

Секція 2
ФІНАНСОВІ ВАЖЕЛІ СИСТЕМИ ЗАБЕЗПЕЧЕННЯ
СТАЛОГО РОЗВИТКУ ЕКОНОМІКИ



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SUSTAINABILITY ANALYSIS
OF THE CROATIAN BANKING SYSTEM

Banks constitute a vital part in the Croatian financial system, which includes instruments, institutions and mechanisms. The Croatian financial system has several functions through which it fulfills its role:

- Accumulation and placement of accumulated assets and cash flows in order to fund projects
- Movement of economic resources
- Creation of information, its accumulation and dissemination in order to make a decision
- Search for methods of insurance against uncertainty and risk control
- Finding ways to manage non-existent, insufficient or asymmetric information [1].

The global economic crisis that erupted in 2008 seriously undermined the financial stability of Croatia's banking system. Because of this, Croatia's economy suffered significantly. There was a growing budget deficit, increased government spending, a drop in investment and an increase in foreign debt. The presence of the recession affected citizens as well, prompting them to save money at a moment when unemployment was growing. As the crisis began, the problems of Croatia's real sectors surfaced. Croatia's economy was altered even more by the reduction in foreign demand, and stagnation caused a slowdown in salary growth and a drop in income on the capital market. Regarding the situation on the financial

market, it was extremely difficult and completely unstable. Public finances were in bad shape, and the situation was improved by budget rebalancing.

The banking sector in Croatia consists of 24 banks (of which 4 are savings banks). It is worth noting that as of 2019, banks with foreign capital (90.4%) hold a significant share of the banking sector (table 1), while the share of state (6%) and private domestic banks is much lower (3.6%). A large part of banks with foreign capital belongs to shareholders from EU countries [3]. A distinctive feature of the Croatian banking sector is that 80% of all profits and assets are concentrated in the 5 largest foreign banks [5]. The share of state banks has gradually declined by 0.3% since 2016. There has also been a steady decline in the number of private banks (by 1.5% since 2013).

Table 1. Changes in the ownership of Croatian banks during 2013-2019 (in %)

Categories of banks	2013	2014	2015	2016	2017	2018	2019
Foreign-owned	89.7	90.1	90.3	89.7	90.1	90.2	90.4
State-owned	5.2	5.2	5.3	6.3	6.2	6.2	6.0
Private domestic	5.1	4.7	4.4	4	3.7	3.6	3.6

Source: Compiled by authors based on [2].

Croatia's total capital ratio index (25.1%) is higher than the EU average (19.6%), making the domestic banking sector more sustainable and recession-proof in comparison with the others CEE countries (Fig 1). According to this indicator, the country ranks 3rd among the CEE countries that are members of the EU. Nevertheless, annual percentage rates are elevated in 2019 and the share of loans expressed in foreign currencies in the country is high in comparison with the Eurozone. The Croatian National Bank (CNB) solved this problem by raising deposit criteria and stimulating banks to lend in local currency. During 2020 interest rates were lowered as a response to the coronavirus pandemic.

The central bank became an indispensable part of the ESCB on the 1st of July 2013, with Croatian entrance into the EU. In 2018, Croatia fulfilled the Maastricht criteria and it is planned that the country will join the Eurozone in 2023. At the same time, such a transition is likely to hit the profitability of Croatian banks due to lower interest and commission income, as well as from foreign exchange trading [5]. Lenders will be able to recoup these costs by strengthening the domestic economy, reducing

currency risk and regulatory benefits when they come under the supervision of the European Central Bank.

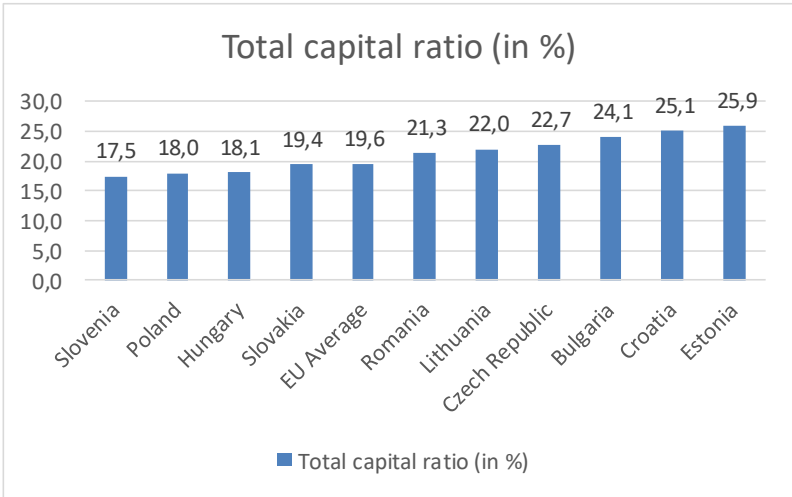


Fig. 1. Total capital ratio in CEE countries in 2020 (in %)
 Source: Compiled by authors based on [4]

