formation of a culture for the generation, development and implementation of digital initiatives. Recognizing the dichotomy of traditional and digital corporate culture requires the definition of common goals, cooperation and shared responsibility. Such teams should bridge the gap between existing business models and technological and innovation trends. At the same time, during the implementation of digital initiatives - projects for the implementation of financial innovations, a cross-functional approach is useful, which enables flexibility and ability to transform in time. The introduction of financial innovation based on digital technologies requires the integration of existing corporate and emerging technologies, which raises the issue of forming external partnerships with high-tech campaigns that are capable of generating innovative solutions, defining the principles of cooperation with FinTech partners, and criteria for assessing the contribution of such cooperation to creating added value, efficiency and security for the client and the banking institution as a whole.

In the era of digitization of the economy, new data becomes an asset that needs infrastructure optimization. Today, most processes in the activities of banking institutions are automated, and the software is specialized, modern and constantly updated. However, more and more strategic solutions require analytical support. Therefore, the strategic role and the introduction by banking institutions of innovative approaches to the analysis of large data ("Big Data") are becoming important. "Big Data" is information super-massive of unstructured information, which is the source of client analytics and forecasting. which enables to create a new standard of multichannel service and a multidimensional customer information profile, based on the revealed behavioral patterns, to prevent the outflow (migration) of the client base, in the framework of a client-oriented paradigm to ensure the growth of cross-sales of banking products and services, to minimize credit risks, to detect fraudulent transactions, increase loyalty and trust, etc.

At the same time, the peculiarities of the digitization of the economy, along with the benefits, bring new challenges and threats to all participants in this process. In particular, the proliferation of individualization of digital services leads to a decrease in the control of their implementation, and therefore, the growth of fraudulent activities, increases the risks of information leakage. In addition, due to the constant growth of cyber-attacks, protection of Internet applications and mobile financial applications, smart contracts, payment and automated banking systems, etc., is necessary, by increasing the level of information security with the purpose of attracting additional investments and regulation to minimize the risks of digital technologies.

Today it can be argued that the domestic banking system does not stand aside from the global innovation process in the banking sector and has sufficient innovative potential for the active introduction of financial innovations that have shown themselves positively in the markets of other countries, as well as the development of own innovations, which already has some successes.

Therefore, it is advisable to consider what innovative solutions in the financial and banking sectors can help increase the competitiveness of Ukrainian banks.

3.2 Competitiveness measures and their effectiveness

Improving the competitiveness of banks depends on the quality and range of services. Innovative solutions in the financial sector can be implemented through the introduction of technologies that will serve customers quickly and efficiently.

One of such technologies, which are just beginning to globally enter the financial and banking sphere, is blockchain technology. Blockchain is a database that contains all the transactions that have ever happened. It consists of interconnected blocks of public data, and encryption does not interfere with reading the contents of blocks and mathematically connects the blocks among themselves while no record in any block cannot be replaced in any way, because there will be mathematical discrepancies between the blocks, and you will need to change the next one after it block, followed by the next and so on the whole chain, which is almost impossible, since technically and organizationally the block is a distributed database, as a result of which there is no single place where all records are stored.

The transaction register is stored at the same time for all system members and is automatically updated to the latest version with every change made. Each participant has access to information about any transaction that has ever occurred in the locker, beginning with the first event.

The most well-known practical application of technology today is the cryptocurrencies, in particular Bitcoin, which as of the beginning of 2018 are one of more than 650 existing crypto-currencies and their number is growing.

Due to the key feature of the technology is the technical complexity of the transaction falsification - it is possible to identify each specific currency unit from the moment of its issue and in the future, which has already attracted the attention of world banking to technology.

Thus, the innovative R3 CEV campaign until 2017 united more than 75 large banks and financial institutions from different countries into a global banking system project based on blockchain technologies.

