



THE ROLE OF THE BANKING SYSTEM IN PROVIDING FINANCIAL RESOURCES FOR THE DEVELOPMENT OF THE ECONOMY

Vrotslavskyy Danyil Feliksovych

Applicant

Academic supervisor: Dropa Yaroslav Bogdanovych 

Professor of the Department of Finance, Money Circulation and Credit

Lviv Ivan Franko National University, Ukraine

РОЗДІЛ VI. ФІНАНСИ ТА БАНКІВСЬКА СПРАВА; ОПОДАТКУВАННЯ, ОБЛІК І АУДИТ

The banking system is an important tool of economic development, providing financial resources for enterprises, government institutions and private individuals. It plays a key role in the redistribution of capital, contributing to the efficient functioning of the market economy. Through the mechanisms of attracting deposits and providing loans, banks provide the necessary conditions for financing investments, which in turn stimulates economic growth and development. Intensive changes in intersectoral relations require new approaches to their understanding and analysis. The role of the banking system in the economic growth of the real sector and the overall structural restructuring of the economy is the object of research by many foreign scientists [3]. International experience demonstrates the ambiguity of these relationships, as the impact of the banking sector in developing countries and in highly developed economies differs in its nature, direction and depth of consequences. For example, in the context of the active development of non-banking financial markets (financial leasing, insurance services, fund operations, factoring, etc.) as alternative sources of ensuring institutional changes and structural reforms in developed countries, the role of the banking sector is more noticeable in the growth of weaker economies, where the alternative segment is developing slower. An important role is also played by the economic cycle in which a particular country is [1]. In particular, during a recession, the causal relationships between changes in the development of the banking sector and the rate of economic growth are usually better traced than during a period of relative macroeconomic stability. Finally, it is worth considering the perspective of analyzing these relationships: in the short term, the consequences are unstable and less obvious due to the principle of the lag reaction of the economy to changes in the banking system [3]. Banks collect savings from households and businesses by offering a variety of deposit products such as savings accounts, time deposits and certificates of deposit. This allows the concentration of a large amount of capital, which can be used for lending. Attracting savings ensures the stability of the banking system and the ability to make long-term investments.



Banks provide loans to businesses to finance their activities, expand production, innovate and modernize. Lending to individuals contributes to consumer demand, which is an important factor in economic growth[4]. Loans for housing, cars, education and other needs stimulate economic activity in various sectors. Banks ensure the functioning of payment systems, which allows for quick and safe financial transactions. Efficient payment systems contribute to the growth of commercial activity and reduce the risks associated with cash circulation. They also provide the possibility of making electronic payments, which significantly increases the speed and convenience of payments.

The banking system plays an important role in managing financial risks. Banks use various instruments to minimize the risks of non-payment, currency risks and risks of changes in interest rates[2]. This includes risk insurance, the use of derivatives and other financial instruments. Banks often participate in the financing of government projects, such as infrastructure construction, development of social programs, and others. This contributes not only to economic growth, but also to raising the standard of living of the population.

One of the main ways the banking system contributes to economic development is by supporting investment. By providing enterprises with loans, banks help to finance new projects, expansion of production and introduction of innovations. This, in turn, leads to the creation of new jobs, increased productivity and competitiveness of the economy[5]. Small and medium-sized businesses are the backbone of many economies. The banking system plays a key role in providing financial resources to small and medium-sized businesses, allowing them to grow and create added value. Loans for small and medium-sized businesses are often accompanied by support programs, such as government guarantees or special lines of credit with preferential terms. Financing of innovative projects is an important aspect of banks' activities. With the help of venture capital and other forms of financing, banks support the development of new technologies and startups[3]. This stimulates scientific and technical progress and contributes to the creation of new branches of the economy. The banking system also contributes to socio-economic development by financing projects in the field of education, health care, housing construction and other socially important areas. This raises the standard of living of the population, contributes to reducing poverty and improving social stability.

The banking system can become a source of financial instability if proper risk management standards are not followed. Credit bubbles, substandard assets and insufficient supervision can lead to financial crises, which will have a negative impact on the economy. Ensuring access to credit can lead to an increase in the level of debt burden for both enterprises and individuals. This creates risks of insolvency and may cause economic problems in case of adverse economic conditions[1].

Therefore, banking activity needs effective regulation and supervision by the state. An unstable regulatory environment, lack of transparency and corruption can negatively affect the efficiency of the banking system and its ability to contribute to economic development. The German banking system is one of the most efficient in the world. It includes various types of banks, from large commercial banks to local savings banks and cooperative banks[6]. This structure allows for access to financial resources for various sectors of the economy, including small and medium-sized



businesses. An important aspect is also the close cooperation of banks with industrial enterprises, which promotes innovation and technical progress. The US banking system is one of the largest and most developed in the world. It provides a wide range of financial services, from traditional banking to investment banking and financial technologies. Financing innovation and startups is an important aspect of American banks' activities, which contributes to the development of new technologies and the creation of jobs. The banking system is an integral part of the modern economy, providing the necessary financial resources for the development of various sectors. It promotes the attraction and effective placement of capital, investment support, small and medium business development, innovation and socio-economic development. However, to achieve the maximum effect, it is necessary to ensure proper regulation and risk management, which will avoid financial crises and ensure stable economic development.

Список використаних джерел:

- [1] Коваленко В. (2021). Роль банків в економічному зростанні в умовах глобалізації фінансового простору. Сучасні детермінанти фіскальної політики : локальний та міжнародний вимір : зб. матеріалів IV Міжнар. наук.-практ. конф. Тернопіль, 8-9 верес. 2021 р. редкол. : О. М. Десятнюк, А. Я. Кізима, О. І. Тулаї. Тернопіль : ЗУНУ. С. 181-183.
- [2] Краснова І. В. (2016) Роль та місце банківської системи в забезпеченні економічного зростання в умовах фінансової інтеграції. Інвестиції: практика та досвід. №21. С. 63-69.
- [3] Кремень В. М., Кремень О. І., Гуляєва Л. П. (2020). Роль банківського кредитування у розвитку економіки України. Проблеми економіки. № 3 (45). с. 176-183.
- [4] Кричевська Т. О. (2021). Глобальні і національні фактори ефективності грошово-кредитних та фінансових механізмів стабілізації економічного розвитку. *Ефективна економіка*. № 8. URL: <http://www.economy.nauka.com.ua/?op=1&z=9133>
- [5] Семенча І. Є. (2016). Аналіз сучасного стану активів банків та джерела їх формування. *Глобальні та національні проблеми економіки*. №11. С. 790-793.
- [6] Філіппов, В. Ю. (2016). Напрями покращення фінансового стану банківських установ. *Український журнал прикладної економіки*. № 4. С. 129-138.