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PROBLEMS OF CREDIT AND COOPERATIVE SECTOR DEVELOPMENT IN UKRAINE

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Klimenko V. Problems of credit and cooperative sector development in Ukraine.

In the article the current state and characteristics of the cooperative credit sector of Ukraine is researched. It was revealed that inadequate state regulation of not only the financial sector of the economy in general, but also credit cooperative sector in particular had caused a number of problems that hinder their effective activities. The main of these problems are constantly changing legal framework and institutional inability to regulate credit unions. The main consequence of this situation is the emergence of pseudo unions (and loss of public confidence in the credit cooperative as a form of mutual and self help), reducing the effectiveness of their activities' regulation. Taking into account the experience of foreign countries in the regulation of credit cooperative sector (namely in terms of creating the proper regulatory framework and institutional environment for credit unions functioning), the introduction of credit unions' sector Self-Regulating Organization was proposed. It must unite the representatives of the state regulator and the market as well as fulfill a highly important in modern conditions of Ukrainian economy development indirect supervision function, which will significantly reduce the risks, contribute to strengthening and maintaining liquidity. Over the long term this will ensure the stability of the system of credit cooperatives in Ukraine. The study aims to identify current problems of cooperative credit unions in Ukraine and develop proposals for their solution. The subject of work: the causes of emergence and the role of government in providing legal environment to solve them. In research process the following methods of research were used: analysis and synthesis, comparison, historical and logical method. The main result is the development of approaches to optimize the measures of state regulation of national economy credit cooperative sector. The results obtained might be used in development of legislative reforms aimed at the regulation of financial institutions in Ukraine, as well as implementing credit unions' sector Self-Regulating Organization.

Клименко В.І. Проблеми розвитку кредитно-кооперативного сектора в Україні.

Досліджено сучасний стан та особливості розвитку кредитно-кооперативного сектора економіки України. Виявлено, що недосконале державне регулювання не лише фінансової сфери економіки у цілому, а й кредитно-кооперативного сектора зокрема стали причиною виникнення ряду проблем, які перешкоджають їх ефективній діяльності. Ключовими з цих проблем є постійно змінне законодавче поле та інституційна нездатність кредитних спілок до саморегулювання. Основними наслідками такого становища є виникнення псевдоспілок, зниження ефективності регулювання їх діяльності. Зважаючи на зарубіжний досвід у сфері регулювання діяльності кредитно-кооперативного сектору (а саме в аспекті створення належної нормативно-правової бази та інституційного середовища функціонування кредитних спілок), запропоновано запровадження саморегулювальної організації сектора кредитних спілок. Вона повинна об'єднати представників державного регулятора та ринку, а також виконувати надзвичайно актуальну в сучасних умовах розвитку економіки України функцію непрямого нагляду, яка дозволить істотно зменшити ризики, сприяти укріпленню та підтримці ліквідності. У довгостроковій перспективі це дозволить забезпечити стабільність функціонування

системи кредитної кооперації в Україні. Основним результатом роботи є розробка підходів до оптимізації заходів державного регулювання кредитно-кооперативного сектора національної економіки. Отримані результати можуть бути застосовані при розробці законодавчих реформ у сфері регулювання діяльності фінансових інститутів в Україні, а також при запровадженні саморегулювальної організації сектора кредитних спілок.

Клименко В.И. Проблемы развития кредитно-кооперативного сектора в Украине.

Исследовано современное состояние и особенности развития кредитно – кооперативного сектора экономики Украины. Выявлено, что несовершенное государственное регулирование не только финансовой сферы экономики в целом, но и кредитно – кооперативного сектора в частности стали причиной возникновения ряда проблем, которые препятствуют их эффективной деятельности. Ключевыми из этих проблем является постоянно меняющееся законодательное поле и институциональная неспособность кредитных союзов к саморегулированию. Основными последствиями такого положения является возникновение псевдоспилок, снижение эффективности регулирования их деятельности. Учитывая зарубежный опыт в сфере регулирования деятельности кредитно - кооперативного сектора (а именно в аспекте создания надлежащей нормативно-правовой базы и институциональной среды функционирования кредитных союзов), предложено введение саморегулируемой организации сектора кредитных союзов. Она должна объединить представителей государственного регулятора и рынка, а также выполнять чрезвычайно актуальную в современных условиях развития экономики Украины функцию косвенного надзора, которая позволит существенно уменьшить риски, способствовать укреплению и поддержке ликвидности. В долгосрочной перспективе это позволит обеспечить стабильность функционирования системы кредитной кооперации в Украине. Основным результатом работы является разработка подходов к оптимизации мер государственного регулирования кредитно – кооперативного сектора национальной экономики. Полученные результаты могут быть применены при разработке законодательных реформ в сфере регулирования деятельности финансовых институтов в Украине, а также при введении саморегулируемой организации сектора кредитных союзов.

