

## HISTORICAL ASPECTS OF FORMATION OF BANK LENDING

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*The article investigates the history of the origin and formation of credit relations. This article specified stages of forming and development of credit relations, analyzed the specificity and importance agricultural lending forming the credit system in these relations.*

***Loans, mortgages, credit relations, the subjects of lending, credit system, preferential lending.***

The transition of Ukraine's economy to a market relations is accompanied by structural changes in the national agroindustrial complex (AIC). The current organization of agricultural production does not contribute to the development of appropriate new conditions shaping its development as agricultural enterprises of all forms of ownership for a long time working in an acute shortage of financial resources. Moreover, most farms have drained the possibilities of self-financing and therefore can't provide their own means of competitive production. In a market economy, lack of working capital for agricultural producers is covered by long-term loans. But here there are some complications. Insufficient amount of liquidation of collateral in agricultural enterprises does not allow banks to increase their lending. According to bankers, until there is no land market and collateral in the form of land, expect a major increase in lending is not possible, because the amount of collateral in the village is exhausted [1]. At the same time maintaining high risks in agriculture can't be expected to lower interest rates on loans to such enterprises. Thus, banks are not only able to cover their risks lending rate, but also set it at a higher level than for companies in other sectors of the economy, thereby offsetting the risk of non-repayment of loans. Repayment of loans by agricultural producers depends on the yield of products, and therefore often forced banks to extend repayment of loans. [2]

Formation and development of credit relations has made a long and difficult path. They were formed in parallel and mutually agreed with the monetary system.

Some issues of formation and development of financial and credit system were developed by such scholars as M. Agarkov [3, p. 41–44]

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E.Alisov [4, p. 287] V.Grosheva [5, p. 90–99], S.Gladkyi [6, p. 94–100] V.Kirichenko [7, p. 85–94] V.Koryakov [8, p. 309–345].

According to historians, even in 2300 BC the Chaldeans had the first commercial companies that engage in trade along with the interested parties were given loans. The first separate lending operations, according to historical data are related to the VI century BC.

Since prehistoric times, as economic and legal phenomenon, are known first appropriate public relations banks. In historical documents is evidence that banks operated in Egypt, Babylon, Rome and ancient Greece. They performed various operations on purchase and sale, were guarantors of debts and credits issued.

In Greece, loan initially was carried out by priests, but with the development of this activity temples began to take an active part, temples at that time served as a sort of bank, mainly on transactions involving significant amount of their credit operations [9 and c. 10–12]. Ancient Romans in the III-II centuries BC, adopting this legal institution of the Greeks, significantly improved it, providing complete legal cover. By the middle of the second century BC in the Roman Empire already existed legislation for mortgage banks.

Initially, they, like the Turkish banking institutions, were called trapezites and later argentarias (moneychanger).

Ancient moneychangers brought in accounting books, kind of regulation of maximum loan interest and other progressive at the time rules for banks. The collapse of the Roman Empire led to the decline of economic development. This period is characterized by the dominant position of the church on the economy and politics of the empire and other countries. A clear historical evidence of this is the formation and development of Kievan Rus. The influence of the church on the social and economic, including credit relations of Kievan Rus led to the development and spreading it's credit and usurer relations. They initially were characterized as traditions and customs to give way to baggage, ie, storage, and take interest on money and things lent, as well as the trade cycle, and later the bulk of these regulations, customs and traditions that have the status of law, found the fix in the form of regulations in the «Rus'ka Pravda» (legal code of Kievan Rus'). It secured credit relations in more than 20 articles, including merchants' loan agreements, penalties for non-payment of debt, the amount of interest and more.

The situation in the credit relationship changed considerably with the development of international trade relations of Kievan Rus.

The «Rus'ka Pravda» found statutory such issues as the size of interest on the loan, the loan regulations and other issues [10, p. 91–92].

In connection with the expansion of trade relations with the Germans and Novgorod new features, characteristics and regulation of credit relations were acquired.

Thus, in the XIV century among business lending, besides the state

and of the credit relations, which were reflected in the «Rus'ka Pravda» appeared the third one – a regional power that defines lending conditions on their land.

New forms of lending began to emerge under these conditions, but usury didn't lose its importance.

Debt bondage peasants movement contributed enslavement of «freemen» and their transformation into dependent feudal peasant.

Not just «Rus'ka Pravda», but other historical documents, «Pskov Judicial Charter», «Sudebnik», etc. – paid great attention to noncapitalistic credit.

A peculiar form of credit in early feudalism was «Purchase». «Purchase» – a feudal dependent person. Dependence was set by contract and accompanied by the provision of lords «Purchase» money that must have been returned if the «purchase» is willing to leave their host. Dependence of feudal peasant from his lender takes in the XV and the XIX centuries form of bondage known for its several forms: «report», «percenter», «mortgage» and other.

The most common service was bondage. Its essence was that the person who felt in need of money, received them in a lender-of feudal obligation to return next year. At this time he had to work in the lender for «growth». The debtor gave responsibility in the event of default of debt to the creditor «to serve on all days in the courtyard» [11, p.15].

