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V.O. Onyshchenko, DSc in Economics, Prof.,
orcid.org/0000-0003-3486-1223, e-mail: rector@pntu.edu.ua
T.M. Zavora, PhD in Economics, Assoc. Prof., orcid.org/0000-0003-3289-7177,
e-mail: tainazavora@gmail.com
Poltava National Technical Yuri Kondratyuk University

RESIDENTIAL CONSTRUCTION FINANCING MECHANIZMS IN CoNTEXT OF REGION'S SOCIAL AND ECONOMIC DEVELOPMENT

***Annotation:** Role of construction in the region's social and economic development is revealed. Means of residential construction financing are defined.*

Analysis of mortgage lending market in Ukraine is made.

Factors of banks low crediting activity are defined including: decrease in borrowers' credit worthiness and considerable cost of credit resources; high level of stability and economic development indeterminacy; national currency fluctuation dynamics and general shortage of crediting.

Conditions of developing market for residential housing mortgage crediting are defined.

Mechanism of attracting long-term NRF financial resources for residential constructing financing resources is offered.

***Key words:** residential housing, financial assurance, mortgage market, social and economic development, region.*

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В.О. Онищенко, доктор екон. наук, проф.,
orcid.org/0000-0003-3486-1223, e-mail: rector@pntu.edu.ua
Т.М. Завора, канд. екон. наук, доц.,
orcid.org/0000-0003-3289-7177, e-mail: tainazavora@gmail.com
Полтавський національний технічний університет імені Юрія Кондратюка

МЕХАНІЗМИ ФІНАНСУВАННЯ ЖИТЛОВОГО БУДІВНИЦТВА В КОНТЕКСТІ СОЦІАЛЬНО-ЕКОНОМІЧНОГО РОЗВИТКУ РЕГІОНУ

***Анотація:** Розкрито роль будівництва у соціально-економічному розвитку регіону. Визначено способи фінансування житлового будівництва.*

Здійснено аналіз стану ринку іпотечного кредитування в Україні.

Установлено чинники низької кредитної активності банків, до яких віднесено такі: зниження платоспроможності позичальників і значна вартість кредитних ресурсів; високий рівень невизначеності стосовно стабільності й економічного розвитку; динаміка коливань курсу національної валюти та загальне скорочення обсягів кредитування.

Визначено умови розвитку ринку іпотечного кредитування житлової нерухомості.

Запропоновано використання механізму залучення довгострокових фінансових ресурсів НПФ для фінансування житлового будівництва.

***Ключові слова:** житлове будівництво, фінансове забезпечення, іпотечний ринок, соціально-економічний розвиток, регіон.*

Financial and crediting system inadequacy and consequences of financial crisis have significantly accentuated housing problem in Ukraine, which is losing prioritized in the past role of the state in providing the population with housing, causes implementing new models of residential housing construction. Major sources of investment into housing construction include budget, private and attracted funds. State budget becomes an important source of financing housing construction. State investments ratio in the developed countries, for instance, makes 40%. In Ukraine, since 1990 ratio of state investments shortened, which has lead to slowing paces of capital renewals. The biggest ratio of investment structure into capital asset according to sources of financing in 2017 belongs to equity capital – 69,9% [1]. Considerable dominance of the population finances among the financing sources is typical for residential housing construction in Ukraine. Only one third of finances are invested into residential construction by mortgage market institutional members, in particular “equity capital” makes 18%, and “grantors’ credit funds” – 15%. It is an indicator of insufficient condition of attracting investing resources into residential construction.

Residential construction as a branch of material production includes projecting and research, scientific and research, constructing and erecting works, construction materials manufacturing and others. It is proved that construction is one of the best economy multipliers. One unity of investment into residential construction, its maintenance and reconstruction attracts 3,5 more times investments into other housing industries, which in turn contributes to social and economic development of the state as well as the region. At the same time social problems of providing the population with housing which meets sanitary norms, proper living conditions are solved, which undoubtedly influence the people standard of living.

