



CONCEPTUAL FOUNDATIONS OF REGIONAL POLICY OF THE BANKING SYSTEM

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Abstract

Among the characteristic features of the transformation processes of modern society manifest situation ally conditioned trend of decentralization of public administration various spheres of human activity and the deepening of the basis of commitment to regionalization. These are today's challenges require new approaches to the determination of the theoretical and methodological foundations of regional policy in order to achieve the aforementioned strategic goals of the Ukrainian state. The banking system is an extremely important area of social life in all aspects, is no exception. Therefore, the question of the banking system in the region and the mechanism of its management in mezoprostori remain relevant and timely.

The paper presents the essence of the regional policy of the banking system, its dual function of institutional ownership and content, priority vectors defining conceptual foundations of place in the structural model of state regional policy.

Key words: regions, the regional banking system efficiency, the regional policy of the banking system.

INTRODUCTION

Review of national scientific sources clearly demonstrated that virtually all studies of the banking system focused on the national and international levels. This naturally by reason of the operation of the banking system and a high degree of centralized management, because the importance of this sector for the socio-economic environment and ensure their safety can not be overstated.

However, we believe that the need for investigation of the formation and functioning of the banking system within a region - regional banking system is on the agenda.

THE ESSENCE OF THE BANKING SYSTEM IN THE LIGHT OF REGIONAL DEVELOPMENT

For qualitative studies of regional policy of the banking system, especially, it is important to understand the appropriateness of consideration of the region as a system that is a special part of the system-level backbone with complex relationships and interdependencies. The study of the structure of the banking system in the region as a system (regional banking system) will enable clear understanding of the place and significance for socio-economic development of the region and the country as a whole, to distinguish the strengths and weaknesses of the impact of this component on other spheres of society and determine its sensitivity to them. As a consequence, the results of such conclusions can be formulated conceptual basis of regional policy of the banking system in the context of sustainable socio-economic development of the region as a territorial social system.

However, examination of the structure of the banking system in the region should be very close, including general processes as a regional banking system is an important subsystem of the formation of the whole banking system, which is extremely significant spheres of the state, which ensures the flow of financial resources for different needs. In fact, under modern conditions of life of society and the development of economic, social, labor,

political, legal and other relations is not possible to imagine such processes without maintenance of the banking system.

Thus, we believe that the banking system in the region is relatively independent subsystem of the national banking system and the regional economy. This dual approach to the study of this category is required to apply. As a result, we can speak of the formation of the regional banking system.

Another vast reservoir studies of the banking system relates to the inclusion of a system of higher hierarchical level. As already mentioned formulations were observed according to some scientists to classify such a system or economic, or credit, or to the financial system. We believe that the banking system is part of the financial and credit system of the country, which also includes the so-called parabankivsku system. Its special form of credit and financial institutions (insurance companies, pension funds, finance companies, leasing companies, factoring companies, brokerage and dealer companies, pawn shops, etc.) and postal savings system (post offices, postal savings institutions) [Glebova N.V., 2009, p. 5]. These financial institutions in financial markets act as purchasers of financial instruments, creating the demand side, and issuers of financial instruments, creating the supply side, and there are financial intermediaries by offering access to financial market investors who do not have sufficient knowledge about the functioning of the market, experience in this area, sufficient cash funds to diversify investment risk and do not have sufficient means to monitor the time and financial market deepening their knowledge [Evolution of the banking system in Poland, 2006, p. 18].

Thus, we believe that the banking system should be studied in the institutional and functional manifestation of the implementation of financial and credit mechanism of the dual approach to its consideration as a subsystem of the national banking system, and as part of the regional economy that permeates all spheres of society in the land (fig. 1.).

