

**UDC 336.3**

*Zavora Taina Mykolaivna,  
Poltava National Technical University named after Yuri Kondratyuk,  
candidate of economic sciences, associate professor,  
Gulaj Olesya Valerievna,  
Poltava National Technical University named after Yuri Kondratyuk,  
Holovko Valeria Alexandrovna,  
Poltava National Technical University named after Yuri Kondratyuk*

## **LOMBARDS AND PROBLEMS OF DEVELOPMENT IN UKRAINE ANALYSIS OF THE LOMBARD ON THE FINANCIAL SERVICES MARKET IN UKRAINE**

In the conditions of economic recession that in Ukraine is accompanied by rising in price of financial resources and rolling up of the bank crediting, considerably activity of lombards activated at the market of financial services. From statistical data, service of lombard is annually used by more than five million people in the whole world. This type of activity to the proprietors of lombards brings a serious enough financial profit, and to the population is satisfaction of requirement in money quickly and without difficult procedure of registration of credit. A lombard is confessed by business with the high enough level of profitability - 30-40%. The investment in this business are occupied, as a rule, for two-four years. Along with this, the risk of failure of credit funds minimized, because the money is issued only on bail and for the amount from 50% to 90% of its assessed value.

Thus strengthening of competition at the market makes lombards to reduce the price on the services. Weighted average annual interest rate for loans to financial institutions by results of the I quarter of 2015 was 190,6%, while for the same period last year – 221,7% [1].

Beginning from 2013 a tendency takes place to the increase of financial services that is given by lombard establishments. In particular, for 2013 - 2015 the middle size of the loans given out by lombards increased from a 570 UAH. up to 840 UAH.

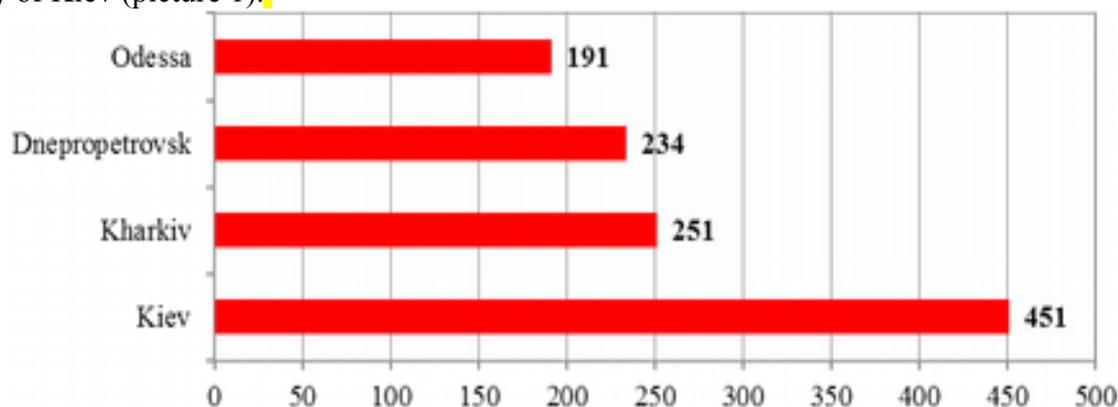
Therefore, the Lombards were and remain one of the most stable financial institutions for individuals: they focused on issuing small and short-term loans, the function of socio-economic stabilizers in the face of any economic changes.

For a long time in the independent Ukraine place pawnshops legislatively defined, but after 2001, the law of Ukraine N2664-111 «About financial services and State regulation of financial services markets» lombards acquired the status of a financial institution. In accordance with paragraph 1 of article 1 of this law, a financial institution is a legal person according to law provides one or more financial services and which is included in the corresponding register of National Commission of Ukraine in the manner prescribed by law. Financial institutions include banks, credit unions, lombards, leasing companies, trust companies, insurance companies, pension savings institutions, investment funds and companies and other legal entities whose sole activity is the provision of financial service [2].

