

По-четверте. Особі, яка хоче застрахувати своє життя, потрібно бути досить уважною при укладанні договору зі страховою компанією, адже саме в ньому регульовані найважливіші пи-

тання процедури страхування. Головне, аби договір забезпечував цільовий характер накопичення, надійно захищав майнові права вкладника.

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A. Y. Zelinskaya

THE FEATURES OF ACTIVITY OF INSURANCE COMPANIES ARE IN SYSTEM OF NOT STATE PENSION PROVIDING

The article is devoted to research of mechanisms of functioning of insurance companies in the different systems and models of the not state pension providing.

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Kravets O. V.

TIGHTENING MONETARY POLICY: LOSS OR GAIN

In this article it is investigational actuality of recommendations of International Monetary Fund for the economy of Ukraine. Influence of increase of registration rate on credit activity of banks is considered. The sources of monies resources for banks are analyzed. A conclusion is done, that the recommendations of IMF are not actual in Ukraine, because NBU can not use of monetary instruments of regulate credit activity of banks.

On the account of growing imbalance of current account the issue of financial safety appears in Ukraine. Excessive private consuming stimulates import increase. The International Monetary Found asked Ukraine to pay more attention to this problem. Thus the IMF recommends Ukraine to decrease private consuming through different methods, in particular through taxes raising and holding tightening monetary policy which decrease banks credit activity and thus will decrease the level of consumption. The monetary aggregates for 11 months of 2007 grew sharply: monetary base grew by 34.1 % ytd (6.2 % for the same period in 2006) and money supply extended to 40.3 % ytd (25.8 % in 2006).

And the amount loans given to the economy rose by 64.6 % ytd (particularly to households 85.1 % ytd). Consequently, the question of restrictive monetary policy plays the greater role than fiscal policy [1].

Therefore the aim of this work is to research how restrictive methods of the NBU influence banks liquidity and thus the level of consumption in the economy. In other words the purpose is to see whether the IMF recommendations are suitable for the Ukrainian economy and whether monetary instruments help to solve the problem of financial stability in Ukraine.

In November 2007 when year inflation surpassed all the expectations (CPI escalated by 15.2 % y/y in

November) the Bank at last tightened the monetary policy in order to subdue the situation. Leaving discount rate unchanged, the NBU raised significantly refinancing rates: overnight rate from 9 % to 12.5 % annual, tender rate from 9.1 %–12 % annual – the highest rates from the beginning of the year. Also the Central bank rose mobilizing rate to 7 % annual. Moreover in order to activate the use of inner-country resources the NBU obliged the banks to reserve funds attracted from non-residents with 4 % annual [1].

All these restrictions of the Bank led to buoyancy on the inter-bank credit market. In order to research this process two main indicators of the market were taken: KievPrime and KIBOR indexes.

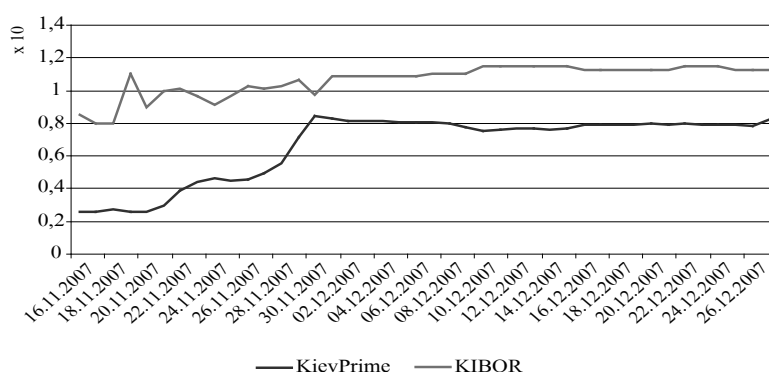
KievPrime is the new index of inter-bank credit market, launched in November 2007 by European Bank for Reconstructions and Development. The index is supposed to be the benchmark of hryvnia value on the money market. It is a Ukrainian analog of LIBOR. Eight Ukrainian banks undertook to credit each other with the rate that is based on KievPrime. There was a previous attempt to launch such an index. In 1997 KIBOR index (Kiev Inter-Bank Offered Rate) was created. But it was not absorbed by the market. None of the transactions on the inter-bank market was held with KIBOR. It is just an indicator

of the average rate on the money market and is used for tendency analyses on the market. But both indexes respectively reflects market tendency and are good for using in this research [5].

During November-December the situation on the market changed remarkable (*Pict. 1*). The demand on the inner-country resources grew sharply. Theoretically it must influence credit activity of the banks as the inter-bank credit market is one of the main source of money for the banks. However, before making a clear conclusion on whether financial instruments influence banks activity let's see where banks take money for crediting economy [2].