Statement of the problem. The effectiveness of the credit cooperative sector of any country is largely dependent on government regulation. In Ukraine, credit unions face a number of challenges and obstacles linked primarily with continuously variable legislative field and institutionally by the unions to self-regulation. Despite this, quality new approaches to government regulation of credit-cooperative sector of the national economy should be developed and submitted for implementation.

Analysis of main studies and publications. The basic principles, approaches and methods of State management and regulation of credit unions in the national economy are examined in the works: V. Gorncharenko, O. Lutsyshyn, A. Olenchik, M. Tuhon-Baranovsky, A. Chayanov etc.

Statement of the problem. The purpose of article is identifying of the current problems of the credit cooperative sector of the national economy that have emerged as a result of the imperfect state regulation and the development of approaches in order to get effective solutions in modern conditions.

Summary of the basic material of the study. Improvement of the cooperative sector of the national economy is made among others by making the appropriate changes to legislation that regulates certain aspects of cooperative activity. In general, regulation is an objective process through the identification of the limits made by using special methods and corresponding instruments, which are in the possession of public authorities and used in order to achieve the desired economic and social effect [3, p. 19-21]. Under the legislative regulation of the cooperative sector to understand the taking of appropriate measures to regulate a specific

type of activity the cooperative forms of management, the adoption of regulations, and overseeing their implementation. These aspects include: the commercial code of Ukraine, civil code of Ukraine, law of Ukraine "on cooperation, law on agricultural cooperation, the law of Ukraine" on credit unions", etc.

The most important problems of development of credit-cooperative sector of the national economy, related to the lack of government regulation and such that need an immediate solution, in part, attributed the following : 1) legal problems (collisions that occurred after making changes to the tax code of Ukraine regarding the tax status of credit unions (as a non-profit organization; also unsettled the issue of taxation of contributions) and the ambiguity of the legal status of Credit Union's (non-governmental organization that provides loans at interest); ineffective opposition to the emergence of psevdokreditnih unions; no guarantee fund members of the Credit Union, which negatively affects the image of co-operative credit institutions in Ukraine; introduction of requirements regarding the requirement to use a cash register); 2) organization problems (the lack of consolidation of credit unions; creation of the co-operative Bank and central co-operative Bank).

The relevance of these issues is evident, because without them credit unions, on the one hand may not fully develop. Thus, the formation and development of credit-cooperative sector of the national economy significantly inhibited. Effective legislation which regulates the activities of the financial and credit system in Ukraine, is it stable, and hence the formation of the relevant legislation is the objective and actual problem. In modern terms the importance of the legislative and normative-legal support is determined by the State through the application of legal, budgetary, monetary and other mechanisms to regulate the quality and quantity of the side of the development of the financial and credit system. Implementing regulation and supervision in the field of financial and credit relationships, the State must not only define the rules for the implementation of these relationships, but also to anticipate their impact on socio-economic development of Ukraine.

It is necessary to take legislative and normative acts that will contribute to the development of the financial and credit system, will increase its reliability and independence, protect the financial and credit institutions from excessive interference in their activities of administrative and regulatory authorities, as well as solve the task of the financial credit of the interaction between different economic actors that determines the relevance of these scientific and practical problems. To solve certain problems, the implementation of a number of events take place. One of the biggest problems that arose after the adoption of the latest changes to the tax code of Ukraine is getting rid of credit unions the status of non-profit organizations that is false and completely contrary to international practice. In addition, it has created a new conflict, when the law of Ukraine "on credit unions" they are non-profit organizations, however, the tax code not assigned to non-profit organizations. On the other hand, the feasibility of the introduction of tax credit unions grounded the features of their functioning in the now existing legal field of Ukraine and fully meet modern requirements.

The idea of credit unions and granting them the status of non-profit organizations for the purpose of tax into account, above all, their social values. However, given the legislative membership credit unions to financial institutions whose sole activity is to provide financial services, in practice, the consolidation of the status of non-profit organizations by credit unions in Ukraine actually contributed to abuses on the part of individual pseudo unions [2, p. 10-14].

