

the geography of their financing. Such trends are inherent in socially active venture capital investments in the United States, whose aggregate portfolio grows annually by 30-40 percent; in the UK, such funds are doubling every three years.

Despite some success in the world, the newly created young eco-firms are not yet able to bring green venture capital into their business as a new form of socially-oriented investment. To some extent, this is due to the existing view that the profitability of an enterprise (business) is practically incompatible with its environmental orientation. The explanation for this is quite simple - the main criteria for a venture capital investor is financially effective enterprise, which is achieved through medium-term financing of young high-tech companies. Therefore, investors do not always want to invest in eco-firms, which will bring financial results only in the long run. In order to improve this situation, according to experts, the ecological orientation of green venture capital should first of all be based on the main goals of the young company - the definition of its further environmental and social activities. Accordingly, environmentally oriented venture capital or green venture capital is an innovation aimed at developing new ideas and creating new products in an absolute condition for reducing or completely preventing environmentally harmful effects. Therefore, the market for green venture investments is formed and works only under the condition of limitation, but rather the exclusion of negative effects on the surrounding people and natural environment and in fact is a prerequisite for its existence.

However, from the point of view of achieving profitability in the short-term, as it is ensured by the use of venture capital, the observance of environmental development, requires the delineation of environmental activities and the achievement of financial efficiency of eco-firms. Therefore, the financing of environmental measures through the use of environmentally-oriented venture capital should provide added value.

In general, the market of green venture capital is in the stage of its formation, characterized by insignificant volumes of investment in comparison with both venture capital and other forms of investment. Today, such a market is predominantly national investors, but in the long run it will have a significant potential for development. The main factors for the growth of the potential of green venture capital are to improve the technological and managerial factors of the production of eco-firms and, of course, market benefits.

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Shevchenko V.

*Candidate of Economic Sciences, Associate Professor,
Taras Shevchenko National University of Kyiv*

Globalization, technology and financial integration are currently influencing many areas of the economy and society. They are transforming international banking services, financial technologies, access to finance and their social impact.

Traditionally most studies are considering transformation of banking as a sequence of several processes of structural and institutional changes. Researches' attention is focusing on the internationalization, mergers and acquisitions, nationalization and privatization etc. Global and domestic environment, forces of transformation in some studies was not linked to the scope and results of changes.

It takes to apply structured systemic analysis to assess causality or relation between global and domestic economic trends and their implication on the banking systemic transformations towards sustainability and inclusion..

Global economic and financial environment are unstable during last decades. Such instability referring to the periodical global financial crises, differentiation of economic growth, international trade and financial markets volatility, changes of capital flows, new technologies..

International banking transformations during past decades was in different directions and forms depending of changing global and domestic conditions. Banking was expanding internationally in 90-th due to raising international trade, financing of transnational corporations expansion and building up banking networks in developing and transitional economies. During 2000-th the new financial instruments and information technologies have driven banks expansion towards operations on the global financial markets. It was a time of accelerated financial globalization.

Since global financial crisis of 2008 many banks went through post-crisis transformation. Depressed economic growth, markets volatility, sliming bank balances and need for recapitalization have caused divestments and downsizing presence of the number of international banks in foreign markets. Economic and financial integration have been faced with regionalism, trade tensions and capital outflows.

Global economy currently is on the stage of moderate growth, low interest rates of central banks, increasing sovereign and corporate debts. Therefore many banks are facing with the problems of lowering margins, increasing of bad loans, depressed international lending. It causes evolution of banking in developed and emerging economies.

The major global trends which affect international banking transformation could be considered as:

- world economic growth became relatively stable at 3,9 % in 2018 projected by IMF, but it continues to be differentiated – Emerging and Developing Asia is leading with 6,5 % and Emerging Markets and Developing economies are at 4,9 %, while advanced economies are at 2,4 % (IMF,2018);

- world trade meanwhile goes up to 4,8 % in 2018 (IMF,2018). Growth and trade are under risks of expanding protectionism and trade tensions. From one side, growth and trade are supporting international banking services, but their fragmentation increases risks in short- and medium term perspective;

- international financial markets are rising in developed economies - stock indexes increasing, capital flows turning from emerging markets and developing economies due to political and currency exchange risks. Emerging financial markets are affecting by exange rates and capital flows fluctuations. Such trends are under pressure of contradictions of open trade regimes and globalization, from one side, with protectionism and disintegration, on the other side.

- low interest rates of key central banks during last several years, foremost of US Federal Reserve, European Central Bank, Bank of England, Bank of Japan, Deutsche Bundesbank and others. Such situation drives down international bank lending rates and interest incomes, it gradual changing now.

- major currencies exchange rates volatility, US dollar and Euro fluctuations are accompanying with devaluating trends of the emerging markets currencies;

- accumulation of the global debt by governments, non-financial corporations and households in amount of 152 trillions USD in 2015 equivalent of 225 % of the world GDP [IMFa, 2016,p.12]. Sovereign external debt have raise above limit of 60 % of GDP and high in several industrial countries and emerging. Debt servicing is limiting of financing for economic development and has negative impact on banking.