Among them are Bank of America, Barclays, BNP Paribas, Credit Suisse, Danske Bank, Deutsche Bank, J.P. Morgan, Goldman Sachs and Mitsubishi UFJ Financial Group, Morgan Stanley, National Australia Bank, Royal Bank of Canada, Royal Bank of Scotland, SEB, Societe Generale and others.

Most recently, it was impossible to imagine the creation of a new business, without obtaining a loan from the bank. But now, with the help crowd-funding, it became possible to raise funds for the development and creation of the project through special services, excluding the participation of banks. So, over time, there was a way to attract investment in blockchain projects, which received the name ICO.

Regulation of financial innovations should be based on unified approaches and standards of international practice are adequate and adapted to risks, which requires a thorough study of financial innovations, their perception and demand in the banking system. For this we offer:

1. To ensure a balanced interaction between the banking system regulators and financial market sectors, alignment of objectives (safety, efficiency, innovation, coverage level, etc.) to adopt a memorandum of understanding to ensure awareness of financial innovation and the degree of its risks, avoidance of regulatory control, elimination of duplication and reduction regulatory pressure on market participants and consumers of financial services.

2. To introduce financial innovation regulation in a practical testing approach with the possibility, in the event of increased complexity, risk, extent of spread of financial innovation, transition to a warning (hard legal restrictions) or expected approaches (supervision), each of which has a different effect on the intensity level regulation, stimulation of financial innovation development.

An operationally substantiated change in approaches will allow us to find the balance of regulation of financial innovations, which will not reduce the innovation activity of banks, violation of consumer rights and loss of confidence in the banking system.

3. As the introduction of financial innovations leads to the ambiguity of risk perception, it is necessary to create a mechanism for regulating financial innovations, the optimality of which will ensure minimization of risks, lack of excessive and liberal nature of regulatory requirements, which will increase the innovation activity in the banking system. To cover credit and market risks, banks must comply with prudential oversight requirements for their coverage of equity for each type of financial innovation, which, in turn, requires adjustments to the instruction for calculating the prudential standards of banking institutions.

4. To create under the National Bank of the Expert Council the tasks of which are to collect, analyze and generalize the positions of the scientific and professional community on problematic issues of introduction and dissemination of financial innovations, advisory support of regulatory and legal regulation and development of recommendations for regulating financial innovations, taking into account the peculiarities of the state of domestic banking systems and financial markets and based on international experience. The results of the expert council's work may include expert conclusions, analytical reports, background information, etc.

The effectiveness of a commercial bank is influenced by a number of factors, which also need to be taken into account, the most important of which are: achieving a high level of extensive development of a regional network of sales of banking services. These factors predetermine the need to improve the business management mechanism of a commercial bank.

In this regard, it is advisable to name several strategic directions for improving the bank management mechanism, which is aimed at improving the financial and market position of retail banks in a competitive environment:

1) identification and liquidation of non-profit and unpredictable branches of banks that are not able to receive profit both in the current situation and in the long

run, that is, actually weaken the competitive position of the bank in the market. The purpose of the strategy of reducing the number of branches in this case is to reduce operational costs and improve financial and economic performance and profitability banking activity;

2) identification of problem departments to be applied measures of restructuring, optimization of the list of services, reengineering business-processes and improve the quality of banking services;

3) a gradual transition to the use of alternative sales channels banking services aimed at replacing classical points of sale of banking services with modern, innovative access points (ATMs, terminals, self-service centers), as well as large-scale development of channels of remote customer service through call centers and e-banking systems.

In the context of these features of the banking industry, there is a problem with clients, since modern European legislation requires a reduction in the use of personal data, while the problem of money laundering and terrorist financing, on the contrary, requires personalization and detail of sources of revenue.

Also, since most banks offer cashless settlements, there is a problem of customer identification under such calculations, since verification is de-personalized, with the introduction of the corresponding verification code.

The problems of remote identification in one way or another are solved in various ways. In some cases, it is enough to carry out identification using social networks or through a phone number. But its legal significance appears only when personal data operators participate in it. At the same time, the specificity of European legislation currently consists in the fact that not all services can be rendered using remote identification.