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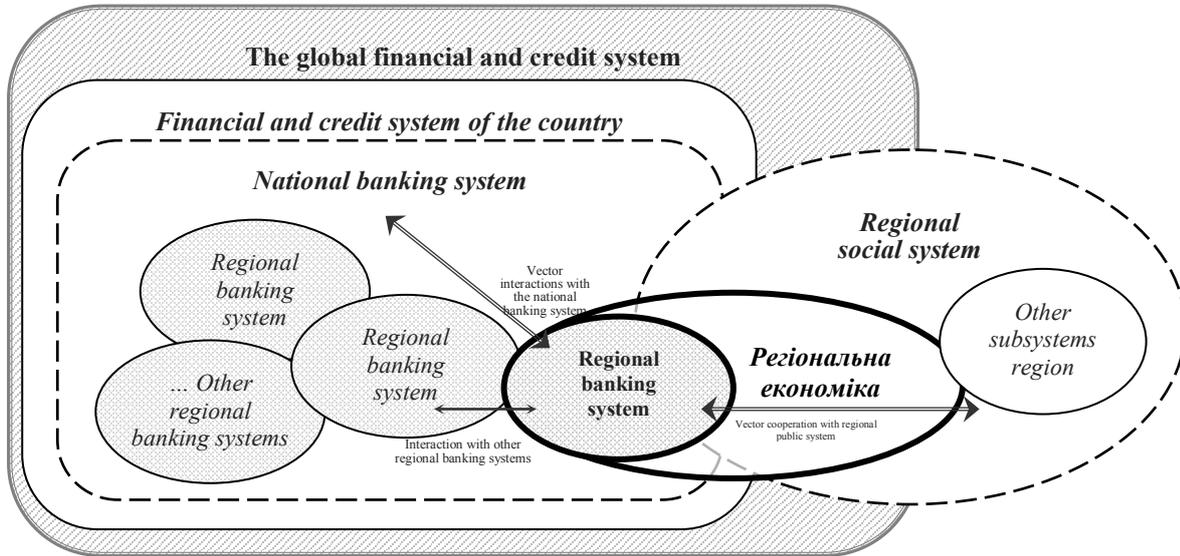


Fig 1. The dual-functional institutional affiliation of regional banking systems*

* Source: elaboration of the author

That is the essence of the banking system should not only build up a set of different types of banks and credit institutions, as consideration of how the system provides a special approach in understanding. It is well known that the system is not only a set of items, but some of their ordering with well-established interactions and interdependencies.

We consider it appropriate to present the author's interpretation of the regional banking system as an organized set of banking institutions located in the defined area interact with each other and with the environment, making resource support economic, social, labor, political, legal and other relationships, and that is organic component of regional public system while subordinated banking system across the country.

CONTENTS OF REGIONAL POLICY OF THE BANKING SYSTEM

The regulation of the banking system is quite complex, but extremely important area of public policy. A key thesis in the definition of conceptual frameworks regulating the banking sector must be that, because the banking system is a kind of "circulatory" system all spheres of society, through adjustments you can make a significant impact on the revitalization of priority economic activities and socio-economic development in general.

Defining the conceptual foundations of the regional policy of the banking system should be made based on the current situation in the region and taking into account the development priorities and targets in the region and the state. Schematic is shown in Fig. 2. It is clear that this approach is in defining the conceptual foundations of the regional policy of the banking system caused by the dual functional institutional affiliation of the system.