The analysis of the activity educed that most specific in the mortgage of lombards occupy precious metals and stones (90% of loans), consumer electronics (6.5%). Some lombards accept a motor transport, apartments, securities.

So, on to the 31.03.2015 to the State Register of financial institutions made information about 478 lombards that 1 institution (or 0.2%) less in comparison with the corresponding date of 2014 (as 31.03.2014-479 lombards). The trend of increasing number of lombards is associated with providing them with urgent needs of citizens in cash. The ranking of cities and regions of Ukraine for the submission of the lombard services as of the first quarter of 2015 is headed by

the city of Kiev (picture 1).



Picture 1. The ranking of cities and regions of Ukraine for the submission of the lombard services

Source: compiled by the authors on the basis of [3].

Analysis of the main indicators of activity of the lombards by 2013-2015 years found a minor growth of these financial institutions. Along with this as 01.04.2015, their number amounted to 478 establishment (table 1).

Table 1

Performance of the Lombards for the first quarter of 2013 – first quarter of 2015 years

Indicators	The first quarter of 2013	The first quarter of 2014	The first quarter of 2015	The pace of growth			
				The first quarter of 2014/2013		The first quarter of 2015/2014	
				Absolute	%	Absolute	%
The number of lombards (end of period)	476	479	478	3	0,6	-1	-0,2
The amount provided by the financial loans to bail (mln.)	1 941,40	1 835,80	3 062,50	-105,6	-5,4	1226,7	66,8
The number of financial loans granted bail, thous. pc.	2 733,00	2 764,90	2 743,30	31,9	1,2	-21,6	-0,8
The amount canceled financial loans (mln.), including:	1 917,80	1 749,70	2 793,30	-168,1	-8,8	1043,6	59,6

<i>repaid at the expense of the property provided by the pledge</i>	136,5	106,9	186,5	-29,6	-21,7	79,6	74,5
The number of contracts, canceled due to the property, provided collateral, (thousand pieces)	271,1	252,3	303,5	-18,8	-6,9	51,2	20,3

Data in table 1 indicate the general volume of lending in the market of lombard services first quarter 2015, compared with the same period last year. When reducing the number of given financial loans secured by first quarter of 2015 at 0.8%, compared with the corresponding period of the year 2014, such indicators as the amount provided by the financial loans to bail, the amount canceled financial loans and the number of canceled contracts at the expense of property increased by 66,8%, 59.6% and 20.3%, respectively. Weighted average annual interest rate for financial loans pawn shops for the first quarter of 2015 is 168,1% (first quarter of 2014-198.6%).

An important index that characterizes the market of services of lombards is an index them

the financial state (table 2).

Table 2

Indexes of the financial state of lombards after I quarter 2013 - I quarter 2015 years

Indexes	By the state on 31.03.2013	By the state on 31.03.2014	By the state on 31.03.2015	Growth rates 31.03.2015/ 31.03.2014	
	mln. hrn.			Absolute	%
Account receivable, including, (mln. hrn.):	1 046,60	1105,9	1498	392,1	35,5
after the given financial loans, (mln. hrn.)	824	825	1189,2	364,2	44,2
after the charged extra percents after t he given financialloans, (mln. hrn.)	23,6	64,5	39,4	-25,1	38,9
Charter capital, (mln. hrn.)	828,6	792,6	816,9	24,3	3,1
Operating capital, (mln. hrn.)	15,7	18,5	19,1	0,6	3,2
Retained earnings, (mln. hrn.)	164,6	129,8	270,4	140,6	208,3
Property capital, all, (mln. hrn.)	943,6	883,7	1000,5	116,8	13,2
The attracted money is on requiring p ayment andбезоплагній basis, (mln. hrn.)	109,8	170,7	192	21,3	12,5

The conducted analysis of indexes of the financial state of activity of lombards educed the increase of volumes of assets of lombards on a 31,9% (462,9 mln. hrn.) comparatively with an analogical period last year. The increase of size of property asset of lombards incompared to the previous analogical period took place on a 13,2% (116,8 mln. hrn.) and by the state on 31.03.2015 years presented 1000,5 mln. hrn. By the state on 31.03.2015 years the retained earnings increased on a 208,3 % (140,6 mln. hrn.) and presented a 270,4 mln. hrn.), comparatively with the corresponding period of 2014 years. The volume of account receivable by the state on 31.03.2015 years increased on 35,5% (to 1498,0 mln. hrn.), comparatively with the corresponding date of previous year [4].