The market of financial innovations can be considered the primary because financial innovation as a new product is sold on it only once.

The market for financial innovation is characterized by a number of distinctive features: global character; sufficiently diverse range of financial innovations, the peculiarity of which structure is determined by the mass and the ability to satisfy the interests of the majority of market participants; limited number of sellers; lack of direct competition as a result of a monopoly on intellectual property, where buyers are financial institutions that seek to provide financial stability, enhance competitiveness; inelasticity due to the limited influence of price policy on sales volumes; specific forms and methods of sale; difficult predicted dynamics of demand and supply due to the specificity of financial innovation, as well as endogenous and exogenous factors of the innovation process, etc.

By scale, financial innovation markets can be international and national. On the international market, innovations characterized by global use, the inherent risks of the global financial market, the promotion of speculative profits, the threat of the destruction of the global financial system, personalized use of financial innovations for manipulating financial markets of the world, the lack of regulation by international financial institutions, are being formed and rotated organizations. National markets are characterized by smaller volumes of transactions, regulated by national authorities, risks of the national financial market, and lower profits. On them as innovative consider financial products, the structure of which copies the products of the world market. This is entirely justified, as most investors invest in the domestic market, and, therefore, perceive the product that first appeared on the national market as an innovative one. Despite the fact that planning for the development of financial innovations is not carried out at the state level, but initiated by individual subjects, the market of financial innovations significantly influences the development of the whole economic system as a whole.

In the context of the above, we can argue that the problem of identifying and verifying of loan customers can be solved through the use of innovative financial market solutions.

So, competitiveness of the bank in the credit market is formed with the participation of a large number of factors such as the size of the loan portfolio, its profitability, the ratio of the amount of secured loans and risk loans, continuous monitoring of borrowers' creditworthiness, as well as the introduction of innovative lending programs with the use of financial technologies.

In order to increase the competitive position in the credit market, banks should regularly analyze the market situation and its trends, as well as develop the system of its own credit products, increasing the loan portfolio by the number and quality of loans issued.

Control over the level of permissible risk is also one of the most important factors in the competitiveness of the bank in the credit market.

Thus, the bank's competitiveness in the credit market is a complex indicator, which depends on a large number of factors, and all these factors the bank should take into account to maintain and improve their own competitive positions.

CONCLUSIONS

Thus, after conducting research in accordance with the goals and objectives, we can formulate the following conclusions. Within the framework of the study of the directions of increase of competitiveness of Ukrainian banks on credit market, the following steps were taken:

- researched of essence and meaning of competitiveness in the banking sector. The modern requirements of the bank in the credit market require its speed in decision making, openness to new technologies, flexible credit policy and a number of other steps to improve competitiveness. Thus, we investigated the main factors that determine the competitiveness of the bank as a whole and the credit market in particular, and outlined directions for further research;

- reviewed main indicators and dynamics of the Ukrainian banking services market for 2014-2018. Thus, the current state of Ukrainian banks in terms of assets is positive, but the banks' profitability is insufficient, ROA and ROE indicators were negative during 2016-2017, and only at the end of 2018 they were positive, but rather small. This result is explained by the large number of problem cretins (up to 50%). Thus, the competitiveness of banks depends on the quality of the loan portfolio;

- analyzed of competitiveness of Ukrainian banks and their rating. All banks have positive asset dynamics, although their size increases are not uniform. Only at Privatbank we see dynamics more than 100%, growth of assets of other banks is not so significant. But ratings of banks have unstable dynamics, so their competitiveness does not depend directly on the level of assets or their dynamics;

- determined of problems of competitiveness of banks in modern conditions. The problem of competitiveness of banks in the credit market is a large number of problem loans, the number of which has declined somewhat in recent years, but their share is quite large. Therefore, in order to increase competitiveness, attention should be paid to state mechanisms to protect the rights of creditors, as well as to improve the effectiveness of working with clients in assessing creditworthiness and reliability;