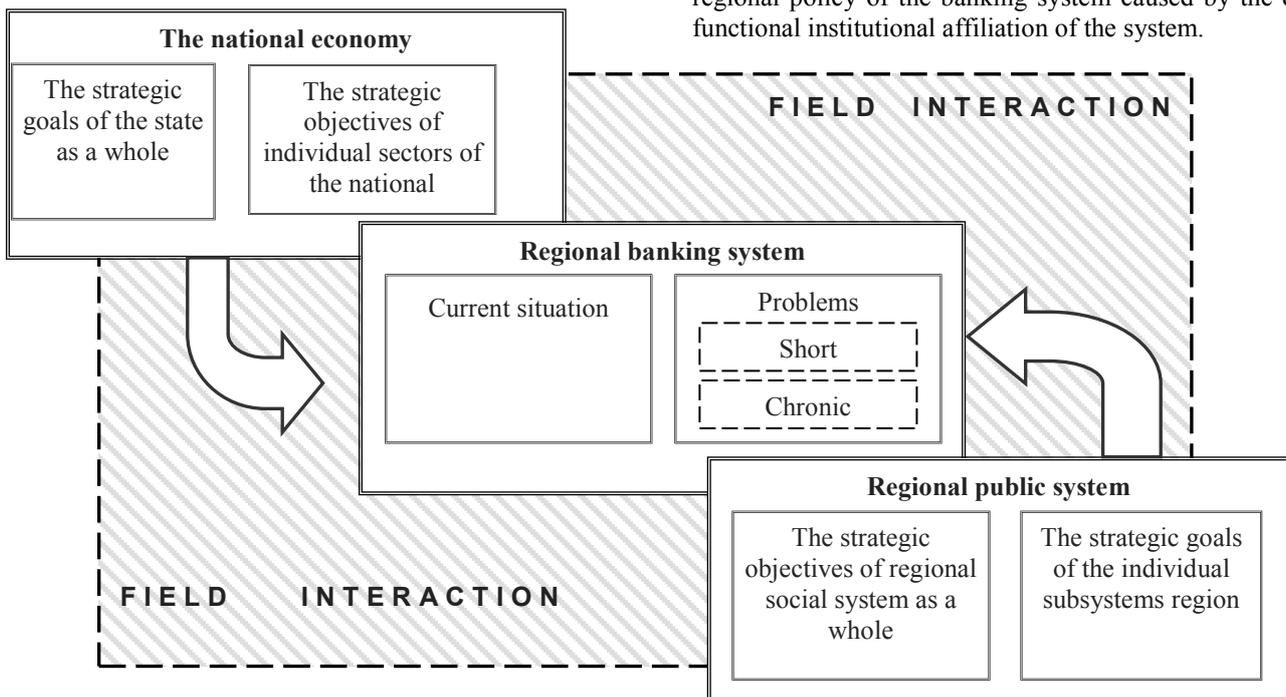


Fig 2. The basic vectors defining conceptual foundations of regional policy of the banking system*

* Source: elaboration of the author

Particular attention should be paid on the impact of various issues on the formation of conceptual frameworks of regional policy of the banking system. It is a clear understanding of the emergence and deepening problem situations with distinct characteristics hronichnosti, which is a special threat to the banking system, should form the basis for separation of the strategic directions of the implementation of specific measures that would have allowed the short term to improve the situation on most issues.

Problems of the banking system, which largely determine the conceptual foundations of regional development policies such systems, today there are many. We believe that a fairly complete list of leads I. Yukovska. Scientific distributes them to the economic and social.

Economic problems include: inadequacy and instability of the banking laws, low level of integration of the domestic banking system in the global banking system, the insufficient level of quality management of banking risks, low capitalization of banks, inefficient organizational structure of the banking system, an insufficient level of human resource management in banks, flawed deposit insurance system, low competitiveness of domestic banks compared to foreign, low level of confidence in the banks, unstable socio-economic development, a significant politicization of banking, rupture of the banking system with the development of the real economy, credit crunch economy. *Social problems* functioning banking systems are: a weak government support in the implementation of social policy, low level of public trust; flawed rating system of banks, reducing the quality of management of banking risks, reduce liability to clients and contractors, inadequate staff development, inadequate and unstable part of social projects, a low level of social partnership, the virtual absence of social reporting [Yukovska I.P., 2010, p. 9]. Thus, the specification of the most glaring problems that require primary solution allows to define the priorities of regional policy in the context of different time perspectives, using the appropriate tools that we will be given below.

Review of national scientific sources showed limited interest of scientists to study the characteristics of regulation of the banking system at the regional level as reasonably as expected centralized units of public administration in this area. Thus, M. Svichynskyy operates this category as bank management. The scientist said that the bank management in Ukraine is carried out at two levels: strategic management of the entire banking system of the country by the Government and the National Bank of Ukraine, which are aimed at creating a modern banking law with a focus on advanced international practice, the introduction of the Deposit Guarantee, improvement of the national payment system and banking supervision, and management of business banking [Svichynskyy M.M., 2008., p. 45]. As you can see, the author drops mezopidhid to regulate the banking system, which, in our opinion, is now unacceptable.