The global economic and financial trends are influence on the transformations of banking in order to achieve sustainable development. The major modern changes are:

-broader access to banking and financial services for social inclusion;

-more social orientation of banking, including cooperative banks and credit unions, better transparency, providing special services for selected social groups (women, young, senior citizen, low income etc.);

-disintermediation as direct financial services providing to customers such as P2P financing, crowdfunding;

-digitalization and “fintech” technologies which provide direct financial services based on the information technologies.

Ukrainian banking system structural transformation in 2015-2018 was affected by unbalanced development in previous period and negative effect of Russian aggression. Transformation includes such major changes as massive closing of illiquid and non-performing banks, recapitalization, restoring trust and better social orientation.

The major institutional transformation has been the nationalization of largest private systemic bank “Privatbank” (which holds 32 % of the country banking system assets) in December 2016 due to high share of non-performing loans and lost liquidity. Nationalization has been followed with bank recapitalization by the state. This leads to increase of the state-owned banks market position as assets share from 18,7% in 2015 to 55,1 % in 2018 (NBU, 2018, p.1).

Foreign-owned banks market position keeping stable at 32% of assets, [3]

but some leading international banks have sold Ukrainian affiliates to local or other international investors. Such international financial institutions as EBRD, EIB and IFC became shareholders of some Ukrainian banks.

Foreign-owned banks keep their competitive position due to reputation and stability. Termination of large number of private banks resulted in loss of private and corporate accounts in closed banks, such process have moved money out of economy.

The Ukrainian banking still have huge systemic weaknesses and structural imbalances.

The banking system has a large share of state-owned banks and concentration level such as 20 major banks hold 90,7 of assets (NBU, 2018, p.3), employment in banks decreasing.. Such situation has negative social impact, limits competition and quality of services.

Ukraine banking system remains fragile mainly due to the high level of non-performing loans (NPL) have been accounted at 51% in 201 (NBU, 2018, p.7). There is no reasonable financial solution for NPL due to no market for bad assets and no securitization tools.

The economic and social value of banking decreasing – banking penetration fall such as loans to corporations to GDP ratio changed from 54,7% in 2014 till 27,4% in August 2018, loans to private customers to GDP ratio was dropped from 13,1 % in 2014 till 5,6 % in August 2018.

The resolving of such systemic weaknesses is foremost dependable on macroeconomic and regulatory factors. But it could not be considered only as domestic matter.

Banking development and transformation in Ukraine more relied on the global economic and financial factors: better access to international financial markets, wider implementation of information and financial technologies.

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Silvester van Koten

*University of Economics (VŠE), Prague, Czech Republic
CERGE-EI, a joint workplace of Charles University and the Economics Institute of the Czech Academy of Sciences, Politických vězňů 7, 111 21 Prague, Czech Republic
CERGE-EI*

**SELF-REGULATION AND META-REGULATION IN FINANCIAL INDUSTRIES –
REGULATING THE MEMBERS OR THE SRO? A THEORETICAL AND EXPERIMENTAL
STUDY**

Introduction

Regulatory investigations by Self-Regulatory organizations (SROs) in financial industries have been recognized to usually be cheaper than investigations by the government (DeMarzo et al., 2005). However, in practice, oversight by an SRO is mostly still supplied with forms of governmental oversight (FINRA, 2018; Carson, 2011). The government may exert oversight over the SRO itself, a construction referred to as “meta-regulation” or “co-regulation”, or over the members of the SRO. Indeed, the overall performance of SROs has been mixed and theoretical models show that SROs have incentives to set lax standards or cover up detected violations. However, some research indicate that meta-regulation, oversight of the SRO itself, may nonetheless not be necessary in some settings. Using a costly-state-verification model, DeMarzo et al. (2001; 2005) show that when the government implicitly threatens to perform additional investigations of the SROs members, a relatively “good” outcome can be established as an equilibrium. In this “good” outcome, the SRO chooses to follow high performance standards in order to pre-empt any of the (relatively costly) governmental investigations. As a result, no costly governmental investigations of the SRO's members take place, and no meta-regulation of the SRO is necessary.

Theory: Simultaneous moves

I extend this model to include plausible settings where the actual rigor of oversight by the SRO can be verified only ex-post. I show that in such settings, the SRO may have incentives to announce stricter regimes than it effectively implements and that, as a result, a “bad”, Pareto-inefficient outcome is established as an equilibrium. In the “bad” outcome, the SRO relinquishes all oversight to the government. Proposition 1 summarizes the result.

Proposition 1

When the GOV and the SRO set their investigation probabilities simultaneously, then, provided oversight by the GOV is effective in the sense that $p_{S^0} < p_{G^0}$ and $a_{S^0} < a_{G^0}$, the SRO does no investigations, $p_S = 0$, and the GOV does investigations given by p_{G^0} . Proof: see Van Koten (in Print)

Experimental test