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ANALYSIS OF DEVELOPMENT TRENDS OF THE FINANCIAL SERVICES MARKET OF UKRAINE

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Abstract

The study contains a local analysis of trends that arose in Ukraine during the Covid-19 pandemic and during the military aggression of the Russian Federation on the financial services market. The work highlights problems related to the functioning and existence of non-bank financial and credit institutions. Individual indicators of the state of the financial market of Ukraine are characterized. Information is presented on the key advantages and disadvantages of credit activity in the context of non-bank financial and credit institutions in the market of financial services, in relation to adaptation to the changes they have encountered. Based on the analysis, further challenges of the financial sphere are identified.

Key words: *financial services market, banking institution, financial institution, financial services.*

Introduction

An integral condition for the effective development of the national economy is the provision of investment resources, the shortage of which currently creates problems in the restoration of domestic production, which has declined during the years of deindustrialization and military operations. The problem of shortage of financial resources should be solved by the financial market, where its main subjects are banking and non-banking financial institutions (NFIs), which specialize in the processes of attraction, accumulation, distribution and redistribution of funds in the interests of their clients. The financial market is a powerful supplier of financial resources to the real sector of the economy, directing the funds raised, as financial investments, to the development of manufacturing corporations.

Formulation of the problem

Despite a significant amount of research, the financial services market is quite dynamic, and the opportunities and problems associated with the functioning and existence of non-bank financial and credit institutions remain relevant in the context of globalization and economic instability. In addition, it is necessary to conduct an analysis of the dynamics of key indicators, to determine the advantages and disadvantages of the main participants in credit activity in the context of non-bank financial and credit institutions in the financial services market, and to determine the main trends for the future, which necessitates a deeper study of the activities of its participants.

Analysis of recent research and publications

Problems and prospects, the main theoretical and methodological foundations of the formation of the Ukrainian financial services market are explored in their works by O. Prutska, O. Ruda, M. Balytska, T. Borodtnko, A. Burjachenko, L. Brazhnyk and others.

The purpose of this study is to evaluate the market of financial services of Ukraine in the conditions of changes, as well as to identify key problems and factors affecting the development of the market.

Presenting main material

The financial services market of Ukraine is an integral part of the country's financial system. The financial sector is constantly undergoing changes under the influence of technological progress and the growing needs of consumers. The main trends of the financial services market today include: the rapid development of artificial intelligence and its introduction into the lending process, by increasing the accuracy of creditworthiness assessments; expanding the possibilities of automating investment decisions, for example, using AI for automated trading in stock, currency and other markets; improvement of text, voice and video chatbots; growing demand for Instant Payments or Fast Payments (instant payments in real time). It is also worth noting the relevance of decentralized finance, with the help of De-Fi technology, namely the use of blockchain technology to create and provide financial services (loans, trading, lending) without traditional financial intermediaries [1]

Another key evolutionary trend is the growing role of non-bank financial and credit institutions in the financial services market as serious competitors to banking institutions in the field of lending, forming their own competitive

advantages. The main participants of which include: insurance companies, financial companies, pawnshops and credit unions.

The activity of financial companies is concentrated in two segments, namely working with small and medium-sized businesses, which attract additional capital for operational activities, and working with the population, which is provided with small short-term loans to meet their consumer needs. Financial companies are a necessary strategic link in the restoration of the country's economic growth, which is possible only through the provision of active lending [2].

In order to take into account, the main trends of the financial services market, the main dynamics of changes in the number of market participants were studied. Table 1 shows the dynamics of the number of participants in the financial market of Ukraine for 2020–2023

Table 1

Dynamics of the number of participants in the financial market of Ukraine [3]

Institutions	Years				Abs. deviation
	2020	2021	2022	2023	2023–2020
Banks	73	71	67	63	-10
Insurers	210	155	128	101	-109
Credit unions	960	922	760	559	-401
Finance companies	146	137	98	76	-70
Pawnshops	322	278	162	133	-189

During the analyzed period, the number of providers of non-bank financial services decreased: 10 banks, 109 insurance companies, 401 financial companies, 156 pawnshops, 70 lessors and 189 credit unions were removed from the Register. In general, the financial market decreased by 53.55%. Most of the financial institutions left the market, having voluntarily given up their licenses, and some had their licenses revoked by the decision of the regulator (the National Bank of Ukraine).

Table 2 presents the value of assets of the financial sector of Ukraine during 2020–2023.

