

UDC 658.012.4:336.71

DOI <https://doi.org/10.26661/2414-0287-2025-2-66-19>**STATE OF THE BANKING SECTOR AND THE ROLE OF BANKING MANAGEMENT****Tkachenko S.M.***Zaporizhzhia National University**Ukraine, 69011, Zaporizhzhia, Universytetska str., 66**space7770@ukr.net**ORCID: 0000-0002-3798-5902***Key words:**banking sector, digitalization,
financial performance indicators,
cashless transactions, bank
management, strategy.

In modern conditions, banking management is one of the most dynamic areas of the economy. Technological changes, rising inflation, increased competition and stricter regulatory requirements have led to the development of more aggressive management strategies in banks, which increases the level of risks. As risk management becomes increasingly complex, this can lead to a deterioration in the asset structure and a decrease in the efficiency of operations, which potentially threatens crisis situations. Therefore, it becomes critically important for bank management to develop effective approaches to identifying and minimizing risks in order to ensure profitability, protect depositors' funds and maintain the stability of the bank's operations.

Recently Ukraine's banking sector has demonstrated extraordinary resilience, remaining a reliable support for the real economy. There has been no outflow of deposits from the banking system, and access to cash has been ensured even during winter power outages, highlighting the effectiveness of digital technologies and backup mechanisms. The high level of capital adequacy ratio (CAR) and significant liquidity buffers show that the banking system is ready to cope with current challenges. This level of stability is comparable to the experience of countries that have rebuilt their financial systems after crises, such as Finland after the Great Depression.

In addition to important reforms implemented since 2014, comprehensive measures of the National Bank of Ukraine and a high level of digitalization played a key role in the stability of the banking sector.

СТАН БАНКІВСЬКОГО СЕКТОРУ ТА РОЛЬ БАНКІВСЬКОГО МЕНЕДЖМЕНТУ**Ткаченко С.М.***Запорізький національний університет**Україна, 69011, м Запоріжжя, вул. Університетська, 66***Ключові слова:**банківський сектор,
цифровізація, показники
фінансових результатів,
безготівкові операції,
банківський менеджмент,
стратегія.

У сучасних умовах банківський менеджмент є однією з найбільш динамічних сфер економіки. Технологічні зміни, зростання інфляції, загострення конкуренції та жорсткіші регуляторні вимоги спричинили розвиток більш агресивних управлінських стратегій у банках, що підвищує рівень ризиків. Оскільки управління ризиками стає дедалі складнішим, це може призвести до погіршення структури активів і зниження ефективності операцій, що потенційно загрожує кризовими ситуаціями. Тому для керівництва банків стає критично важливим розробляти ефективні підходи до виявлення та мінімізації ризиків, аби забезпечити прибутковість, захистити кошти вкладників і підтримувати стабільність роботи банку.

Останнім часом, банківський сектор України демонструє надзвичайну стійкість, залишаючись надійною опорою для реальної економіки. Не було зафіксовано відпливу депозитів з банківської системи, а доступ до готівкових коштів був забезпечений навіть під час відключень електроенергії взимку, що підкреслює ефективність цифрових технологій та резервних механізмів. Високий рівень нормативу адекватності капіталу (CAR) та значний запас ліквідності показують, що банківська система готова впоратися з поточними викликами. Цей рівень стабільності можна порівняти з досвідом країн, що відновлювали свої фінансові системи після кризових ситуацій, як-от Фінляндія після Великої депресії.

Окрім важливих реформ, реалізованих з 2014 року, ключову роль у стабільності банківського сектору відіграли комплексні заходи Національного банку України та високий рівень цифровізації.

Statement of the problem

The country's economy is heavily dependent on international financial assistance, the volume of which is constantly decreasing and irregular, which threatens macroeconomic stability. Despite this, the banking sector is operating stably, showing significant profits, and its role in the economy is growing. This has become possible thanks to the concerted efforts of banks, the rapid response of the National Bank of Ukraine to market changes, as well as the successful reform of the system, which has been ongoing since 2015. As a result, banks entered the crisis with a large capital and liquidity reserve, which allows them to effectively withstand operational risks and implement plans in case of negative events.

Analysis of recent research and publications

The issues of banking management have been actively studied by both Ukrainian and foreign scientists and economists. Among Ukrainian researchers, it is worth noting Anatoly Galchynsky, Viktor Mishchenko and Oleksandr Berezin, who studied the issues of effective bank management in times of crisis. Among foreign scientists, a significant contribution was made by Peter Drucker, Frederick Mishkin and Merton Miller, who studied the issues of risk management and financial stability of banks at the international level. Their works helped to shape approaches to managing banking operations and risks in times of economic instability.

