

FINANCE AND CREDIT

Ilchenko I.Yu.

Master of Economics,

Bila Tserkva National Agrarian University, Ukraine

Supervisor Tkachenko K.V.

Ph.D., Associate Professor of Finance, Banking and Insurance,

Bila Tserkva National Agrarian University, Ukraine

FINANCIAL AND ECONOMIC INTERACTION OF THE BANKING AND INSURANCE MARKET OF UKRAINE

New tasks are set for the formation of the financial services market for the effective functioning of the banking system, in Ukraine. The cooperation of banking and insurance business is widely used in order to produce competitive products and meet the needs of customers in financial services.

As the activity of an economic entity covers any type of activity in the field of financial services, it is inextricably linked to the concept of risk, especially in the activities of insurance companies and banking institutions that operate in a large group of risks. Scientific financial and economic literature covers different types of banking and insurance risks. In accordance with the Methodological Recommendations, the National Bank of Ukraine proposed the distribution of risks that each bank should manage: credit risk; liquidity risk; strategic risk; legal risk; reputation risk; market risk; currency risk; interest rate risk.

Management of risks, on which the financial result of the bank's activity depends, consists in their optimization, while risk management, on which the efficiency of the bank's activity does not depend, is reduced to their minimization.

The advantages of the interaction of banks and insurance companies are an objective assessment of risks; the possibility of combining technical means used for risk assessment and management; qualified personnel and the ability to combine

them for assessment and risk management. The main function of insurance companies is to provide insurance protection by accepting insurance risks from policyholders and payment in a timely manner and in full insurance indemnity based on risk management. A specific function performed by banking institutions in the process of their interaction with insurance companies is the function of organizing money turnover. Banking institutions provide settlement and cash services to both insurance companies and their customers, and insurance companies offer protection to the banks from possible losses from low-quality business transactions that are likely to incur risk. Ensuring the stability and development of the banking system occurs when banking institutions take the following measures: to increase capitalization, to reduce the risk of current operations and form the necessary reserves for risks on active operations, to improve the quality of assets and liabilities, as well as to ensure their growth, to optimize costs and revenues in order to increase efficiency.

The main functions of banking institutions of insurance companies - accumulation and mobilization of money capital; - mediation in obtaining a loan; - settlements and payments; - creation of means of payment; - organization of issue and placement of securities - formation of a special insurance fund of funds; - compensation for damages and personal material support of citizens; - prevention of insured events and minimization of losses of operations and form the necessary amount of reserves for risks on active operations, improve the quality of assets and liabilities, as well as ensure their growth, optimize costs and revenues to improve efficiency.

Thus, the success of the interaction between banks and insurance companies in many cases depends on the ability of the bank and the insurer to respond in a timely manner to threats that exist in the financial market and can directly affect the economic interests of financial intermediaries. Given the study, we can conclude that the interaction of banking institutions and insurance companies in Ukraine has a great potential for development. Although banks and insurance companies currently cooperate on a limited scale, all this can be seen as a basis for further cooperation in the financial sector of Ukraine.

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