The actual functioning of the pseudo-unions is the consequence of the shortcomings of State regulation and oversight of the activities of the credit cooperative sector of the national economy. Therefore, getting rid of all credit unions non-profit status is not justified. Therefore, in our opinion, it is necessary to improve government regulation to prevent the activities of unions, which do not meet international cooperative principles.

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grounded the features of their functioning in the now existing legal field of Ukraine and fully meet modern requirements. In turns, the tax code of Ukraine to non-profit institutions entitled to receive tax benefits by including in the register of non-profit institutions and organizations. In this case the right to use the Credit Union benefits regarding taxation occurs just after making it to the register of non-profit institutions and organizations on the basis of paragraph 12 of article 157 of the tax code of Ukraine [5]. Also the tax code of Ukraine (paragraph 4 of article 157) [8] established types of income of credit unions that are exempt from taxation.

Evidence that in Ukraine the development of credit unions is not primarily a social orientation, and the desire for income (of pseudo-unions), which would not be subject to taxation, is in practice neglecting the basic principles of credit cooperatives. You can agree with the opinion of V. Krylov and N. Nikonov that needs in the development of credit unions, like in order to reach population financial services, in fact there was no [6, s. 38]. On the basis the bill on amendments to the tax code [7] of this was adopted law of Ukraine of Ukraine "on amendments to the tax code of Ukraine regarding taxation of non-profit organizations" [10], however, the non-profit status of credit unions based on it has been restored.

Another big problem that needs a solution, there is a need for establishing the guarantee fund of the members of the Credit Union. The need to address it no doubt and is justified by many scientists, but in a period of substantial deterioration of the national economy against the backdrop of sociopolitichnoï instability – it takes on special urgency. As rightly noted by a. Drozd and Sherepetko [4, p. 299-303], priority development of credit cooperatives in Ukraine is to protect the interests of the citizens of Ukraine – members (depositors) credit unions with the aim of ensuring the financial stability of the system of credit cooperatives in Ukraine and increase the level of protection of the most vulnerable sectors of the population from losing them their savings placed on deposits in credit unions. Therefore, it is advisable to create the relevant legal conditions in order to: 1) operative output insolvent credit unions with the financial services market; 2) reimbursement of their members funds by the deposit guarantee fund of members of credit unions. It is extremely important on the legal level to determine the mechanism of the liquidation of the insolvent credit unions which attract contributions (contributions) of the members of credit unions on deposit accounts.

Especially acute questions about cleaning sector, credit cooperatives from psevdо-credit unions. During the crisis, because of deficiencies in legislation, inadequate understanding of the socio-economic nature of credit unions on the part of the population policy failures of regulation and supervision of the State, there were institutions that, using the non-profit status of the Credit Union, then pocketed the money without providing them with financial assistance. Such pseudo-credit unions, experts estimate that there were about 10% of the total number of existing institutions in Ukraine. Against the heads of such agencies and their partners were raised about 100 criminal cases, but to return the funds of the depositors of these affairs.

Another problem of the credit unions that needs addressing, is the introduction of the mandatory nature of the requirements for the use of a cash register in the activities of credit unions according to the accepted 28.12.2014 r. law of Ukraine "on amendments to the tax code and certain legislative acts of Ukraine regarding tax reform" No. 71-VIII [9]. It's about the fact that the mandatory introduction of cash registers, which developed and civilized market economy brings a number of significant advantages (in particular, in the fight against shadow economy and corruption), and promotes consumer protection, current conditions in Ukraine for credit unions has the opposite effect. It is about the difficulty of adequately reflected in financial documents of the funds passing through cash Credit Union to revenue. For example, a member of the Credit Union makes a deposit (this is not a money Credit Union, because they have to be returned after a certain period of time) However, their holding via a cash register carries them to the income. And at the end of term deposit funds you will need to return, so it is unclear how this operation hold through the cash register. As a result, turnover on the box office of the Credit Union will not be the same as the speed on the cash register.

Problems is in need of having to confirm the independent auditor (audit firm), defined by the general meeting of the Credit Union, its annual statements. Services, audit companies, as a rule, are very costly, potentially negatively affect the financial condition of credit unions. Therefore, it is advisable to introduce the European practice of self-control credit cooperation through the creation of a network of specialized associations. In addition, the criminal activities of pseudospilok indicates that the availability of the findings of the independent auditor does not protect Union problems, and its members from losing savings.