Objectives of the article

The purpose of this article is to study and describe the current situation in the banking sector of Ukraine with an emphasis on economic instability. The task is to better understand the current situation in the country, based on

the analysis, to examine the changes that have occurred over the past year, to identify key trends and opportunities for the development of the sector. In addition, the article provides for the development of substantiated forecasts regarding the need to implement certain measures to improve the work of banking management in Ukraine.

The main material of the research

The main objectives of bank management are:

- The key goal is to generate profit from banking operations and financial services. This is necessary to ensure the stable functioning of the bank and protect the funds of depositors and creditors. Profitability is the main indicator of the effectiveness of any banking institution.
- Ensuring reliability – maintaining a high level of reliability of the bank, which depends on the amount of aggregate risk it faces. Minimizing risks is an important task of banking management.

Thus, the main indicators of the effectiveness of banking management are profitability and risk, which must balance each other.

According to the National Bank of Ukraine (Fig. 1), the number of banks in all categories did not change significantly from 2020 until the beginning of 2022. Prior to this period, there was a slight decrease of one unit in solvent, state-owned and private banks. Since the beginning of 2022, the indicators have begun to decline more rapidly in all categories by an average of 3 units. Despite the difficult situation in the country during such a period, these indicators are not critical for the country's banking system.

Net assets of solvent banks increased by 4,7% in 2025 (Fig. 2), of which 1% was due to exchange rate revaluation. The largest increase was observed in the amount of funds

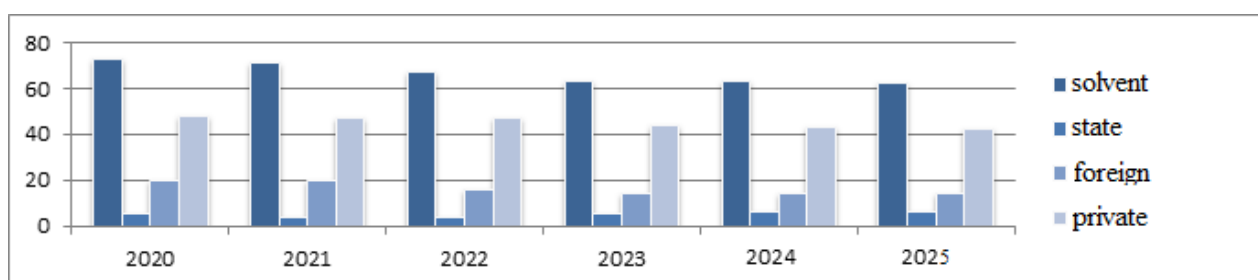


Fig. 1 – Dynamics of the number of banks during 2021-2025

Compiled based on [1]

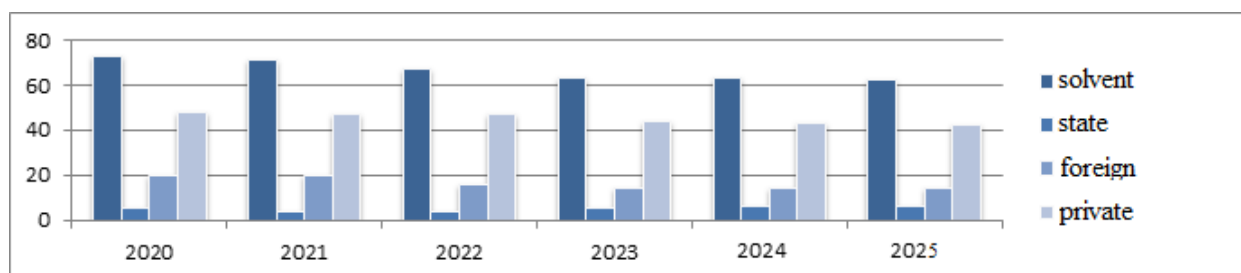


Fig. 2 – Changes in general balance sheet indicators during 2017-2025, billion UAH