- researched of ways to solve the problems of competitiveness of banks in modern conditions. Today it can be argued that the domestic banking system does not stand aside from the global innovation process in the banking sector and has sufficient innovative potential for the active introduction of financial innovations that have shown themselves positively in the markets of other countries, as well as the development of own innovations, which already has some successes. Therefore, it is advisable to consider what innovative solutions in the financial and banking sectors can help increase the competitiveness of Ukrainian banks;

- analyzed of competitiveness measures and their effectiveness. We have proposed to increase the competitiveness of banks through the introduction of new financial technologies that will allow us to serve our customers faster and more effectively analyze and track the client's creditworthiness, credit history and problem loans. Modern blockchain technologies allow efficient and fast processing of information, while complying with European legislation in the field of reducing the use of personal data

Competitiveness of the bank in the credit market is formed with the participation of a large number of factors such as the size of the loan portfolio, its profitability, the ratio of the amount of secured loans and risk loans, continuous monitoring of borrowers' creditworthiness, as well as the introduction of innovative lending programs with the use of financial technologies.

In order to increase the competitive position in the credit market, banks should regularly analyze the market situation and its trends, as well as develop the system of its own credit products, increasing the loan portfolio by the number and quality of loans issued. Control over the level of permissible risk is also one of the most important factors in the competitiveness of the bank in the credit market.

Thus, the bank's competitiveness in the credit market is a complex indicator, which depends on a large number of factors, and all these factors the bank should take into account to maintain and improve their own competitive positions.

REFERENCES

1. Abreu, M., & Mendes, V. (2001). Commercial bank interest margins and profitability: evidence from some EU countries. Paper presented at the Proceedings of the Pan-European Conference jointly organized by the IEFS-UK & University of Macedonia Economic & Social Sciences. Thessaloniki, Greece, May 17–20, 2001.
2. Angbazo, L. (1997). Commercial bank net interest margins, default risk, interest-rate risk, and offbalance sheet banking. Journal of Banking and Finance, 21, 55–87.
3. Arellano, M. & Bond, S. (1991). Some tests of specification for panel data: Monte Carlo evidence and an application to employment equations. The Review of Economic Studies, 58.
4. Athanasoglou, P.P. & Brissimis, S.N. (2004). The effect of mergers and acquisitions on bank efficiency in Greece. Bank of Greece Economic Bulletin, 22, 7–34.
5. Athanasoglou, P.P., Brissimis, S.N., Delis M.D. (2006). Bank-specific, industry-specific and macroeconomic determinants of bank profitability. International Financial Markets, Institutions and Money, 18, 121-136.
6. Baum, C.F., Caglayan, M., Schäfer, D., Talavera, O. (2008). Political patronage in Ukrainian banking. Boston College Working Papers in Economics, 67. Retrieved on April 20, 2010. http://fmwww.bc.edu/EC-P/WP657.pdf
7. Ben Naceur, S. (2003). The determinants of the Tunisian banking industry profitability: panel evidence. Paper presented at the Proceedings of the Economic Research Forum (ERF) 10th Annual Conference, Marrakesh–Morocco. December 16–18, 2003.
8. Berger, A.N. (1995). The relationship between capital and earnings in banking. Journal of Money Credit and Banking, 27, 432–456.

9. Berger, A.N., Hanweck, G.A., & Humphrey, D.B. (1987). Competitive viability in banking: scale, scope and product mix economies. Journal of Monetary Economics, 20, 501–520.

10. Bikker, J.A., & Hu, H. (2002). Cyclical patterns in profits, provisioning and lending of banks and procyclicality of the new Basel capital requirements. BNL Quarterly Review, 221, 143–175.

11. Bonin, J., Hasan, I., & Wachtel, P. (2005). Bank performance, efficiency and ownership in transition countries. Journal of Banking and Finance, 29, 31–53.

12. Bourke, P. (1989). Concentration and other determinants of bank profitability in Europe, North America and Australia. Journal of Banking and Finance, 3, 65-79.

