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INTERNATIONAL BUSINESS DEVELOPMENT BANK IN A CHANGING GLOBAL TRANSFORMATION

In this paper the practical aspects of international banking business in the global financial system on indicators such as the ratio of bank capital to their assets, the share of non-performing loans to total loans issued by banks, as well as capital adequacy ratio and return on assets by geographic region are investigated. The economic and mathematical model, the use of which have predicted the share of non-performing loans in the total amount of global loans until 2017 and suggest a mechanism of a global institutional and regulatory support of the international banking business.

Key words: bank, international banking, financial system, globalization, global transformation, global imbalances.

Statement of the problem and the urgency of the study. One of the highest stages of globalization is the globalization of world financial area, which is the most dynamic component of the overall process of globalization. Particular attention is paid to the development of international banking, which allows access to a qualitatively new phase of the financial market. The banking system is a guarantee of financial security, its dependence on conditions in global markets makes it more sensitive to the global financial crisis.

The degree of scrutiny of research problems. Analysis of various aspects of the banks in the global financial markets in the context of globalization of the world economy is devoted to the works of leading local economists : SY Boryntsya as well. S. Halchynskiy, VI Grushka, DG Lukyanenko, IA February, Y. Makogon, AM Mozgovyi, A. Frost, T. Orekhova, MI Savluk, A. Filipenko, GA Chernichenko and others. Scope of Banking occupies an important place in studies of famous foreign scientists: P. Allen, E. Dolan, T. Koch, R. Miller, P. Rose.

The aim of the study is to develop the theoretical and methodological foundations of the international banking institutions and the development of scientific and practical recommendations for the development of the international banking business in a global transformation.

The main material. The current paradigm of global economic development necessitates perform the transformation and modernization of the national socio-economic system, taking into account not only national characteristics relations and market mechanisms, but also the world, a global market.

It is concluded that the present stage of development of civilization necessitates the development of new approaches to the study and understanding of the functioning world economy , the essence of the modern paradigm of the global financial environment and the global financial architecture banking.

Analysis of international experience in banking should start with the features of the global transformation of the banking sector in the context of globalization. It should be noted that over the last 40 years in the development

of banking systems around the world there is a relationship between the effective functioning of the banking system and level of economic development of the country [2, p. 47].

The current state of the global financial market is characterized by deepening internationalization, liberalization of domestic financial markets as a result of the weakening of state control over the banking sector and the process of concentration of international banks' capital. This dramatically increased the role of major players in the global market - the multinational companies (MNCs) and transnational banks (TNB), which control more than 70% of international markets for goods, services, technology and capital. [7] Parameters that characterize the development of international business is the ratio of capital to assets (Figure 1), the share of non-performing loans in total loans to banks (Fig. 2).

From Fig. 1 shows that the capital adequacy ratio for all regions of the world since 2007 has grown and this growth is not affected even a crisis. The largest value of this indicator accounts for the countries of Latin America and the Caribbean. A characteristic feature is also exceeding the world average Ukrainian banks analyzed index. However, this situation does not indicate sufficient reliability Ukrainian and Latin American banks compared to banks in other regions of the world: first, as a result of this inability to compare the value of the norm of capital adequacy ratio of the minimum value, and second, this situation may be due to low cost of banking assets as compared to bank capital, and the resulting figure gives an overestimate.

From Fig. 2 shows that the largest share of non-performing loans in the countries of Europe and Central Asia, and it began to grow after the crisis. This situation is due, apart from the global crisis of 2008-2009, the ongoing crisis in the euro zone. However, the rate of non-performing loans in Ukraine is almost 2 times higher than the corresponding figure for Europe and almost 4 times - worldwide This indicates that Ukraine, in contrast to the rest of the world continues to experience the crisis in the economy, including and in the banking sector.

Also important indica-

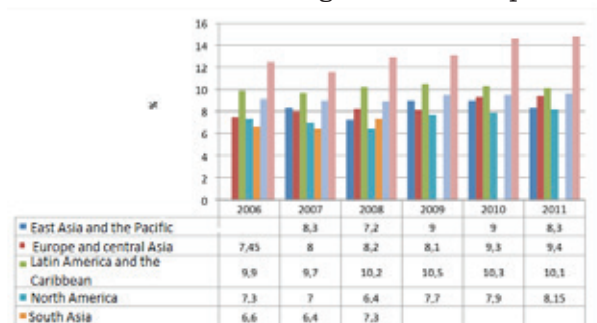


Fig. 1. The ratio of bank capital to assets by region of the world in 2006-2011,% [4]