O. Gyryk declares that banking regulation from the government determine its characteristics mediate the process of expanded reproduction, duration of banking services and the frequent presence of economic self-interest as a business entity [Gyryk O.S., 2010, p. 5]. This statement is important and conceptual approaches in

formulating regional policies of the banking system, especially regarding the need for awareness of local authorities in the region of interest in the revitalization of banking.

These foreign scholars as Ædvyn J. Dolan, Colin D. Kæmpbell and Rosemary J. Kæmpbell in his study refer to the regulation of bank mergers and argues that government regulation of such associations, and regulation of bank holding companies should support to pursue the goal of competitive conditions in the banking sector [Dolan Ædvyn J., 1991, p. 84]. We noted that the association of banks are important institutions extended structure of the regional banking system. Thus, one of the areas of regional policy of the banking system needs to be regulation of such entities that can exercise significant influence on the effective functioning of the regional banking system.

The gradual deepening of the process of regionalization in the banking sector with prolonged, but still legitimate decentralization of public administration began to attract a bit more attention to some domestic scholars on this important area. One of the first major research processes of regionalization in the banking system are developments O. Drugov particular scientist turns to the issue of regional development of the banking system [Drugov O.O., 2006., p. 56-60]. Particular attention is drawn to scientists on the need for the introduction of a three-level scheme of the banking system of Ukraine, which should complement the regional banks. These findings O. Drugova are brave enough and their practical implementation requires serious scientific -methodological and applied study of the gradual implementation of our ideas against the background of ongoing monitoring and evaluation of changes in the external environment.

Other studies of regulation of the banking system in the regional dimension should be noted achievements M. Yaremchuk to clarify the essence of regional development policy banks.

So, understand that the plane for Regional Policy Studies of the banking system is almost empty. Therefore, it is important based on the understanding of the nature of regional banking systems, functions and objectives of its operation, define the content of regional policy that was aimed at the development of such a system, specify its objectives, clearly separating powers at national and regional levels, as well as tools of influence which would allow to enforce the goals and objectives of this policy.

In the definition of regional policy is a fundamental need for its interpretation of the broad and narrow sense. In the first case, it means a policy that provides the state with respect to the regions, and the regions themselves within their rights and responsibilities. Second - regional policy is reduced only to state action, and therefore, in this context we can speak of the state regional policy [Dolishniy M.I., 2006., p. 15-16]. In our opinion, the regional policy of the banking system is considered the most part the first "random", especially as the policy carried out by the region itself with a clear account of national security interests, although the organizational support of the policy on national regional policy also drawn attention.

Understanding the role of the banking system for the developing countries as a whole and its regions in particular that we were emphasized when considering

major regional banking relationships with other subsystems of the region, it is important to understand that its regulation approach of regionalization in no way be subject to spontaneous, uncontrollable processes that could be even less a threat to national security. It is important to understand that the unity and territorial integrity of Ukraine, wrote M. Dolishniy - fundamental principles in the conduct of regional socio- economic policy. Its implementation is particularly important in terms of regionalization of euphoria, which often justifies the isolation regions.

The territorial integrity of the country and the effective functioning of the socio- economic complex of each region in close cooperation with other regions - the alpha and omega of regional socio-economic policy of the Ukrainian state, which should take into account national needs and interests [Dolishniy M.I., 2006. - p. 13-14].

Based on these allegations invaluable scientist understand that the issue of decentralization of governance of the banking system as a "circulatory" system that permeates all spheres of society, must be approached very carefully and gradually.

Thus, the experience of domestic and foreign scientists to determine the merits of regulation of the banking system at different managerial levels, we believe that the regional policy of the banking system - is the purposeful activity of state bodies national and regional levels in order to improve the quantitative and qualitative parameters of the banking institutions and other institutions that form the structure of the regional banking system , with a positive impact on the socio -economic situation in the region.