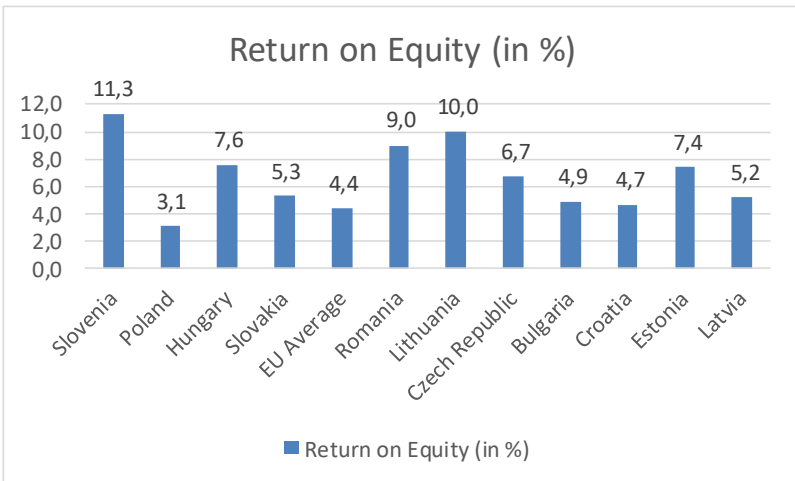


Fig. 2. Profitability of banks in CEE countries in 2020 (in %)
 Source: Compiled by authors based on [6]

The profitability of the CEE banking sector was significantly affected by the coronavirus pandemic of 2020, which led to a significant reduction in interest rates (preceded by a policy pursued by the European central bank) [6]. Croatia's profitability rate was 4.7 percent, 0.3 percentage points higher than the EU average, but one of the lowest among CEE countries (Fig 2).

Since 2007, ROEs across the EU began to dissipate, indicating increasing compartmentalization, especially in the euro area. After peaking in 2013 (25.8), the dispersion around the average return on equity has significantly shrunk. Having attained 4.0 in 2019, the dispersion will be 4.4 in 2020, just below the 4.5 observed in 2007. before the start of the divergence.

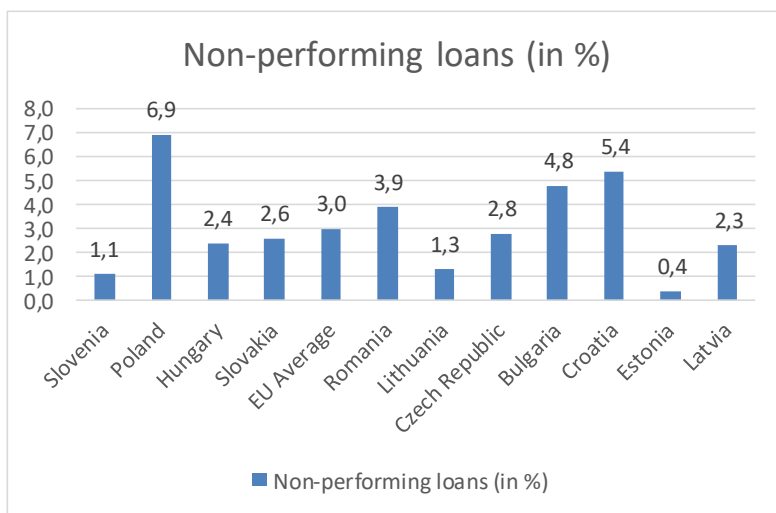


Fig. 3. Level of NPLs in CEE countries in 2020 (in %)
Source: Compiled by authors based on [2]

Level of NPLs in Croatia remains quite high (5.4%), especially in comparison with other EU countries (only Poland has a worse figure - 6.9%) (Fig 3). However, given as this figure was 12.7% in 2016 [2], there is considerable progress in reducing this indicator. At the same time, the high (relative to the EU countries) level of non-performing loans is associated with the Central Bank's moratorium on issuing loans, which also affected the ability of banks to support the country's economy.

Thus, it can be concluded that the Croatian banking sector remains quite resilient even during the pandemic. Overall, the impact of the COVID crisis on the

credit risk development of Croatian banks is still weak. Prudent credit risk management will be the main issue determining efficient, stable and profitable Croatian banks in the near future. The task of the central bank in this area will always be to support these changes and protect the financial system.

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ОСОБЛИВОСТІ ОПОДАТКУВАННЯ В УКРАЇНІ ПІД ЧАС ДІЇ ВОЄННОГО СТАНУ

15 березня 2022 року президент України підписав Закон № 2120-IX «Про внесення змін до Податкового кодексу України та інших законодавчих актів України щодо дії норм на період дії воєнного стану». Даний нормативно-правовий акт передбачає зміни щодо сплати та ставок єдиного податку, податку на додану вартість, акцизного податку, екологічного податку та визначає податкові стимули для великого бізнесу та благодійності.

Внесені до Податкового кодексу зміни передбачають:

1) встановлення особливостей оподаткування єдиним податком з 1 квітня 2022 року до припинення воєнного стану, а саме:

можливість не сплачувати єдиний податок фізичними особами-підприємцями платниками 1 та 2 груп на усій території країни з 1 квітня 2022 року до припинення воєнного стану;