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Methodology for researching the banking services market in Ukraine

Abstract. Any modern scientific study of the problems of socio-economic development, and especially of such complex and dynamic phenomena as the development of the banking services market, requires the development of scientific approaches, methodology, and modern research methods for their analysis and forecast. The purpose of this study was to develop theoretical approaches and methodology for researching this market, to clarify the methodology for analysing the banking services market, and to calculate its total capacity for Ukraine. The study was mainly theoretical and methodological, and therefore general scientific methods were employed: deduction (for the general logic of the study), analysis (for the classification of market segments), comparative analysis (for clarifying the conceptual apparatus), and induction (for drawing conclusions). The special research methods included statistical methods (analysis of dynamic series, structural analysis to calculate the capacity of the Ukrainian banking services market and its segments). The study clarified the terminology – "banking service", "banking services market", proposed to divide the banking services market into active and passive segments for an in-depth study of the market conditions and factors influencing them in each of these segments, developed a methodology for calculating the capacity of the main segments of this market with consideration of Ukrainian banking statistics. The capacity of the passive and active banking services segments of Ukraine was calculated, which helped to calculate the total capacity of the market for basic banking services, as well as to determine Ukraine's place in the global market and to identify the most influential factors affecting the situation. This study was the first to calculate the capacity of the Ukrainian banking services market in terms of value for 2018-2024 and outlined measures for its development for the future until the end of the war and for the post-war period. The practical value of this study is that the author's approach to the methodology for calculating the capacity of the key market segments can be used for other segments

Keywords: theoretical and methodological foundations; system analysis; market capacity; bank deposit services; bank lending services; segment analysis of the market

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INTRODUCTION

The global banking services market is one of the fastest growing markets. As of the end of 2023, its capacity, according to the estimates of the international research company Market Research Future (n.d.), reached almost 36 trillion USD, and by 2032 it could reach 48 trillion USD. For Ukraine, which is only forming its market, the urgent problem is to create it based on a developed banking services market, which will result in free access of legal entities and individuals to modern banking services, increase the banking system's profits, and create a financial resource for economic recovery. In terms of methodology, it is vital to have a proper approach to determining the size of this market, its segmentation, identifying factors influencing the market, and methods of shaping its environment. The more adapted the Ukrainian market becomes to the global market, the wider the range of problems that need to be solved by scientists.

The situation on the Ukrainian banking market is quite dynamic and depends on the factors that are most influential at the time of analysis. V. Kovalenko & B. Dadashev (2015), studying the consequences of the financial crisis of 2008-2009, noted the strong impact of globalisation on the development of the Ukrainian banking market. The researchers proposed conceptual approaches to the dynamic development of this market and reduction of the risks of new crises, which were to some extent considered in the strategies of the National Bank of Ukraine (NBU) for the future. I.V. Tsaplyuk & O.S. Klymenko (2020) analysed the activities of the Ukrainian banking system in the "covid" period of 2019-2020. The researchers showed that one of the possible ways out of such crises may be the introduction of innovative banking services to increase the competitiveness of banks. V. Kostyuk *et al*. (2024) addressed the significance of digital progress in the banking sector, and the increased focus on the digitalisation of remote banking services. The researchers emphasised the need to introduce changes in customer service mechanisms. N. Trusova & O. Melnyk (2024) proved that the modern paradigm of financial market development in the innovative environment of digital meta-space technologies markedly simplifies and ensures the reliability of the settlement system, improves interbank settlements and payments through payment systems. The researchers proposed a model of the influence of the digital acceleration index on the change in GDP of Ukraine. The collective study by O. Mandych *et al*. (2023) is one of the few that contains elements of a methodology for studying financial relations in the field of digital adaptation and innovative development of banking services and creating a basis for modelling forecast scenarios for the development of the banking sector. L. Shirinyan & A. Shirinyan (2017) analysed the activities of banks in the financial services market of Ukraine. The researchers proposed a methodology for a comprehensive assessment of the openness of banking and insurance markets and developed a classification of market types according to the openness criterion. The researchers noted that the banking market of Ukraine at the beginning of the 21st century was characterised as open and dependent on external and internal factors. L. Alekseenko & N. Dvigun (2011) emphasised that the methodology for researching the market of financial services, including banking services, should be based on a comprehensive analysis of concrete financial mechanisms, methods of operation of regulatory institutions, and changes in the investment climate trends in the country. Particular attention, in the researchers' opinion, must be paid to improving the financial monitoring mechanism, factoring in the priorities and contradictions of existing rules and regulations. L.A. Bondarenko & O.I. Zhuk (2013) noted that research on financial market issues should be based on an adequate methodological framework, and that the very term "financial market" should be correctly defined, as its interpretation continues to be controversial. Notably, the definition of the banking services market and the distinction between banking operations and services are still equally controversial among researchers. There have been fewer recent publications on the theory and methodology of studying this market and on the methodology for calculating its capacity. Therefore, there is no accurate measurement of the factual capacity of the Ukrainian banking services market.