By the state on 31.03.2015 operating surplus grew on 3,2% a charter capital diminished on 3,1% comparatively with the analogical date of 2014 years and accordingly present 19,1 and 816,9 mln. hrn.

The analysis of structure allotted credit by lombards educedafter the types of mortgage, that during all period most specific gravity is occupied by wares from precious metals and jewels (table 3).

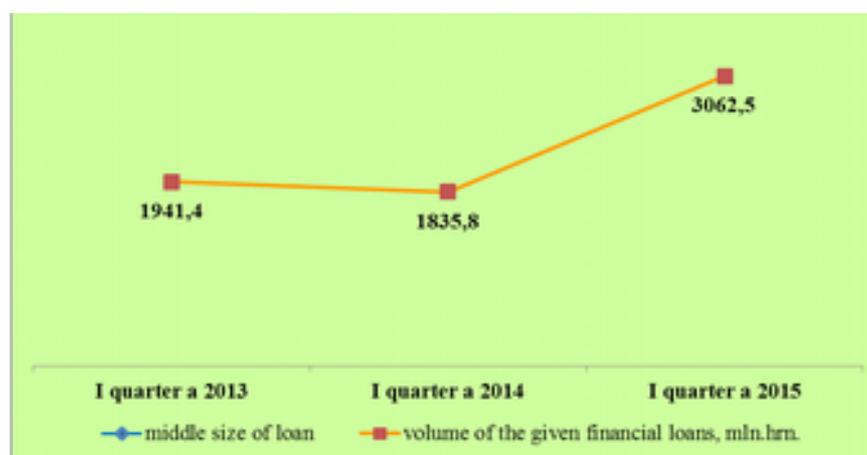
For a I quarter of 2015 year the structure of the given financial loans did not change on the whole. At the general increase of volumes of crediting (66,8%) specific gravity of the financial loans given out under wares from precious metals and jewels (from 84,0% on 87,6% domestic technique (from 15,5% on 12,1%) and specific gravity of cars remained a not variable (0,2%) [5].

Table 3

A volume of the given financial loans is after the types of mortgage after I quarter 2013 - I quarter 2015 years

Types of mortgage	Volume of the given financial loans, mln. hrn.			Structure of the given financial loans, %			Growth rates			
	I quarter a 2013	I quarter a 2014	I quarter a 2015	I quarter a 2013	I quarter a 2014	I quarter a 2015	I quarter a 2014/ I quarter 2013		I quarter a 2015/ I quarter 2014	
							mln. hrn.	%	mln.hrn.	%
wares from precious metals and jewels	1699,40	1541,8	2683,3	87,5	84	87,6	-157,6	-9,3	1141,5	74
domestic technique	228,7	285,4	370,4	11,8	15,5	12,1	56,7	24,8	85	29,8
cars	6,4	3,1	5,1	0,3	0,2	0,2	-3,3	-51,6	2	64,5
to the real estate	4,2	3	0,6	0,2	0,2	0,02	-1,2	-28,6	-2,4	-80
other property	2,7	2,4	3	0,1	0,1	0,1	-0,3	-11,1	0,6	25
All	1941,40	1835,8	3062,5	100	100	100	-105,6	-5,4	1226,7	66,8

Thus lombards elect the most liquid property for a mortgage. In the volume of the given financial loans after the types of mortgage most specific gravity is occupied by financial loans on the security wares from precious metals and jewels is at 87,6% (2683,3 mln. hrn.). Comparatively with 31.03.2014 this index increased on 74,0 percent points. The dynamics of volumes of the given out loans and medium-sized loan for 2013 – 2015 years is represented to the picture 2.