Table 2

The value of assets of the financial sector of Ukraine, million Euro [3]

Institutions	2020	2021	2022	2023	Abs. deviation
Banks	45571	51331	58848	73570	27999
Insurers	1623	1618	1757	1858	235
Credit unions	58	58	36	36	-22
Finance companies	4663	5410	6100	6266	1603
Pawnshops	96	107	103	96	0

Despite a significant reduction in the number of participants in the financial services market, the overall dynamics of the value of assets during the analyzed period had a tendency to increase, which indicates a redistribution of resources. According to the analyzed data, we can see that a significant increase occurred in the banking sector, namely by 27,999 million Euros, insurance companies – by 235 million Euros, financial companies – by 1,603 million Euros. Although pawnshops had an increase in 2021-2022, they returned to the 2020 figure in 2023. Credit unions, on the contrary, reduced the amount of their assets by 36 million euros.

An important indicator for the analysis of the financial services market is the financial result of providers of non-banking financial services (Fig. 1).

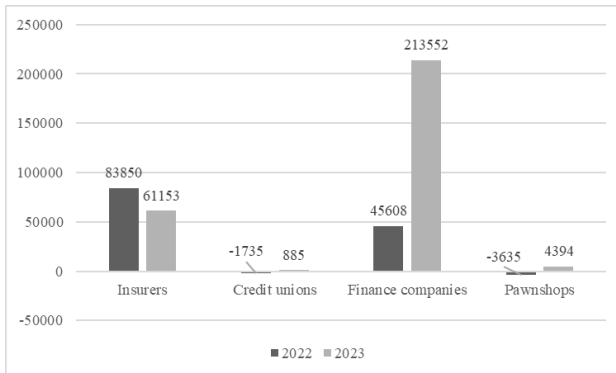


Figure 1. Net profit/loss of providers of non-banking financial services, thousand Euro [3]

According to the main regulator of the financial market of Ukraine, insurance companies suffered losses in the amount of 22,696 thousand euros for 2022-2023, while other participants of the financial services market were able to increase their profits: credit unions – by 2,621 thousand euros, financial companies – 167,994 thousand euros, lessors – for 8029 thousand euros.

Thus, it is possible to note the intensive development of the credit sector in the market of financial services, which is caused, first of all, by financial companies, such as factoring, leasing and other credit institutions.

One of the main problems of the development of non-bank financial and credit institutions is the limited interest in their financial services compared to banks. Expanding the spectrum of financial services from non-bank financial and credit institutions and deepening their specialization in certain areas is important for improving quality and ensuring competitive advantages compared to banks. However, the low level of trust in them poses a challenge to their competitiveness in the market compared to banks. In particular, competition is most felt in related financial services provided by both banks and non-bank financial and credit institutions [4].

The main difficulties that inhibit the development of non-banking financial institutions in Ukraine are: ineffective state regulation of the activities of non-banking financial institutions, inconsistency of current legislation with the needs and development of the financial market and its reform processes; low level of public trust and rather limited awareness of the activities of non-banking financial institutions; a decrease in the real income of the population due to Covid-19 and military actions, which makes it difficult to accumulate funds for investing in the financial sector, as well as the lack of a guarantee fund.

Since, today, most of the financial services provided by financial companies relate to lending, those financial institutions that have the highest credit potential have a significant competitive advantage in the market. They can significantly accelerate the development of the lending sector, competing with banks.

Financial companies are leaders among non-banking financial institutions in terms of increasing the rate of growth of their assets and improving key financial indicators. When evaluating their positions on the market of financial services, first of all, it is worth considering the competitive advantages of the financial product offered on the market. The most important characteristics are the availability of the financial organization (a wide network of branches, sufficient bandwidth) and the

price (tariff) policy. Also, non-bank financial and credit institutions are rapidly gaining popularity due to technological innovation and flexibility in adapting to market changes, namely the use of high-tech solutions such as blockchain and artificial intelligence to improve their services and provide faster and more efficient customer service. All of the above. allows us to predict that in the near future they will take a significant share in the non-bank lending market [5].

Conclusion

So, in recent years, the financial services market of Ukraine has undergone significant changes, which will have both positive and constructive consequences for the entire sector. The study showed that the main factors affecting the efficiency of the functioning of the financial services market are the rapid and client-oriented digitalization of services; volatility of regulatory policy due to Russia's military actions in Ukraine; immediate response to changes in conditions of limited access to financial resources; quick adaptation to work with clients under conditions of strict limitation of financial transactions.

The answers to these challenges can be: virtualization of services through cooperation with FinTech companies and, as a result, the emergence of new tools in the financial services sector; forced transition and the inevitability of acceptance of new online offers by financial intermediaries; diversification and hedging of savings by converting them into "currency-equivalent" deposits and cryptocurrencies; modification of mobile banking applications.

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