The purpose of the present study was to define the theoretical and methodological foundations for analysing the banking services market and calculate its total capacity in Ukraine. The objectives of the study were to clarify the essence of the terms "banking service" and "banking services market", to develop methodological approaches to determining the capacity of the key segments of this market, to calculate their dynamics and structure over the past five years. The originality of the study lies in the fact that it presents an original methodological approach to calculating the market capacity, which differs from the methodological approaches of other Ukrainian researchers, and which helped to more accurately determine the capacity of the Ukrainian banking services market in terms of value.

MATERIALS AND METHODS

This study was based on the principles of neoclassical and neo-Keynesian theories, which analyse market conditions from the standpoint of the ratio of supply and demand on them, the simultaneous influence of many factors on the situation, while market regulation was considered from the standpoint of the state's influence on this ratio to form a growth economy. The study used data from the websites of the National Bank of Ukraine (Main indicators ..., n.d.). To calculate the market capacity, the indicators of the Ukrainian banks for 2018-2024 were used (information on deposits of business entities, individuals, non-bank financial institutions in the banking system; information on loans to public authorities, business entities, individuals, non-bank financial institutions, and investment services). The Law of Ukraine No. 2121-III of 2000 on Banks and Banking was used. Other materials used in the study included the Directive 2002/65/EC of the European Parliament and of the Council of the European Union (2002), materials of the international research company Market Research Future (n.d.).

The study employed dialectical, comprehensive, and systematic approaches to analyse the banking services market. General scientific methods were applied, namely, deduction – in the general structure of the study, analysis – in the classification of market segments, in the comparison of theoretical definitions, induction – in the formulation of conclusions. Special research methods, mainly statistical, were employed to calculate the factual market capacity in terms of value, to characterise the dynamics and structure of the deposit and credit segments of the Ukrainian banking market.

The banking services market was analysed from the standpoint of the dialectical, comprehensive, and systemic approaches. The dialectical approach implied consideration of this market as one that has been developing in the country in stages since Ukraine gained independence, gradually acquiring features typical of the markets of developed countries, and integrating into the global market space. The systemic approach helped to consider this market as an element of a higher order system (global, European) and determine its place in it, and at the same time, as one that itself consists of many market segments (according to classification criteria).

The comprehensive approach implied that this market was viewed by different researchers from different perspectives as a complex socio-economic phenomenon. It was essential to identify the least studied aspect. The theoretical and methodological approach to analysing the banking services market was defined as such an aspect. The analysis of the market began with the definition of the essence of a banking service, since the methodology for calculating the total capacity of the banking services market and its segments in Ukraine depended on how it was defined.

RESULTS

Modern concepts underpinning research methodologies are increasingly moving away from covering the entire spectrum of macroeconomic issues and are gradually focusing on certain key segments of the economy. One of such significant segments of the global and regional economies is the financial market and its crucial element – the banking services market. It is worth concurring with V.S. Lukyanov (2013), who argued that "any theory (especially economic theory) needs a meaningful application. It is intended and should solve specific problems". The deep financial and economic crisis of 2007-2009 and the COVID-19 crisis forced economists to abandon the neoliberal paradigm of market self-regulation and replace it with the paradigm of the expediency of using relevant mechanisms of state regulation in case of a systematic violation of market equilibrium to prevent crises promptly. S.V. Kulpinsky (2010), whose study covered the regulation of financial markets after the financial crisis, noted that the financial market of Ukraine at that time was quite liberalised following the standards of developing countries and provided a series of arguments against financial liberalisation. The researcher considered regulation of the banking sector's capital ratios, loan portfolio growth rates, total liquidity, and interest rates to be valuable tools for smoothing the economic cycle.