Picture 2. Dynamics of volumes of the given financial loans and medium-sized loan after I quarter 2013 – I quarter 2015 years

Source: it is made authors on basis [6].

The comparative analysis of financial institutions at the market of financial services of Ukraine on the criterion of size of crediting educed that lombards, comparatively with banks and credit unions, gave considerably less after sizes loans. Dynamics of volume of the given out loans and medium-sized loan after I quarter 2013 – I quarter 2015 years has tendency to the increase. Volume of the given out loans and medium-sized loan after I quarter 2015 year increased on 66,8% a 68,1% accordingly [7]. It testifies to the tendency to the increase of allotting credit by other financial institutions without registration of mortgage. For today lombards remain to one of the most conservative and stable financial institutes for physical persons – they are oriented to delivery of shallow and short-term loans. Lombards give financial loans in security for, middle sum of that, after I quarter 2015 year presents 1116,3 hrn. Together

with it on 100 lombards, first on the volume of given financial loans (TORUS 100), there is 96,5% of general volume of loans and 94,0% of general assets. Thus, on the stake of 3 lombards, first on a volume given loans, there is 47,1% of general volume allotted credit and 40,8% all assets of lombards [8].

Thus, lombards are important financial institutions of credit market of Ukraine, as, unlike other financial institutions, give short-term and small after sizes loans to the economic subjects. Lombards as have credit establishments the advantages and defects. Main advantage of these establishments is possibility in short space, quickly to get liquid financial means on any necessities. The lacks of lombards logically swim out from their advantages. Possibility of rapid receipt of money results in a volume, that loans of lombards are extraordinarily expensive incomparing to the loans of bank institutions and credit unions, and must be providing an extraordinarily liquid mortgage. On the modern stage of development of lombards by a most problem in their functioning, in our view, there are a mistrust of society to activity of these establishments and imperfect legislative base of their development. For this reason passing an act of Ukraine becomes actual «About lombards and lombard activity» that will provide the legislative base of functioning of lombards and will promote transparency of activity of these establishments.

### **Literature**

1. Leviev, L.Y. Financial analysis of lombard institutions. [Text] / L.Y. Leviev // Economic Bulletin of the University: Coll. Science. pr. scientists and graduate students - Pereyaslav-Khmelnytsky: PHDPU. – 2012. – Vol. 19/1. – P. 157-163.

2. Ivanov V.M. Market of financial services: the nature, structure and use of different sources / V.M Ivanov // Economy: problems of theory and practice. – 2013. – Vol. 190 – P. 668-674.

3. Gaunt, A.I. Status and prospects of lombard in Ukraine. [Text] / A.I. Gaunt, N.V. Dubina, T.A. Romanenko // Bulletin Chernihiv State Technological University. – 2011. – № 2 (50). – P. 233-241.

4. The official site of the State Commission for Regulation of Financial Services Markets of Ukraine. – Access mode: <http://www.dfp.gov.ua>

5. Mishchenko S.V., The problems of the financial services market lombard // Finance of Ukraine. – 2014. – №9. – P. 43-52.

6. Kazmyrchuk M.G. Prior to the establishment of pawnshops in the city / M.G. Kazmyrchuk // Bulletin of the Taras Shevchenko National University of Kyiv. Series. History. – 2015. – Vol. 77 – 79. – P. 71-74.

7. Formation of financial strategy of Lombard institutions / L.Y. Leviev // Economic Bulletin University. – 2014 – Vol. 22 (1). – P. 226-230. – Access mode: [http://nbuv.gov.ua/j-pdf/ecvu\\_2014\\_22\(1\)\\_42.pdf](http://nbuv.gov.ua/j-pdf/ecvu_2014_22(1)_42.pdf).

8. Gavrilyuk O.V. Services in the context of economic growth // Finansy.Ukrayiny. – 2014. – №4. – P.71.