According to the National Bank of Ukraine data, the highest growth rates of Gross added value in the structure of GDP in 2017, despite the slight slowness, belonged to construction (25,2%).

Transformational changes in the country’s social and economic development have lead to appearing of such market means of residential construction financing as construction financing fund, real estate operations fund, institute of common investment (corporate and mutual funds), targeted bonds emission, mortgage loans, using of which is substantiated by the construction process members interests. A separate financing direction is state construction housing financing for different categories of population. Conducted analysis of state residential construction programs has revealed 100 mln hryvnias increase in 2018 in expenses for state construction support and purchasing of affordable housing compared to 2017. At the same time expenses for financial support of the State Fund for Youth Housing Promotion stayed at the 2017 level, which will make 6,9 mln hryvnias in 2018. Herewith, partial compensation of commercial banks credit interest rate for young families and single young citizens for construction (reconstruction) or housing purchasing are almost 11 mln hryvnias lessened – up to 35,4 mln hryvnias. In order to increase the nominal capital of the State Specialized Financial Institution “State Fund for Youth Housing Promotion” with further use of the State Program for the Provision of Youth Housing 30 mln hryvnias is assigned in 2018. The state budget also plans to finance a program of reducing the cost of mortgage loans providing affordable housing for citizens who need improvement in housing conditions in the amount of 55.9 million hryvnias [2]. In term of the population wages low level and backdated wages in the amount of 2455,9 mln hryvnias for May 1-st 2018, a need in searching effective mechanisms of residential construction development financing occurs. The state failure to provide the population with housing on one hand and wages low level coupled with inflation processes on the other, disable improvement of living conditions of the bigger part of Ukrainian population. In this connection, an issue of residential construction mortgaging analysis as an effective financial tool of residential construction development, as

well as defining perspective directions of its development and search of housing construction alternative financing mechanisms is important.

Index of activity at the real estate market is one of the key indicators of economy development in the developed countries. Even slight indices decrease at the mortgage market or prices at the secondary housing market cause mass panic among investors and drop of stock indices [3].

Analysis of real estate mortgaging market has recently revealed banks low crediting activity connected with decrease in borrowers' credit worthiness and considerable cost of credit resources, stability and economic development indeterminacy high level and national currency fluctuation dynamics and general shortage of crediting.

The results of analysis have revealed 2,4% shortage of the mortgage market over the year in 2017 in hryvnias and 20,5% in the currency in dollar equivalent [4].

Mortgage makes less than 5% of new loans by 01.2018. Over 9 months period 2017, amount of new mortgage loan made 963 mln hryvnias which 1,5 times exceeds the results of 2016 9-months period. Altogether it should be noted that it makes only 2% of the entire mortgage portfolio and is insufficient to influence total level of real estate demand, and mortgage market renewal. The major factors constraining mortgage crediting include:

- low-level number of borrowers with officially proved income;
- unsolved issue concerning mortgage loans, created as a result of currency crediting before 2008 crisis (according to NBU data, over 90% of currency mortgages and over 30% of hryvnias loans are non-performing);
- necessity of improving legislation as for creditors' rights defense;
- inadequacy of the foreclosure procedure in case of debtor's non-fulfillment debt obligations;
- real estate crediting high rates;
- high inflation and devaluation risks complicating long-term crediting development.

Conclusion: Thus it should be acknowledged that residential real estate mortgage market development is possible only under macroeconomic and regulatory preconditions, which will provide the possibility of long-term financial planning, and the population credit worthy demand. On its side, mortgage crediting market development will contribute to accumulating and reallocating financial resources, transformation households' savings into investment resources, and as a result of region's social and economic development stability. Along with existing financial tools of residential housing development there still is a need for attracting long-term financial resources. An active mechanism of investments attraction can be NPF long-term financial resources.

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