13. Chang, C.E., Hasan, I., & Hunter, W.C. (1998). Efficiency of multinational banks: an empirical investigation. Applied Financial Economics, 8 (6), 689–696.

14. Davydenko A. (2011). Determinants of Bank Profitability in Ukraine. Undergraduate Economic Review, Vol. 7, Iss. 1, Art. 2. Available at: http://digitalcommons.iwu.edu/uer/vol7/iss1/2

15. Demirguc-Kunt, A., & Huizinga, H. (1999). Determinants of commercial bank interest margins and profitability: some international evidence. World Bank Economic Review, 13, 379–408.

16. Demirgüç-Kunt, A., & Huizinga, H. (2010). Bank activity and funding strategies: The impact on risk and returns. J. Finance. Econ., 98, 626-650.

17. Fries, S., & Taci, A. (2002). Banking reform and development in transition economies. European Bank of Reconstruction and Development Economic Working Papers, no. 71. Retrieved on April 20, 2010 from http://www.ebrd.com/pubs/econo/wp0071.pdf

18. Fries, S., & Taci, A. (2005). Cost efficiency of banks in transition: evidence from 289 banks in 15 postcommunist countries. Journal of Banking and Finance, 29 (1), 55–81.

19. Fung, B., & Halaburda, H. (2016). Central Bank Digital Currencies: A Framework for Assessing Why and How (Staff Discussion Paper). Bank of Canada. https://www.bankofcanada.ca/wp-content/uploads/2016/11/sdp2016-22.pdf

20. Gilbert, R. (1984). Bank market structure and competition - a survey. Journal of Money, Credit, and Banking, 16, 617–645.

21. Goddard, J., Molyneux, P., & Wilson, J.O.C. (2004). The profitability of European banks: a crosssectional and dynamic panel analysis. The Manchester School, 72 (3), 363–381.

22. Golin, J. (2001). The Bank Credit Analysis Handbook: A Guide for Analysts, Bankers and Investors. John Wiley & Sons (Asia) Pre Ltd.

23. Grigorian, D.A., & Manole, V. (2006). Determinants of Commercial Bank Performance in Transition: An Application of Data Envelopment Analysis. Palgrave Macmillan Journals: Comparative Economic Studies, 48(3), 497-52.

24. Guru, B.K., Staunton, J., & Balashanmugam, B. (1999). Determinants of commercial bank profitability in malaysia. Paper presented at the Proceedings of the 12th Annual Australian Finance and Banking Conference, Sydney, Australia. December 16–17, 1999.

25. Hasan, I., & Hunter, W.C. (1996). Efficiency of Japanese multinational banks in the United States. Research in Finance, 14, 157–173.

26. Hasan, I., & Lozano-Vivas, A. (1998). Foreign Banks, Production Technology, and Efficiency: Spanish Experience. Working paper presented at the Georgia Productivity Workshop III, Athens, Georgia.

27. Hassan, M.K., & Bashir, A.H.M. (2003). Determinants of Islamic banking profitability. Paper presented at the Proceedings of the Economic Research Forum (ERF) 10th Annual Conference. Marrakesh–Morocco, December 16–18, 2003.

28. International Finance Corporation – World Bank Group. (2004). A Survey of Corporate Governance Practices in the Ukrainian Banking Sector. Retrieved April 20, 2010 from http://www.ifc.org/ifcext/corporategovernance.nsf/AttachmentsByTitle

/Ukrainesurveyreport+Final_English.pdf/$FILE/Ukrainesurveyreport+Final_English.pdf

29. Isik, I. (2007). Productivity, technology and efficiency of de novo banks: An international evidence from Turkey. Working paper, Rohrer College of Business, Rowan University, Glassboro, NJ.

30. Isik, I., & Hassan, M. K. (2003). Efficiency, ownership and market structure, corporate control and governance in the Turkish banking industry. Journal of Business, Finance and Accounting, 30, 1363–1421.