REGIONAL POLICY OF THE BANKING SYSTEM AS PART OF THE STRUCTURAL MODEL OF STATE REGIONAL POLICY

Actually the banking system means improving the quantity and quality parameters of operation of the institutions within the structure (both basic and advanced) regional banking system, and this development should be accompanied by a clear monotonic improvement of the socio-economic situation in the region.

As we have already noted, one of the basic vectors determining the conceptual frameworks of regional policy of the banking system are targeted by regional priorities. In this context it is important to determine the location of the regional policy of the banking system as a structural model of state regional policy (Figure 3, according to M. nether [Dolishniy M.I., 2006., p. 19]).

As you can see, the regional policy of the banking system is an integral part of economic policy, which must be consistent with the target priority social, industrial, agricultural, environmental , noise and unitary science and technology policy. Only under such conditions a balanced development of regional banking systems relative to other subsystems of possible socio- economic growth of the region in the long run.

In understanding the essence of the policy regardless of the scope of implementation of its key feature is the specific activity of state authorities. Therefore, when determining the content of the regional policy of the banking system is important to clearly define the *organizational support* for its implementation, which forms a proper system of. Agencies that implement regional policies of the banking system, hierarchically subordinated structures of higher management level.

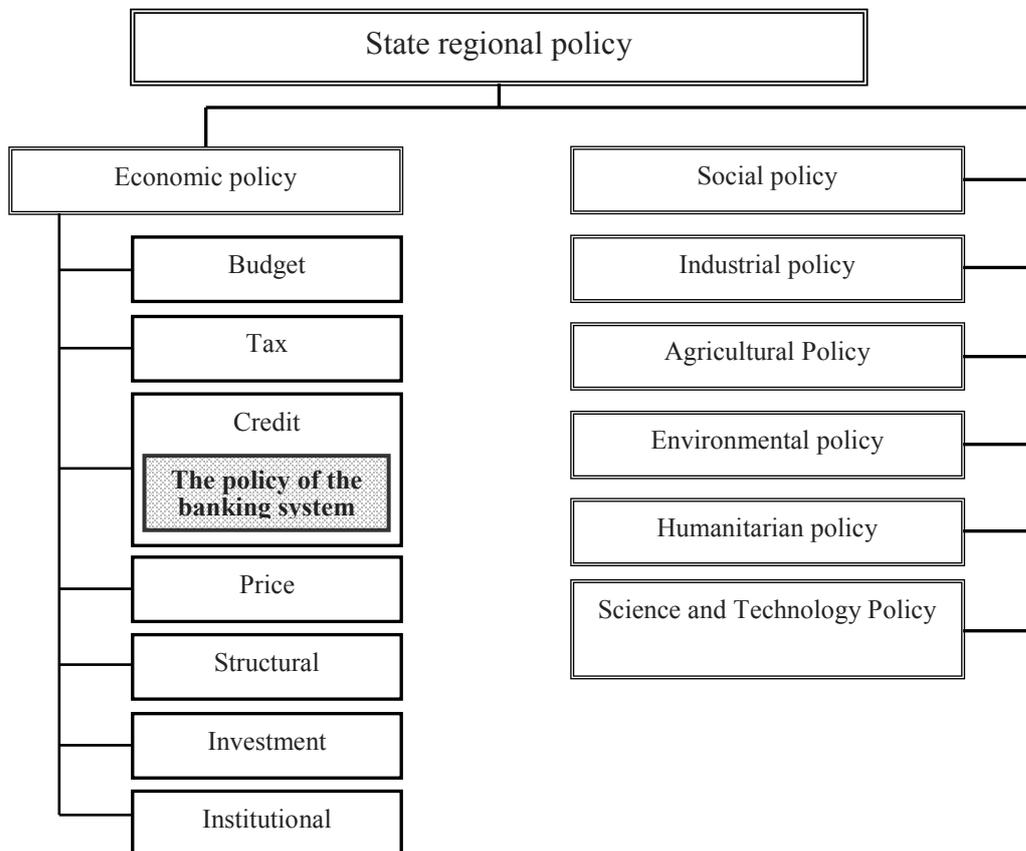


Fig 3. Place the regional policy of the banking system as a structural model of state regional policy*