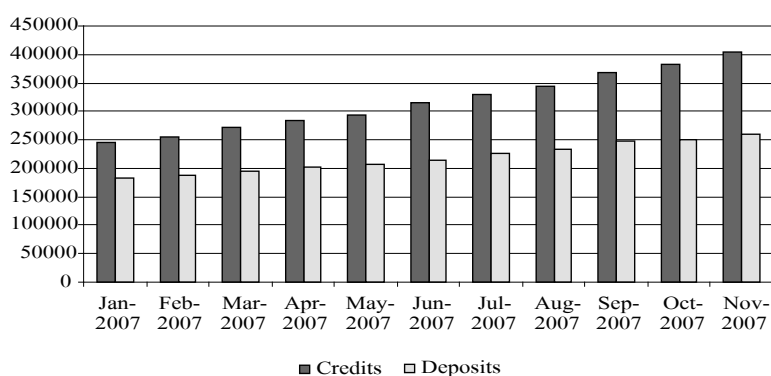
Firstly examine theoretical source of banks loans – deposits (See *Pict. 2*). For the recent years the volume of loans is twice more than the volume of deposits, particularly as of November 2007 loans composed UAH 403.7 billion while deposits equaled only UAH 260.1 billion. Therefore, besides deposits, banks have another cheaper means of crediting [1].

Another place of getting money is inter-bank credit market (See *Pict. 3*). On the inter-bank credit market banks send the surplus of their resources; sometimes banks use it as the one of the most profitable way of investing money. Consequently, inter-bank market is a considerable source of cheap money.



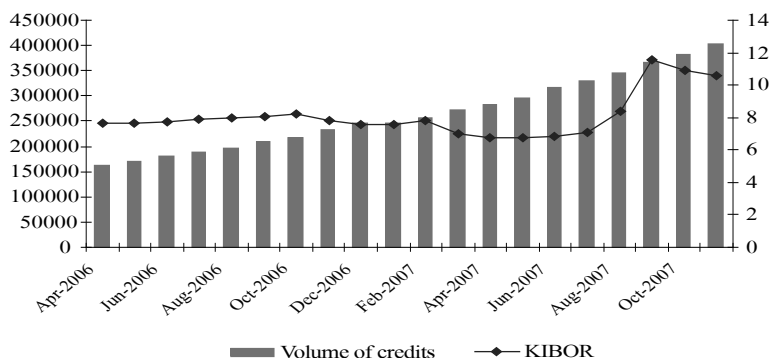
Pict. 1. Rates on the inter-bank money market

Source: www.cbonds.info.com [3]

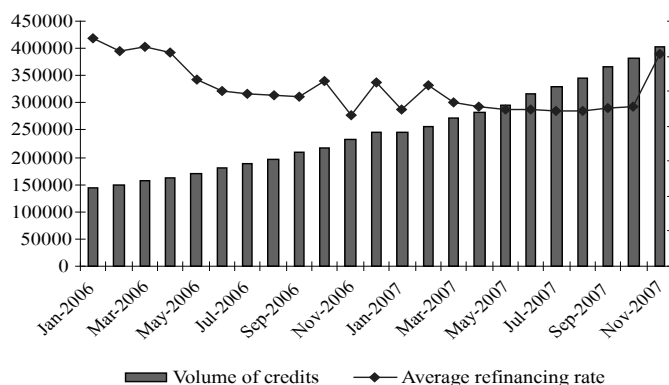


Pict. 2. Banks deposits and credits (UAH, billion)

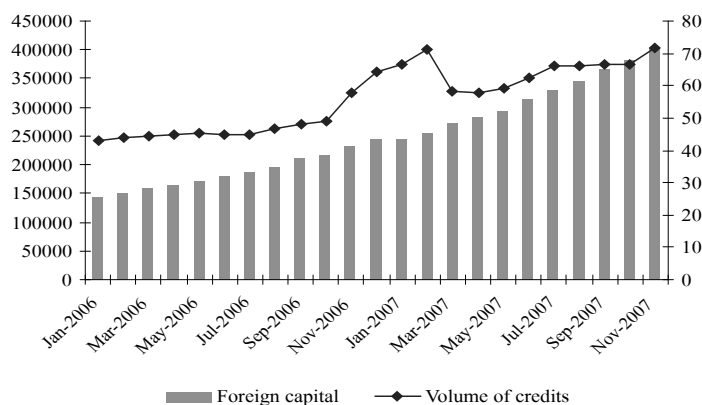
Source: the National Bank of Ukraine



Pict. 3. Loans (UAH billion) and inter-bank rates (%)
 Source: the National Bank of Ukraine, www.cbonds.info.com



Pict. 4. Refinancing policy and volume of loans. (UAH billion)
 Source: the National Bank of Ukraine



Pict. 5. Foreign capital and credit volumes. (UAH billion)
 Source: the National Bank of Ukraine, www.cbonds.info

But from the *Pict. 3* it is obvious that inter-bank interest rate do not reflect credit dynamics. Nevertheless inter-bank rate KIBOR somehow goes in line with credit trend, overall it also stays apart with credit volumes. Thus the banks do not use intensively market resources either. According to the USAID research banks use inter-bank credit market as one of the tools of lending practice ¹.