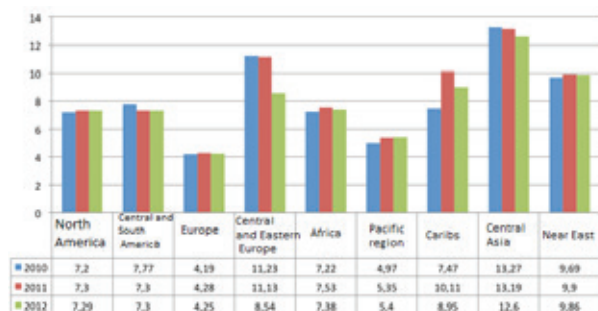


Fig. 3. Capital adequacy ratio of the banking world's regions in 2010-2012,% [4]

tors that reflect the state of the global banking business, is the capital adequacy ratio and return on assets. Thus, the capital adequacy ratios in all regions of the world are within the standard value in the 4-15%. However, given the standard transactions Basel-I and Basel-II in 8% of the requirement for the size of the total capital value of the assets of the risk, then the required rate of banks do not get nearly all regions except Central and Eastern Europe, Caribbean, Middle East and Central Asia (Figure 3)

The best return on the assets in the form of profits brought banks in Central and South America, and Central and Eastern Europe, the Caribbean, the least - banks in North America and Europe. And in the last group of European banks in 2012 have practically ceased to be profitable, due to the financial problems of the euro area (Figure 4)

To determine the dependence of the share of non-performing loans in total loans on factors such as foreign direct investment (FDI) in the world, the growth of world GDP, exports, the share of bank equity ratio, interest rate spread (Table 1) The mathematical model the use of which has allowed to predict the share of non-performing loans in total loans to the global 2017.

Variable Y (the share of non-performing loans to total loans) - dependent (endogenous) variables

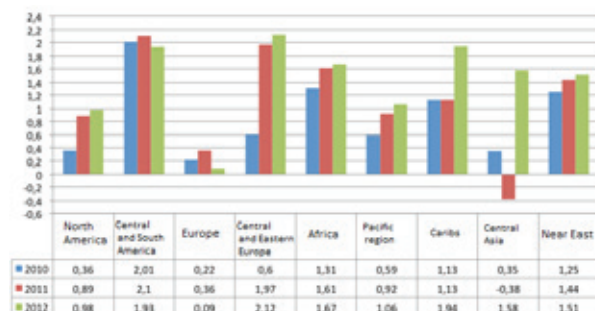


Figure. 4. Return on assets ratio, by region of the world in 2010-2012,% [4]

X1 (FDI in the world), X2 (world GDP growth), X3 (exports), X4 (share of bank capital in assets), X5 (interest spread) - independent (exogenous). In the first step to construct a model that takes into account the impact of all five factors on productive indicator. How-

Table 1

Output for the construction of economic and mathematical model [4]

Years	The share of non-performing loans in total loans,% Y	FDI bln.USD (X1)	The growth of world GDP,% (X2)	Exports as% of GDP (X3)	The share of bank equity ratio,% (X4)	Interest rate spread,% (X5)
2000	9,50	1319,34	4,20	24,68	8,70	7,17
2001	8,50	727,02	1,67	24,06	8,70	7,12
2002	8,00	629,06	1,97	24,00	8,90	7,11
2003	6,25	570,30	2,74	24,22	8,80	6,83
2004	4,20	715,54	3,99	25,71	8,70	6,47
2005	3,50	1380,29	3,50	26,75	8,55	6,61
2006	3,10	1693,32	3,99	28,15	9,10	6,33
2007	2,70	2468,32	3,95	28,69	9,00	6,54
2008	3,10	2197,17	1,33	29,57	8,95	6,22
2009	4,25	1154,96	-2,22	25,64	9,50	6,25
2010	3,95	1345,07	4,36	28,03	9,50	6,19
2011	3,70	1654,42	2,73	29,34	9,65	6,14

ever, because three of them were insignificant, they had to be excluded from the model - in spite of the fact that the coefficient of determination in the five-factor model has been higher than the two-way. Thus, the model has been obtained, meets the necessary criteria for significance (significant as the model and all its parameters). It looks like this: $\hat{y}_x = -65,95 + 2,6384x_4 + 7,1803x_5$

At the final stage of the forecast of the share of non-performing loans to total loans up to 2017 under two scenarios - pessimistic and optimistic. The scenarios presented in Figure 5 and Table 2. Since the data for 2012 and 2013. No, the forecast was also modeled effective rate over the years.