Compiled based on [1]

that banks place on the accounts of the National Bank of Ukraine (since the growth of liabilities requires an increase in mandatory reserves), on correspondent accounts with other banks, as well as in domestic government loan bonds of Ukraine (DGLB). Ukrainian government loan bonds of Ukraine (DGLB) are government securities that are placed exclusively on the domestic stock market and confirm Ukraine's obligations to reimburse the bearers of these bonds for their nominal value with the payment of income in accordance with the terms of the bond placement. At the same time, banks' investments in the National Bank of Ukraine deposit certificates are decreasing, compared to 2024, having decreased by 7.1% in 2025. In addition, net loans to customers increased by 6,8 % in 2025, and their share in assets also increased. Figure 3 shows the financial results and profitability of the banking sector. Return on assets (ROA) for 2025 is 5%, which is a high indicator for the banking sector. This may indicate extremely efficient work of banks. Return on equity (ROE) for the same period is 0,48. This means that the company receives 48 kopecks of profit for every hryvnia of equity. ROE at 48% is extremely strong, which may indicate highly efficient activities or the presence of one-time profits. The financial results of solvent banks for 2024 and 2025 are stable at UAH 26,1 billion and UAH 22,2 billion. The National Bank of Ukraine's prompt and comprehensive anti-crisis actions played a key role in

stabilizing the sector. The measures taken became decisive in early 2022, as the level of financial stress exceeded that observed in early 2014 and early 2020 (Fig. 4). During the crisis, the NBU took a number of measures to ensure liquidity, including refinancing banks and introducing strict capital controls. The exchange rate was fixed and the decision on the discount rate was suspended, and the NBU financed the budget by UAH 400 billion, which caused inflation. In 2023, the National Bank of Ukraine stopped financing the budget, liberalized capital controls, and began lowering interest rates due to lower inflation. Since October, it has returned to a more flexible exchange rate, indicating renewed confidence in the economy.

In the fall of 2023, the National Bank of Ukraine presented the Financial Sector Development Strategy to prepare the industry for its future role in ensuring macroeconomic stability and economic recovery. Important elements are improving corporate governance, adapting to European Union standards, and assessing sustainability. In the world, banks usually finance economic growth, but this has not yet been implemented in Ukraine. The goals and objectives of this strategy are related to financial stability, macroeconomic stability, modern financial services, ensuring the smooth operation of regulators, and the Deposit Guarantee Fund (DGF), which should work to boost the Ukrainian economy [3]. The methodological features of the

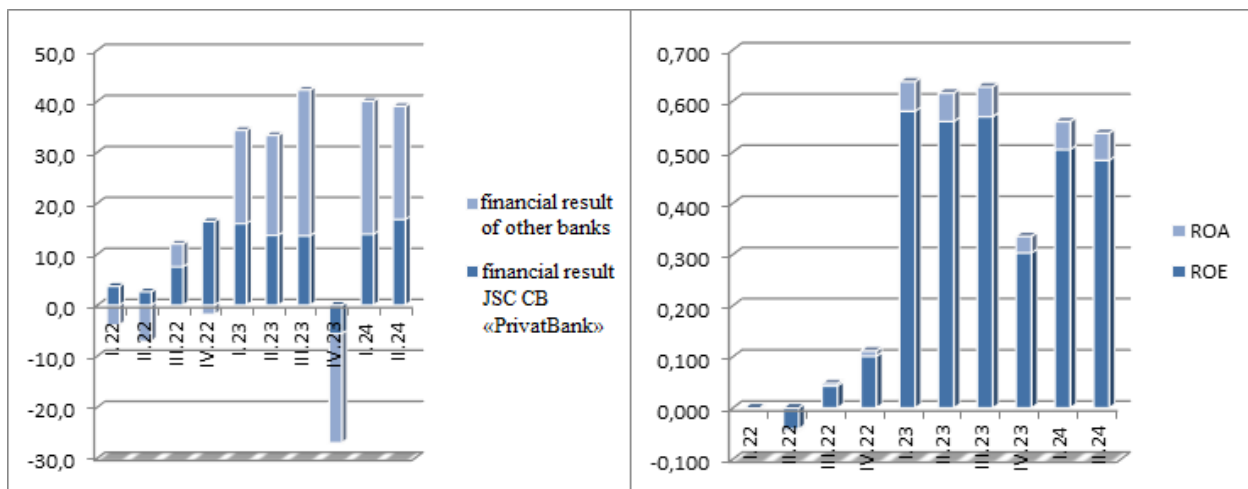


Fig. 3 – Financial performance and profitability of capital and assets of banks

Compiled based on [1]