Finally the last source is the Central bank's credits (See *Pict. 4*). As all the financial dictionaries state the Bank is the bank of last resort for commer-

cial banks, thus it must provide the cheapest resources for the banks. But as we see from the *Pict. 4* banks are not so active in borrowing from the Central bank. For the last two years the volume of state credits to the banks did not exceed UAH 3 bln.

So, the natural question appears where banks take money for crediting economy? The matter is that where is another much cheaper way of getting money. It is external borrowings.

It is evident that credit volumes are vulnerable to the volume of external borrowings, in particular to the Eurobond volumes (See *Pict. 5*). The volume of Eurobonds for the last two years doubled and

¹ Loans to banks compose about 33 % in banks credit portfolio

equaled \$14.2 billion on December 2007 and the amount of loans for the same period almost tripled.

Therefore international credit market is one main source of cheap money resources for the Ukrainian banks. As it was mentioned before the NBU «cut» this source by implementing the obligatory reservation of external borrowing with 4 %. Moreover, liquidity crunch on the global market also drops hopes for the increasing external loans. Thus Ukrainian banks are rushed in the inner country undercapitalized market.

Consequently the banks face the problem of the lack of money. It can cause both advantages and disadvantages. Among the positive aspects the most obvious are:

- The growth and more intensive use of inter-country resources;
- Monetary instruments of the NBU are gaining ‘strength’ as the NBU credits became the cheapest for the banks;
- Deposits expansion as one of the main sources of the capital for the banks, consequently the rise of deposit interest rates;
- Decrease of inflation rates.
- The Ukrainian securities market development ¹. However, disadvantages are the following:
- Possible increase of the loans’ cost through the higher credit rates for the economy;
- The lack of resources leads to the decrease of the long-term credits, which are the great force for the whole economy development;
- Undercapitalization of the Ukrainian banking sector.

Though there are more advantages, the weight of the negative effects is bigger and can affect economy in the mid-term. Meanwhile positive aspects are important for the long-term, however the NBU can any day change the policy and, thus, the situation

will be changed cardinally, so the advantages will not have time to appear.

So, as it was mentioned above monetary instruments have very small effect on the banks credit activity, thus, tightening monetary policy has very indirect influence on the credit volumes and, consequently, on the level of consumption. Hence the IMF recommendations make a small sense for Ukrainian economy until the monetary instruments do not work properly. As soon as the theoretical Central bank instruments begin to operate on the market, the IMF recommendations will be really worth-while [4].

Therefore, the mechanism of the Banks tightening the monetary and its efficiency has been clarified. However, the problem of growing consumption has not been solved yet. The recommendations on tackling this issue are the following:

- to check influence of the fiscal policy on the consumption level. Should it work, to implement reasonable tax raising according to the IMF recommendations ;
- another way to decrease consumption is social payments decrease. The new government, however, does not pay attention to the problem and plan to compensate Oshchadbank deposits on the amount of UAH 20 billion in 2008. Besides that, other articles from social protection also were raised significantly. Consequently, the immediate measures should be implemented in order not to deepen the problem of high consumption.

Finally, the high private consumption in some cases is the moving power for economy development. But the reasonable growth of it is the first step towards financial stability. To sum up, the issue of the consumption is somehow examined, however the future way of events depends on the new government policy.

1. www.nbu.gov.ua
2. www.aub.com.ua
3. www.cbonds.info

4. www.capitalmarkets.kiev.ua
5. www.imf.org

О. В. Кравець

ГРОШОВО-КРЕДИТНА ПОЛІТИКА: ВТРАТИ ТА ВИГОДИ

У статті досліджено актуальність рекомендацій МВФ для економіки України. Розглянуто вплив підвищення облікової ставки на кредитну активність банків. Проаналізовано джерела грошових ресурсів для банків. Зроблено висновок, що рекомендації МВФ у фінансовому секторі не є актуальними для України, оскільки НБУ не може регулювати кредитну активність банків шляхом використання наявних монетарних інструментів.

¹ As of November 2007 the investments in securities composes only 6 % in banks credit portfolio.