Today the Ukrainian legislation does not provide for the mandatory listing of credit unions to one or another association or self-regulatory organization, as well as requirements for self control and internal audit. The creation of the self-regulatory organizations of credit unions is consistent with practices of foreign countries. This question depends entirely on the State as the main subject of the process of regulation of credit unions in Ukraine. Thus, the establishment of a self-regulatory organization (SRO) of the sector of credit unions on the basis of equal representation in the organs of management representatives of the State regulator (the National Commission) and the market (NAKSU and VAX), which from the side of the regulator will be transferred to the authority for inspections and control over the activities of its members, which would establish common international practice indirect supervision, making it more effective at lower budgetary cost.

In addition, the formation of the central co-operative financial institution, with the aim of liquidity support credit unions, will significantly enhance the stability of the system of credit cooperatives. Quite often, an organization of the highest level are created in the form of a bank which acts as a Central Bank for their cooperative members. It accumulates excess liquidity, redistributes it places excess funds in various financial markets.

In Ukraine it is advisable to use when creating a co-operative banks experience Lithuania, where with the support of the State created a Central Credit Union (CFB), which includes 61 from the current 67 credit unions and which is actually a cooperative bank for credit unions. CFB provides participating credit unions lending to maintain their liquidity and replenishment of the loan portfolio. All credit unions participating in the CFB are obliged to keep the current account in the CFB, and opening accounts in other banks is possible only by permission of the CFB. Participants in CFB using only software; within CFB operates its own payment system. CFB places money in government securities, deposits in the Central Bank of Lithuania. In Ukraine in accordance with the strategy for the reform of the State regulation of non-banking financial services in 2015-2020 envisages the introduction of mechanisms to support liquidity in the market of credit unions by mutual lending through the combined credit unions and cooperative banks (formed by the credit unions), however, specific ways of implementation mechanisms is not spelled out. In this regard, the essential is that Goncharenko, who notes that for creating real conditions for the construction of the system of cooperative banks should: 1) introduce changes the State of the initial share capital of Central and local co-operative banks with the option to purchase shares in the State over the next 10 years; 2) provide separate premises of the State savings bank for the Organization of cooperative banks; 3) clearly define and consolidate the legislative status of non-profitability cooperative banks with the appropriate mode of taxation, regulation and supervision; 4) create the necessary conditions for the integration of the individual credit unions (optional) cooperative banking system [1, p. 327-333].

In our opinion, it is advisable to clearly define the mechanisms for the implementation of this provision, since in the current edition of the law "on banks and banking activity" the possibility of establishing cooperative banks, already provided. Analysis of the problems faced by credit unions, implementing their mission on the market of financial services provided need to determine ways to overcome total incoherence, which is a modern condition of the activities of credit unions. An important role in the interaction between the participants of the market of financial services plays a government regulation. The main approaches to the optimization of activities of State regulation of credit-cooperative sector of the national economy, defined by

the us so: a) the fallibility of rationale the exclusion of credit unions from the list of non-profit organizations tax code of Ukraine, b) inadmissibility argument setting for credit unions regulatory requirements at the level of commercial banks (after the planned transfer of the supervision of this sector of the NBU); c) prove the need to create a favorable legal environment for the revival in Ukraine cooperative banks; d) determining measures to clean up credit-cooperative sector of the national economy from psevdokreditnih unions. It is possible to identify the most important directions of reforming of the State regulatory policy in the credit-cooperative sector of the national economy. **Conclusions.** Thus, the proposed conceptual approaches for improving credit cooperative sector of the national economy will allow for a short time to radically change the situation in the development of credit unions in Ukraine.

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Keywords: credit co-operation, credit co-operative union, National Commission for State Regulation of Financial Services Markets, pseudo credit union, self-regulatory organization of credit unions.

Ключові слова: кредитна кооперація, кредитна спілка, Національна комісія, що здійснює державне регулювання у сфері ринків фінансових послуг, псевдокредитна спілка, саморегульована організація кредитних спілок.

Ключевые слова: кредитная кооперация, кредитно-кооперативный союз, Национальная комиссия, осуществляющая государственное регулирование в сфере рынков финансовых услуг, псевдокредитный союз, саморегулируемая организация кредитных союзов.