Table 2

**Optimistic and pessimistic scenarios for the forecast indicator
“Share of non-performing loans in total loans” in 2017, %**

Years	Optimistic scenario	Pessimistic scenario
2012	3,94	3,25
2013	7,44	2,90
2014	8,17	2,56
2015	8,54	1,87
2016	8,91	1,87
2017	9,29	1,53

Based on the simulation, we can conclude that in the international banking business of the deciding factors are the purely financial performance. The increase in the proportion of outstanding loans in the total loans of banks in direct proportion to affect the share of bank capital in assets and interest rate spread. This means that an increase in each of these factors alone leads to an increase in the proportion of outstanding loans.

Global imbalances have affected the development of global financial markets and the domestic banking system. After integration processes now cover various areas of the economy, but they are the most sensitive to the financial system, in particular in the banking sector. Therefore, monitoring of the new conditions of the banking system is essential both to clarify the trends of activity, and to identify changes in the banking sector in the context of globalization [1, p.102]

Thus, the global financial crisis has exposed the vulnerabilities of the financial system of Ukraine and significantly increased the risks of its operation, but in times of crisis assets of Ukrainian banks increased steadily. At the same time, if you pay attention to the credits, it may be noted that, despite the increase in the absolute indicator of

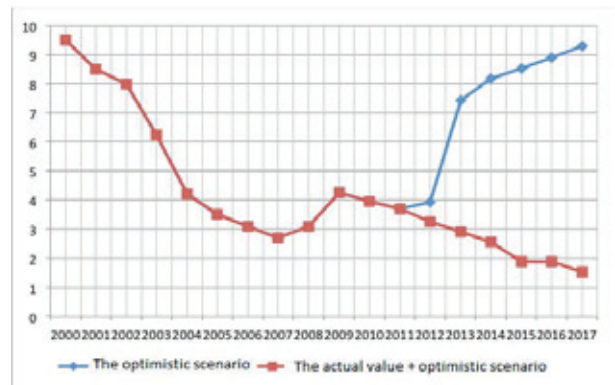


Fig. 5. Predicting the indicator “share of NPLs in total global loans” to 2017

long-term loans, their share decreased from the beginning of 2009 [3]. This trend is largely a negative, as a result of the inadequacy of the resource base of the banks due to the high sensitivity of domestic lenders to the overall economic and political situation in the country and a low level of confidence in the banking institutions.

Conclusions and suggestions. Based on the generalization of modern methods of management of international activities of commercial banks by national supervisory authorities and the control of various countries, a mechanism of a global institutional and regulatory support of the international banking business, based on a set of organizational and economic measures aimed at removing existing obstacles in the development of international banking and the increase in global investment attractiveness.

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РОЗВИТОК МІЖНАРОДНОГО БАНКІВСЬКОГО БІЗНЕСУ В УМОВАХ ГЛОБАЛЬНИХ ТРАНСФОРМАЦІЙ

Резюме

Досліджено практичні аспекти розвитку міжнародного банківського бізнесу у глобальній фінансовій системі за такими показниками, як відношення капіталу банків до їх активів, частка недіючих позик у загальному обсязі кредитів, виданих банками, а також коефіцієнт достатності капіталу і коефіцієнт рентабельності активів за регіонами світу. Розроблено економіко-математичну модель, використання якої дозволило спрогнозувати частку непрацюючих позик у загальному обсязі глобальних кредитів до 2017 року та запропонувати механізм функціонування глобального інституційно-регуляторного забезпечення міжнародного банківського бізнесу.

Ключові слова: банк, міжнародний банківський бізнес, фінансова система, глобалізація, глобальна трансформація, глобальні дисбаланси.

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**РАЗВИТИЕ МЕЖДУНАРОДНОГО БАНКОВСКОГО БИЗНЕСА
В УСЛОВИЯХ ГЛОБАЛЬНЫХ ТРАНСФОРМАЦИЙ**

Резюме

Исследованы практические аспекты развития международного банковского бизнеса в глобальной финансовой системе по таким показателям, как отношение капитала банков к их активам, доля недействующих займов в общем объеме кредитов, выданных банками, а также коэффициент достаточности капитала и коэффициент рентабельности активов по регионам мира. Разработана экономико-математическая модель, использование которой позволило спрогнозировать долю неработающих займов в общем объеме глобальных кредитов до 2017 года и предложить механизм функционирования глобального институционально-регуляторного обеспечения международного банковского бизнеса.

Ключевые слова: банк, международный банковский бизнес, финансовая система,