With the development of usurious relationship banking was also gradually formed in Russia. The first bank, which begins with the story of banks in the Russian Empire was a state hackney bank that was founded in 1754. This bank has provided loans secured estates, in Ukraine it began to give them much later [12, p. 13].

Bank credit system in Ukraine was created, albeit with some delay, similarly to Russian. Thus, in accordance with the creation in 1839 of the State Commercial Bank of Ukraine on the basis of commercial banks were established Kiev, Kharkov and Odessa and Poltava branch office of the State Bank of the Russian Empire. Negative for these institutions was that they were not allowed to participate in the provision of current loans to business entities.

Following the 1861 reform the landed gentry lost the legal ownership of peasants and was forced to restructure its economy to the capitalist system. In this situation, the royal government could not prevent the development of capitalist relations, the objective in nature on the one hand, and holding back their development in favor civil nobility to the development of capitalism has not acquired the scale that would threaten violent destruction Institute of civil tenure, on the other hand resorted to special events, including credit, which aimed to ensure the capitalist evolution of agriculture to the level required for conversion estates on the capitalist system.

The revolutionary events of 1905–1907 influenced significantly on the

state of the financial system of the Russian Empire. Credit institutions actually suspended its operations. Exchange of shares of the land banks reached a crisis point. Only Farmers Bank in this period tended to increase in loans granted, which was associated with the beginning of the Stolypin agrarian program [13, p.41].

Regarding the characteristics of credit relations in the Stolypin agrarian policy (reform) we can briefly pay attention to two key areas of developing a legal framework, that was the basis of:

1. Legislation to change the nature of land tenure and land use.
2. The law on state support for voluntary resettlement of villagers in the undeveloped or sparsely populated regions of the Russian Empire (including Ukraine).

The main piece of legislation in this block were The highest approved 06.06.1904 «Provisional Regulations on the voluntary resettlement of rural inhabitants and burghers landowners» [14, p. 24701].

Temporary rules defined benefits to immigrants who were granted at the state level, including deferral of conscription for military service, exemption from some debts, tax breaks and credits.

According to this were adopted two basic legislative acts, which provided ways to implement the Stolypin reforms.

1. Nominal Royal Decree «On the addition of certain provisions of the current law relating to the peasant land tenure and land use» dated 12.09.1906 [15 p. 28528].

2. The highest approved and endorsed by the State Council and the State Duma law «On changes and the execution of some provisions of the peasant land ownership» [16, p. 33743]. The above regulations were provided for the introduction of small landed property, which is defined only by «official business».

Without going into a detailed analysis of the views expressed by many scholars regarding the advisability or otherwise of the Stolypin reforms of the early last century, we have to note that underestimation of legislation Stolypin agrarian reform leads to the same adverse effects (e.g., rapid separation of peasants in groups based on their living standards, fragmentation of collective agricultural producers, inhibition of cooperative associations, etc.).

The beginning of the events in 1914 caused a significant reduction in operations of joint-stock mortgage banks and a decrease in the number of banks.

After the Great October Revolution all private banks were nationalized.

In the late 50's and early 60's banking system was reorganized, under which the State Bank was the single point calculations, emission and cash center, and therefore, it was rigid and centralized financing of the economy. P. 6. article. 73 of the Constitution of the USSR of 10.07.1977 established that the jurisdiction of the USSR through its supreme bodies of

state power and administration of the State Bank was subject to, among other things, the management of a single credit system [17, p. 28].

However, the formation of the national banking system and the credit relationship is directly related to the acquisition of Ukraine's state sovereignty.

The legal basis for regulation of credit of commercial banks in Ukraine are numerous regulations and instructions of the National Bank of Ukraine «On the regulation of banks of Ukraine» № 368 of 28.08.2001, the Cabinet of Ministers of Ukraine «On Regulation of attraction and use of foreign loans, repayment of guaranteed by the Cabinet of Ministers of Ukraine, to improve the involvement of external financing and servicing external debt» № 414 of 05.05.1997 resolution, by the National Bank of Ukraine «On an interim order foreign currency lending» № 489 of 20.10.1998, The Principles of the National Bank of Ukraine «On loan», Civil Code of Ukraine (Articles. 380–385), the Commercial Code of Ukraine (Articles. 345–351) and other regulations.

Historical experience shows that at one time they played an important role in agricultural development.

The introduction and improvement of the credit for agricultural producers, as denoted by A.Berlach and N.Feschenko, needs to be carried out in several directions [18, p. 51].

First, monetary policy should take into account:

- concessional lending to agricultural enterprises, which would increase the proportion of long-term loans, lower interest rates, the development of mortgage transactions, the compensation mechanism of credit;

- development of mortgage loan banking system.

Second, we must improve the mechanism for raising and use of funds provided for the purchase of raw materials and food organizations, financed from the state budget as a source of financing seasonal work in agriculture should limit the settlements to supply products.

Third, the system needs some improvement on insurance coverage of credit and financial services businesses for credit in agricultural production.

Fourth, the credit mechanism should ensure unimpeded farmers to receive a certain amount of credits in clearly defined terms, proper use of credit only and required their return.

Implementation of these and other measures to provide real government support to agricultural producers may be special banking institution, such as the Land Bank, as evidenced by historical and international experience financing and development of agricultural production.

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