

## CREATION OF MONITORING SYSTEM AS A TOOL FOR ENSURING THE BANKING SYSTEM FINANCIAL STABILITY

Effective management of the banking sector of Ukraine is required to carry out constant monitoring of its activities, that is we need to understand a comprehensive information system consisting of the banking system conditions monitoring, evaluating the results and forecasting the development tendencies of the national banking sector and separate commercial banks. The creation of a banking monitoring system involves such tasks as the selection of financial stability monitoring indicators, the forecasting of the banking sector activity, the evaluation of the effectiveness and efficiency of such monitoring, and so on. Therefore, it is relevant to analyze the problems of the Ukrainian banking sector monitoring, its tasks, structural parts, the formation of an effective indicators system to diagnose the banking sector financial stability and forecast the trends in its development.

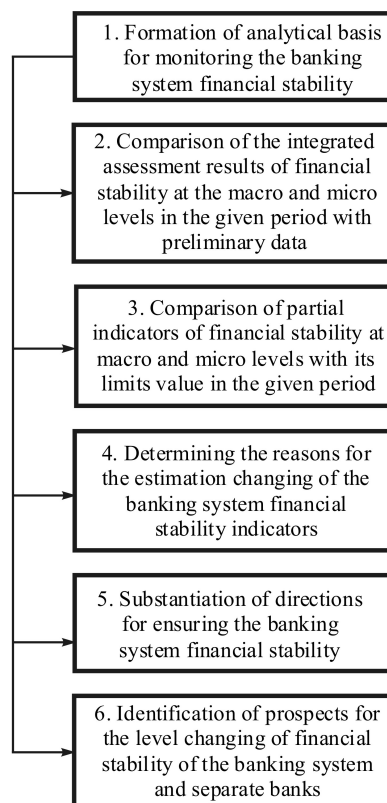
Many scientists have studied the problems of banking monitoring, namely Kovalenko V., Zverev M., Maslak O., Kviatkovskaya L., Shyka M., Dovgan Zh., Prymak P., Lesik V. and others. A lot of scientific papers consider the problems of monitoring the formation and evaluation of the financial stability of the banking system of Ukraine.

Achieving high efficiency in bank financial monitoring is an integral part of the process of improving the efficiency of each banking institution and banking sector as a whole.

On the basis of the literature analysis [1] – [11], the stages of creating monitoring system of the banking sector financial stability have been formulated (pic.1).

At the first stage of the financial stability monitoring it is advisable to carry out the following: calculation of the banking system financial stability indicators from the relevant position (macro level); determination of quantitative and qualitative levels of the banking system financial stability; calculation of express assessment of the banks financial stability indicators (micro level); carrying out an integrated express assessment of the banks financial stability; grouping the banks in according to their financial stability level. According to the results of this stage, we obtain indicators for assessing the intensity of credit and financial interaction in the interbank market, the effectiveness of the banking system functions implementation, structural changes and financial imbalances, the activity of systemic banks,

that is, we determine the level of the banking system financial stability.



Pic. 1 The stages of creating monitoring system of the banking sector financial stability

The second stage is to compare the actual level of the banking system financial stability with the data of previous periods and the results of the distribution of banks by financial stability groups with the data of previous years. According to the results of the second stage, the deviation of the level of the banking system financial stability as a whole and of particular banks is determined, which allows to detect negative trends in time.

At the third stage of monitoring financial stability, it is advisable to use reasonable limit values for its diagnosis. To accomplish this step, it is necessary to create a scale of partial indicators of the banking system financial stability assessment, on the basis of on which it is possible to determine the qualitative level, to determine the interval of the scale corresponding to the low level of each of the analyzed indicator, and to choose as a basis for determining their thresholds.

At the fourth stage of monitoring the financial stability of the banking system, it is necessary envisages to determine the reasons of changing the indicators for the banking system financial stability diagnostics. The peculiarity of the corresponding stage is to take into account the causal relationships between groups of the banking system financial stability indicators and the impact of banking regulation tools on its overall level. The results of the implementation of this stage are as following: clarification of the list of factors that led to a negative change in individual groups of indicators of assessing of the banking system financial stability in dynamics; identifying the most effective banking regulation tools.

At the fifth stage of creation the monitoring system of the banking sector financial stability, the results of the previous stages have been summarized and general recommendations have been given for ensuring the banking system financial stability. At the same time, the results of determining the prospects for changing the banking system financial stability and the levels of banks financial stability (stage 6 of monitoring) also make it possible to specify further steps to ensure the banking system financial stability of and to avoid imbalances in the banking sector, which may be caused by deterioration indicators activities of the most financially vulnerable banks. In other words, the analysis of changes in the parameters of banking regulation instruments, the variations of which are the most sensitive to the level of financial stability of the banking system (sensitivity is determined by the calculated coefficients of elasticity), and the identification of tendencies of banks approaching their levels of financial stability allow: forecast for the development of the banking system as a whole and separate banks in the near future; justify corrective measures for the implementation of banking regulation; identify the banks for which low levels of financial sustainability are forecast more control over their operations is required.

The specificity of the banking system, which unites institutions providing financial intermediation services, determines the use of the comprehensive indicator system when evaluating its performance. These indicators in complex make it possible to assess the level of the banking system financial stability in macroeconomic and regional contexts, to determine the competitiveness of the domestic banking system in comparison with other countries, and to set certain limits to the potential impact of the banking system on the economy as a whole.

The problem of justification of the indicators system of the banking sector financial stability with regard of the financial security guidelines of the state and the macroprudential policy, which has implemented in Ukraine, is becoming actually.

The process of creating an effective banking monitoring system is still under the development and requires research and development of applied recommendations, taking into account the peculiarities of the national market and foreign experience. Financial stability monitoring is a determinant of banking management. It is appropriate to use it at the

level of each individual bank and the level of the banking system as a whole. The effective functioning of this monitoring system as a tool for ensuring the banking sector financial stability will help to increase the level of profitability, reduce risks, control and maintain the liquidity and solvency of banks at a sufficient level, which will ultimately have a positive impact on ensuring the financial stability of any commercial bank.

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