31. Kosmidou, K., Pasiouras, F., Doumpos, M., & Zopounidis, C. (2006). A Multivariate analysis of the financial characteristics of foreign and domestic banks in the UK. OMEGA: The International Journal of Management Science, 34 (2), 189–195.

32. Kosmidou, K., Pasiouras, F., Doumpos, M., Zopounidis, C., (2004). Foreign versus domestic banks' performance in the UK: a multicriteria approach. Computational Management Science, 1 (3–4), 329–343.

33. Kyj, L., & Isik, I. (2008). Bank x-efficiency in Ukraine: An analysis of service characteristics and ownership. Journal of Economics and Business, 60, 369–393.

34. Mahajan, A., Rangan, N., & Zardkoohi, A. (1996). Cost structures in multinational and domestic banking. Journal of Banking and Finance, 20, 283–306.

35. Mamatzakis, E.C, & Remoundos, P.C. (2003). Determinants of Greek commercial banks profitability, 1989–2000. Spoudai, 53(1), 84–94.

36. Molyneux, P., & Thornton, J. (1992). Determinants of European bank profitability: a note. Journal of Banking and Finance, 16, 1173–1178.

37. Molyneux, P., Altunbas, Y., & Gardener, E.P.M. (1996). Efficiency in European Banking. John Willey and Sons, Chichester.

38. Musau, Salome & Muathe, Stephen & Mwangi, Lucy. (2017). Financial Inclusion, Bank Competitiveness and Credit Risk of Commercial Banks in Kenya. International Journal of Financial Research. Vol. 9, No. 1; 2018

39. National Bank of Ukraine, Law of Ukraine on Banks and Banking, Article 52. Retrieved on April 20, 2010 from http://www.bank.gov.ua/ENGL/B_legisl/LawBB_e.pdf

40. Nolle, D.E. (1995). Foreign bank operations in the United States: cause for concern? In: Gray, H.P., Richard, R.C. (Eds.), International finance in the new world order. Pergamon, London, pp. 269– 291.

41. Ongore, V. O., & Kusa G. B. (2013). Determinants of Financial performance of commercial banks in Kenya. International Journal of Economics and Financial Issues, 237-238.

42. Pasiouras, F., & Kosmidou K. (2007). Factors influencing the profitability of domestic and foreign commercial banks in the European Union. Elsevier: Research in International Business and Finance, 21, 222–237.

43. Perry, P. (1992). Do banks gain or lose from inflation? Journal of Retail Banking, 14, 25–30.

44. Petria, N., Capraru, B., Ihnatov, I. Determinants of Banks' Profitability: Evidence from EU 27 Banking Systems. Available from: https://www.researchgate.net/publication/276859244_Determinants_of_Banks%27_Profitability_Evidence_from_EU_27_Banking_Systems.

45. Revell, J. (1979). Inflation and financial institutions. Financial Times, London.

46. Sathye, M. (2001). X-efficiency in Australian banking: an empirical investigation. Journal of Banking and Finance, 25, 613–630.

47. Seth, R. (1992). Profitability of foreign banks in the US. Federal Reserve Bank of New York Research Paper No. 9225, December 1992.

48. Short, B.K. (1979). The relation between commercial bank profit rates and banking concentration in Canada, Western Europe and Japan. Journal of Banking and Finance, 3, 209–219.

49. Smirlock, M. (1985). Evidence on the (non) relationship between concentration and profitability in banking. Journal of Money, Credit, and Banking, 17, 69–83.

50. Staikouras, Ch., & Wood, G. (2003). The determinants of bank profitability in Europe. Paper presented at the Proceedings of the European Applied Business Research Conference. Venice, Italy, June 9–13, 2003.

51. Williams, B. (2003). Domestic and international determinants of bank profits: foreign banks in Australia. Journal of Banking and Finance, 27 (6), 1185–1210.

52. Wooldridge, J.M. (2009). Introductory Econometricss: A modern approach, 4th edition. South-Western Cengage-Learning Canada, 2009.