

Unit 12. Finances, insurance and exchange industry: innovational and investment strategies.

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THE CURRENT SITUATION OF THE AUTO CREDIT MARKET IN UKRAINE

The current market situation is characterized by noticeable decrease of economics, bank business reduction, lack of credit resources, and devaluation of the hryvnia. Unfortunately, the economic crisis has stopped a progressive development of both bank sector in itself and separates its segments including the consumer loans. Nowadays the domestic banks have to activate the credit processes with limitation of the placement of funds in a narrow circle of known borrowers, controlled by the bank, as well as lending trade and intermediary operations. In this regard, it is necessary to develop the directions of activity that could stimulate the economic growth.

According to some analysts, an auto loans is still one of the most flexible and popular credit products among the population even in times of crisis. This is largely due to the fact that a significant part of the population cannot afford buying a vehicle with current salary income. That is why the development of new effective car loan programs in the current conditions of development of the domestic economy of Ukraine and the low level of well-being of the majority of the population becomes especially relevant.

The study of the essence of consumer lending and the system of car loans, the main models of its organization are seen in the works of foreign and

domestic scientists, such as: D. Vitas, D. Diamond, J. Montsek, S. Steinmetts, R. Strike, N. Velentseva, O. Vovchak, L. Zherdetska, O. Lavrushina, L. Kuznetsova, and others.

Thus, according to Vovchak O.D. a consumer loan should be understood as the cash provided to individuals – the country residents in the national currency by banks and non-bank financial institutions to meet personal needs that are not related to entrepreneurial activity, on the basis of reciprocity, payment, security and maturity [1, p. 149].

However, the study of existing publications and materials has revealed the need for a more fundamental study of the theoretical foundations of car loans, a detailed analysis of the current situation in the car loan market, as well as the formation of a comprehensive approach to risk research in this segment of consumer lending. The object of the study is to synthesize theoretical bases, to analyze the stages of development and the current state of the domestic car loan market, as well as to identify the main factors which influence the growth or slowdown of the development of the car loan market in Ukraine.

In today's crisis conditions in Ukraine it is necessary to realize how important it is to organize the efforts of the state and the banking system in order to develop an effective policy of containment and overcoming of crisis manifestations in the economy and the banking system, as well as create conditions for the further transition to practical actions for its realization.

That is why it seems necessary to develop the directions of activity which stimulate economic growth and remain significant in an unfavorable economic situation. For retail banking, this initially refers to activities aimed at increasing public confidence in the banking system, as well as consumer lending development, whose priority areas, in our opinion, should be medium and long-term secured car loans.

According to domestic analysts, the car loan remains popular among

population even in time of crisis. If we compare car loans, for example, with mortgage products, then in this case, relatively small terms and credit sums should be noted [2, p. 95]. Besides, the car as a pledge item in the situation of an unfavorable financial situation from the borrower can be realized fairly quickly, which can also be attributed to the benefits of the direction of consumer lending. At present, the interest of individuals in car loans is being significantly increased by joint programs of banks and automakers, as well as the state subsidy program for interest rates [3, p. 121].

As a result of the research of the current state of consumer car loans development, one can identify the main factors negatively influencing its development in Ukraine as: lack of stability in the financial and monetary systems of the country; political instability and hostilities in the eastern part of the country; constant inflation and fluctuations in the national currency rate, which in turn affects the welfare of the population; low wages, which increases the risk of non-repayment by many borrowers of the loan and interest thereon; large number of troubled car loans in foreign currency; imperfect legislation on lending to individuals; lack of a clear and effective policy on the development of the domestic credit market and the banking system of the country as a whole.

Using Oshchadbank as an example, one can note that from the beginning of 2018 it has issued 1709 auto loans worth more than 900 million hryvnas.

Table 1

The dynamics of car loans of Oshchadbank for 2017-2019

Year	Applications	Issued loans, un.	Volume of issued loans, mil. hrn.
2017	1479	333	172,55
2018	5449	1709	904,97
Jan. 2019	480	126	65,02
Feb. 2019	666	200	96,30
Mar. 2019	368	81	33,32

Reference: made by the author on the data of monetary and credit statistics of the National bank of Ukraine [4]

According to Table 1 data, the dynamics of auto loans of Oshchadbank in the last 3 years shows a positive growth trend. So in 2018, the number and volume of issued car loans of Oshchadbank increased by more than 5 times compared to 2017 figures. This result was achieved due to the special conditions for partner lending programs with the leaders of the Ukrainian automotive market. In the second quarter of 2018, the average interest rate on car loans in Ukraine was dropped by 0.53% to 13.87% per annum. The cost of auto loans was reduced by Kredobank and Ukrgasbank. Marfin Bank has lowered its lending rate for supported cars. In the first quarter, auto loans also became cheaper (by 0.67%). Loans for cars include a one-time commission of 0.1% to 4% and annual car insurance. This is evidenced by an overview of topical loan programs conducted by the "Ligane" information portal on July 2, 2018. The average effective rate in Ukraine for selected loans as of 28.02.2019 is 13,14%.

Taking into account the results of the search, one can claim that car loan plays a significant role in credit market development and economic growth in the country as a whole. Thus, we consider it necessary to highlight the main directions and priorities of further development of consumer and car loans in Ukraine, namely:

1. Creating an effective mechanism to divide the credit risks between creditor and borrower, which implies the insurance from probable and unwanted deviations of actual results from projected through such financial instruments as issuance of securities, securitization of assets, restructuring of loan portfolios.

2. Improvement of the regulatory framework in the field of lending to individuals, which in the first case concerns the law "On Consumer Lending" adopted in 2017. Despite a number of positive changes that are envisaged by this regulatory act, there still remain disadvantages, one of which is the possibility of

applying the variable interest rate and its binding to the agreed index, that is, the lender can change the interest rate by publishing the index in his premises.

3. Active support of car loans programmes by the state and the use of marketing technologies to increase its volume, creating new credit products for individuals.

As a result of the search, it was determined that providing the population with consumer loans is one of the most important social problems, and car loans are the key direction of its solution. In order to solve the main problems of car loans in Ukraine, first of all, it is necessary to make appropriate changes to the legislation on car loan regulation, create an effective mechanism for distributing credit risks between the creditor and the borrower, active support by the state of car loan programs and the use of marketing technologies to ensure the growth of the credit market and the economy as a whole. It is also necessary to apply an integrated approach to assessing the creditworthiness of potential borrowers using scoring systems, which will simplify the procedures for obtaining a consumer loan and make it more accessible to people.

References:

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