* Source: elaboration of the author

Therefore, organizational support will shape not only the relevant authorities at the regional level, but also those engaged in its management activities at the national level. These structures are:

- *National Bank of Ukraine*. The powers of this body on banking regulation and banking supervision regulated by Chapter 12 of the Law of Ukraine "On Banks and Banking" and the Law of Ukraine "On the National Bank of Ukraine" [On Banks and Banking Law of Ukraine of 07.12.2000, № 2121 - III: Law of Ukraine].

- *Ministry of Finance of Ukraine*. This central body of executive power under its provisions shall form and implementation of national financial, budgetary, fiscal and customs policies, policies of state financial control, treasury services budget, accounting, organization and control of the production of securities and so on. It is clear that the activities of the Ministry of significantly affecting the banking system. However, this organ also performs tasks that are directly related to the banking sector, namely, providing to the established order of state participation in the capitalization of banks and corporate rights of banks and trains their sales plans, creates and conducts within the competence of a single state financial policies on the development of the financial services market, the development of state-owned banks, state mortgage institutions and other financial institutions; approve the open competition of the authorized bank through which wages will be paid public sector employees, and performs such competition, etc. [Regulation of the Ministry of Finance Ukraine].

- *Fund Deposit Guarantee*. General characteristics of the body described above in determining the basic structure of the banking system at the national level.

- *State Service for Financial Monitoring of Ukraine*. Activities of the body are coordinated through the Minister of Finance of Ukraine and among its main objectives - financial monitoring, the results of which are extremely valuable for the banking system [State Service for Financial Monitoring of Ukraine].

- *State Commission for Regulation of Financial Services Markets of Ukraine*. Activity of the body is coordinated through the Cabinet of Ministers of Ukraine and among its tasks - participation in the formulation and implementation of state policy in the field of financial services [Regulation on the State Commission for Regulation of Financial Services Markets of Ukraine].

- *State Commission on Securities and Stock Market*. This authority is subordinate to the President of Ukraine and created to complex legal regulation of relations arising in the securities market [SEC Description: State Commission on Securities and Stock Market].

- *Association of Ukrainian Banks*. This structure is referred to organizational -level software that implements regional policies of the banking system, due to the fact that it is the leading public organization that unites 117 banks, 7 regional banking associations and other institutions 5. The impact of the organization on the regional policy of the banking system through the implementation of joint with authorities activities within the social dialogue.

At *international level*, the regional policy of the banking system actively influence the decision:

- G7 Group of Seven countries represented by the head of the Ministry of Finance and Central Banks ,

particularly in terms of promoting a stable international monetary system and a market adjustment of exchange rates [G7 support the stability of the banking system and market regulation of rates];

- The International Monetary Fund, including its representation in Ukraine;

- The World Bank, including its representation in Ukraine, which declared the overall objective function - to promote economic and social progress of poorer countries and includes International (Europe) Bank for Reconstruction and Development, the International Development Association, International Finance Corporation, whose offices are also located in Ukraine [Inter B., 1999, p. 6];

- The European Investment Bank, including its representation in Ukraine, which opened only in March 2011;

- Bank for International Settlements, including its representation in Ukraine, including the Basel Committee on Banking Supervision;

- The Financial measures to combat money laundering FATF;

- The International Clearing Union and others.

Regional level organizational support for the implementation of regional development policy of the banking system forming the territorial directorate of the National Bank of Ukraine, financial management of regional administrations, territorial offices of, determining the appropriate organizational support at the national level and regional offices of international organizations referred to above, if any.

Thus, we see that the role of the regional banking system for the development of the region and its "piercing" through all its subsystems causes quite complex organizational support for the implementation of regional development policy of the system. All these agencies should consolidate their efforts around basic goals and objectives of regional policy, which would focus on the development, improvement of quantitative and qualitative parameters of activity of institutions that form the structure of the regional banking system

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