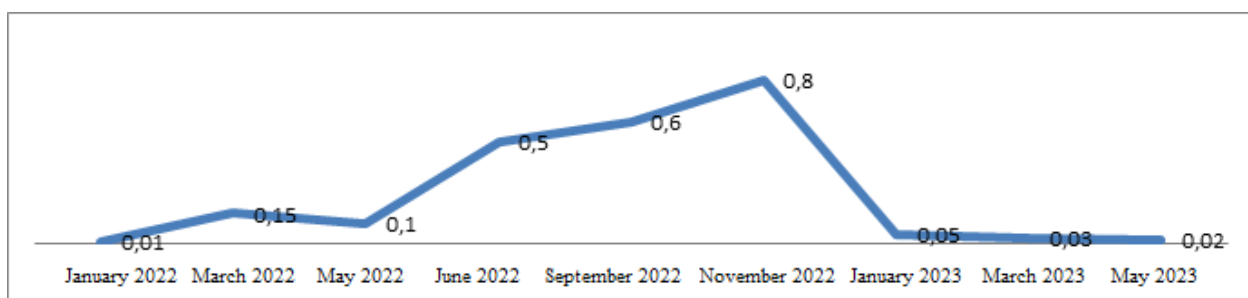


Fig. 4 – Financial stress index for the banking sector

Compiled based on [1]

Financial Sector Development Strategy to prepare the sector for its future role in ensuring macroeconomic stability and economic recovery are due to the uncertainty under which it was created. In this regard, flexibility is a key principle for both strategic planning and further implementation of measures. The Strategy provides for a long-term effect, until the completion of all planned measures, and may be revised in the event of significant changes in external conditions. In addition to direct measures provided for in the Strategy, references to measures from other strategic documents (reference measures) may also be included.

The digital transformation of the banking sector, which accelerated significantly in early 2020, has been one of the key reasons for its stability. Contactless payments and the use of Near Field Communication (NFC) technologies, which allow users to make transactions, exchange digital content, and connect electronic devices with a single touch, have grown dramatically (Fig. 5 – statistics were not collected during February-April 2022), and most banks have integrated Apple Pay. This has contributed to improving access to banking services and supporting the economy, especially in early 2022, when mobility became extremely relevant for Ukrainians. Digital technologies play a crucial role in ensuring the smooth operation of the sector and strengthening trust in it. At the end of 2023, a total of 7,91 billion transactions were made using payment cards issued by Ukrainian banks. The total volume of such transactions reached UAH 6,14 trillion. The majority of these transactions were carried out in Ukraine (almost 92% in number and 90% in amount). Total, 7,39 billion non-cash transactions were carried out outside and within Ukraine for the amount of UAH 3,98 trillion, with 65% of these transactions being non-cash transactions with cards. The number of ATMs also increased by 2%, reaching 15,8 thousand. It is worth noting the growth in the popularity of tokenized payment cards (NFC technology), the number of which increased by 57% to 12,4 million.

The most common non-cash transaction using payment cards is payments with terminals (Fig. 6). Of all the amounts of non-cash transactions, it accounts for 46% (451,0 billion UAH) and 72% (1 328,7 million items) of the number of non-cash transactions, the average check is 339 UAH. Also, an equally popular operation is a card-to-card transfer – 32% (317,6 billion UAH) of the amount and 9% (165,1 million items) of the number, the average check is 1 923 UAH. And of course, paying for goods and services on the Internet is one of the biggest advantages of non-cash transactions and digitalization in general – 14% (140,1 billion UAH) of the amount and 14% (264,0 million items) of the number, the average check is 3 357 UAH. In 2023 and early 2024, despite the ongoing full-scale war, the majority of payment card transactions in Ukraine were carried out cashless. This is confirmed by statistical data for the year analyzed by the National Bank as part of its function of supervising the payment infrastructure, which covers transactions with cards issued by Ukrainian banks and financial institutions (Fig. 6).

Conclusions

Based on the analysis, it can be concluded that the banking sector of Ukraine, despite the challenges associated with economic instability, demonstrates high resilience and adaptability. The main goals of banking management remain ensuring profitability and reliability of banking operations. This is achieved through effective risk management and maintaining stable profitability.

In recent years, the number of banks has decreased only slightly, which indicates the absence of a critical impact on the structure of the banking sector. Positive trends are also observed in key financial indicators: net assets of solvent banks are increasing, the volume of non-cash transactions is growing, and a high level of profitability of assets and capital is maintained.

Key factors of stability were the prompt anti-crisis measures taken by the National Bank of Ukraine.

