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STATUS AND FEATURES OF FORMATION OF LIQUIDITY OF COMMERCIAL BANKS OF UKRAINE IN MODERN CONDITIONS

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Summary. The liquidity of commercial banks in Ukraine at the current stage of their development is investigated in the paper. The problems and the specific form of liquidity of commercial banks in

Ukraine and the relationship between the state of bank liquidity and the state of the economy are explored.

Key words: *banking system, banking liquidity, excess liquidity, profitability of the bank, the outflow of deposits, lending, "liquidity trap".*

Liquidity of each commercial bank and the liquidity of the banking system as a whole is always a hot topic for each country, especially during economic downturns and crises. For Ukraine, the question of bank liquidity has been particular importance acquired since September 2008, when to the country came a wave of global economic crisis, which led to the devaluation of the currency, which in turn led to a reduction in real peoples' incomes and strengthen its transaction motives. As a result, the banking system of the country has suffered from a lack of liquidity, which was triggered by a massive individual's deposit outflow from depository corporations and Ukrainian banks and lost revenue due to the fact that customers who were issued foreign currency loans, have not been able to pay them owing to the sharp devaluation of the national currency.

Up to date, the banking system of Ukraine can be traced quite a different trend – the formation of Ukrainian banks of excess liquidity. The phenomenon of excess commercial banks liquidity no less dangerous to the banking system and the national economy than the lack of liquidity. Excess liquidity of Ukrainian banks is formed mainly due to the cash assets and correspondent accounts that are non profitable and threatens to eventually obtain liquid-

ity, but insolvent banks. Its in turn will lose and liquidity, since the concepts of liquidity and solvency are connected to one another. But a such structure of commercial bank assets in Ukraine is not accidental, and not yet depend on the willingness of the banks themselves.

Practically absent stock market in Ukraine and the limitations of securities that are traded on it, leads to another problem of banks' assets formation that directly associated with excess liquidity – the lack of diversification of assets and the almost complete absence of higher-yielding assets in the Ukrainian commercial bank's portfolio. The main source of profit for the vast majority of Ukrainian banks is interest income from loans, and for having this income they have to give loans. Severe political and economic situation in Ukraine led to the increase the inflation level, which in turn led commercial banks to lift deposits rates on for keeping the existing deposits and attract new clients.

Increasing deposit rates bring about rising loan rates for insuring the banks profit. In turn, expensive loans, especially for small and medium businesses, and difficult loan terms have led to the absence of the development of national economy and the middle Ukrainian class, because of the lack of lending for

small and medium-sized businesses. Which could be potential new depositors if they had a profit. Thus the whole economy, not just the banking system is

caught in a “liquidity trap” the ways of salvation from which urgently have to find.

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