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DEMAND AND SUPPLY APPROACH ON SMES LENDING DEVELOPMENT IN UKRAINE

Nowadays in Ukraine SMEs suffer from the lack of financial resources for their activity. They use mostly own capital for the development. This caused by many factors which are related with high interest rate of lending, strong requirements to quality of collateral and other factors. They can be regarded as those which are linked with demand and supply. The demand factors related with SMEs' impossibility to satisfy banks' loans requirements. The supply factors usually reflect banks' obstacles to lend SMEs. This paper contains short description of demand and supply factors which are regarded as barriers of SME lending. It can be used by policymakers in SME's and credit field for bridging SMEs and banks needs.

Demand on lending highly depends on risks which relate to political and economic instability. According to the first (political instability) as experts claim, it is less for SME's lending rather for big. Because in the case of litigation it is easier for bank to deal with SMEs and then to return money. The court can feel the pressure from side oligarchs in the case of litigation with large lender. Thus, there is a less probability to return money for bank.

Due to economic instability, we should mention macro- and microfinancial instability. Macrofinancial instability can be measured by inflation, tax revenues. At the same time, the microlevel factors are more interesting because we study SMEs' problems. On SME's making decision to take a loan or not, effect such indicators as: profitability ratios (for comparing with loan interest rate) and EBITDA (as source of loan return). In the case of their unsatisfied level banking loan stay unattainable for SMEs.

Other question is acceptable collateral. Land is valuable assets as a collateral. Therefore, there are also hot discussions between those, who are against land reform and those who are agree with it. The privatization of land can be positive potential for good collateral. If we're talking about banks and SMEs as borrowers, land privatization will be effective for both. Banks will receive collateral of better quality and regard SME's lending less risky. SMEs will have easier access to finance and the price of lending will be lower. In Ukraine it is possible to monitor the value of the collateral, but there are problems related with 1) the lack of a unified credit register; 2) weak analytical systems; 3) complicated access to full and systemic information about the SMEs.

For banks, it is possible to liquidate the collateral in case of default, but there are some difficulties linked with corruption at courts. Therefore, there is a need to reach agreements with borrower's beneficiary and then to sell it by lowered price. In other case, there is a threat in the form of additional costs for new owner and sometimes pressure from related law enforcement agencies.

That is why SME lending becomes more popular: banks have asymmetrically better possibilities to protect their rights in courts rather in the case of large business groups.

Other part of approach is *supply* on lending. And here should be described problems which banks face during SME lending. First, we consider that there is a need to study for whom Ukrainian banks are ready to give loans. Next is liquidity and here we should talk about protection of creditors. Then it is needing to take into consideration NPLs and how to them.

There is a capital deficit and at the same time, requirements increase both to minimal level of regulatory capital and to normatives of adequacy, not mentioned about planning of implementation of Basel III. There are undocapitalized small and medium banks in Ukraine. At large banks there is also such a problem but because of high level of NPLs and they have to write off them. We consider this as an obstacle on a way of SME lending.

Now the problem with liquidity of banks is not so sharp as it had been two years ago in 2015, during bank run. We can affirm that liquidity of the system has been restored. Despite this and taking into account historical predisposition to bank run, lack of long passives, limited access to interbank market funding and funds of foreign money market, liquidity still staying as a barrier for expending of SME lending.

Rather difficult question about encourage or discourage of lending to SMEs by the bank supervisor because situations is very sensitive to time. Thus, during overcoming of the consequences of perfect storm 2014-2015 the NBU's key priority was macro stabilization: inflation targeting and financial stability. Instruments which were used had negative side effects for lending. Among them there were consolidation of capital requirements, and tight foreign currency regulation and tight monetary policy.

After relative stabilization, today regulator claims about necessity of SME lending, which have to be stimulated. At the same time regulator calls for wariness considering to negative experience of previous years.

In practice, in October 2017, the discount rate was raised to 1 pp. to 13.5%, which will not greatly facilitate the loan process, as the level of rates remains high.

The regulator was forced to raise its rate in order to curb inflation caused by the growth of utility tariffs (regulated by the government) and prices for food products (which could rise not only due to crop failure, but also through raising salaries and pensions, which was carried out by the government this year).

Political instability can be costly regarding the protection of property rights of borrowers. This might also endanger creditor rights.

This study set out to better understand the nature of insufficient level of SMEs lending which is caused by the problems from the both side of banks and SMEs. The main goal of this study was to determine main factors of supply and demand for the development of SME lending. To demand factors on lending belong high interest rate, insufficient collateral, financial indicators. Supply factors are the next: increasing of banks' capital requirements, low level of liquidity, insufficient collateral, related with bank borrowers, high level of NPLs.

Both SMEs and banks suffer from political instability and other institutional factors which can be regulated by well-balanced government policy, directed on improvement of business environment in Ukraine.

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ВЛИЯНИЕ ИНСТРУМЕНТОВ МАКРОЭКОНОМИЧЕСКОЙ ПОЛИТИКИ НА ИНВЕСТИЦИОННУЮ АКТИВНОСТЬ ОРГАНИЗАЦИЙ

Важнейшей задачей макроэкономической политики является ее направленность на переориентацию финансовых ресурсов в реальный сектор экономики, включая бюджетные средства, кредитные ресурсы банковской системы, собственные средства субъектов хозяйствования и т.д. Рост