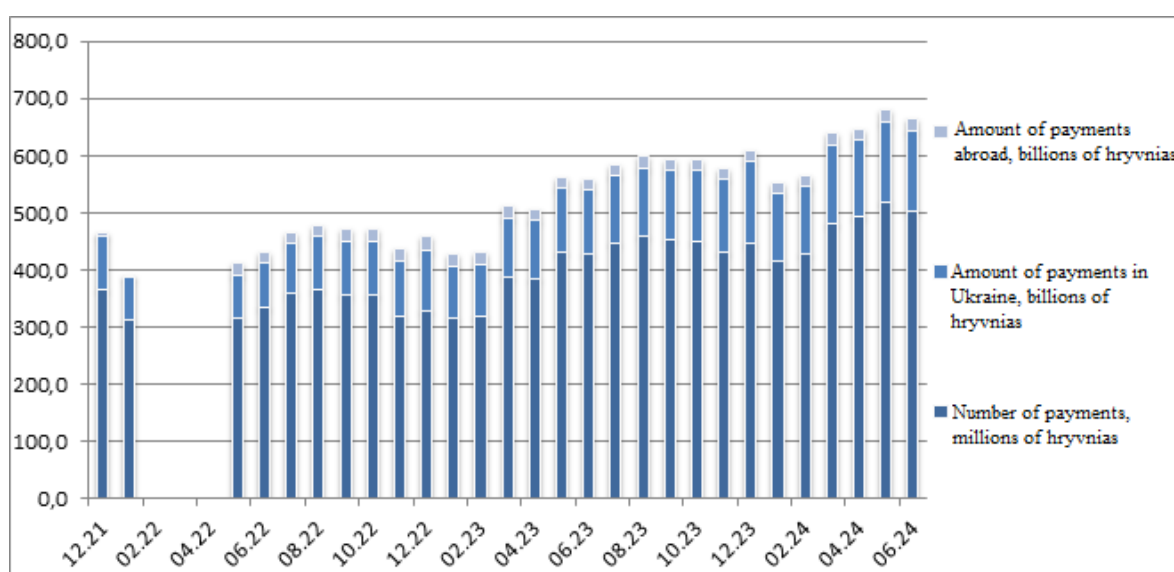


Fig. 5 – Payment cards in the retail network

Compiled based on [1]

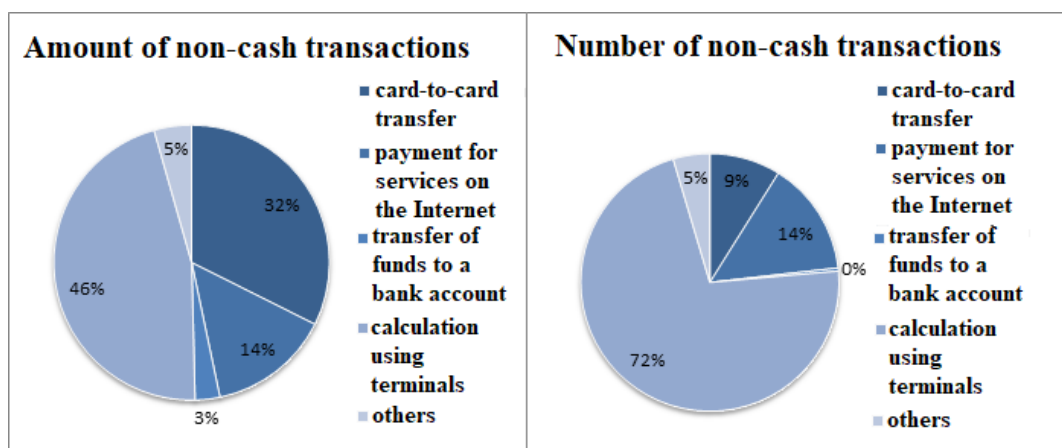


Fig. 6 – Amount and number of non-cash transactions using payment cards at the beginning of 2024
Compiled based on [1]

This includes both supporting banks' liquidity through refinancing and strict control over capital flows during the most stressful periods. Digital transformation, in particular the development of contactless payments and the use of NFC technologies, also significantly contributed to supporting the banking system during this difficult period.

Thus, the coordinated actions of bank management and the state regulator ensured the stable operation of

the banking sector, which allows not only to support the country's economic activity, but also creates prospects for the further restoration and development of the financial system of Ukraine.

The need to continue strategic reforms, in particular towards integration with European standards, as well as maintaining macroeconomic stability are key tasks to ensure the long-term sustainability of the sector.

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