The full-scale Russian-Ukrainian war has exacerbated the problem of the need for state regulation of financial markets and led to the update of the Macroprudential Policy Strategy of the National Bank of Ukraine (Macroprudential policy strategy..., n.d.). The financial markets sector is playing an increasingly significant role in both the global and Ukrainian economic system. It consists of different segments – banking and non-banking. All these segments are essential and have their specific features in terms of infrastructure, organisation of activities, and regulatory mechanisms. Therewith, the banking segment is crucial in Ukraine in terms of size and impact on social and economic development. Therefore, the present study focused on the banking services market.

The term "financial services", including "banking services", has been used in the United States and the European Union since the 1980s, where it meant "any service of a banking, credit, insurance, individual pension, investment, or payment nature" (Directive 2002/65/EC, 2002). However, although this interpretation has been incorporated into EU legislation, discussions among scholars and legislators in different countries are still going regarding the accuracy of this definition, and therefore there is no unambiguous definition of the essence of these concepts. There is no such definition in Ukraine either.

The Law of Ukraine No. 2121-III (2000) as amended on 10 January 2025 does not contain a definition of banking services, but provides a list of them. The banking services include attracting deposits of funds and banking metals from legal entities and individuals; opening and maintaining current accounts of clients; lending funds and banking metals to individuals and legal entities, including to current accounts. Additionally, this Law states that a bank may also provide financial services such as financial leasing, factoring, providing guarantees, trading in currency values, storage of valuables, cash transactions, cash collection and transportation of currency values, and professional activities in the capital markets.

Ukrainian researchers who defined the essence of banking services can be divided into two groups: those who defined it as a banking transaction and those who considered it as a result of a conducted transaction. The definition of a service as "the result of a banking transaction aimed at satisfying the needs of consumers-clients of a banking institution", given by V.I. Mishchenko *et al.* (2007), seems to be the most successful, since it, at least, does not identify a transaction with a service, but is its result. This definition is in line with the definition of O. Dzyublyuk (2005), who also considered a service to be the final result, a finished banking product, while operations are a production process, and one cannot but agree with the researcher.

For almost a decade, Ukrainian scholars have been lively discussing the commonality or difference between the terms "banking product", "banking transaction", and "banking service". A.A. Meshcheryakov (2007) comprehensively examined the organisation of a commercial bank's activities and at the same time focused on the essence of a banking product (service). A. Kiselyov (2018) substantiated approaches to the distinction between the terms "banking service", "banking product", and "banking transaction". V.I. Mishchenko *et al.* (2007) analysed almost the entire range of banking operations in Ukraine. L.A. Bondarenko & O.I. Zhuk (2013) studied the essence of the market of banking products and services and substantiated approaches to segmentation of this market. Most scholars agree that these terms are not identical. Therefore, the question naturally arose as to which of them should be legitimately used in analysing the banking services market.

The hierarchy between these concepts was quite successfully outlined by A.A. Meshcheryakov (2007). The researcher defined a banking product as a way of providing services to customers through banking service technology (a set of organisational, informational, financial, and legal measures). At the same time, a banking transaction was viewed as a system of bank actions coordinated by purpose, place, and time. A banking service was presented as a form of satisfying a certain consumer need (for a loan, cash and settlement services, guarantees, purchase and sale and storage of securities, foreign currency, etc. However, this definition of a banking service does not appear to be exhaustive, since the form does not replace its essence.

In the present study, the term "banking service" is derived proceeding from the fact that it is a component of financial services (a broader concept), and therefore, its definition can be a derivative from the more general term "financial service", but with clarification of its specifics. The author of this study previously defined a financial service as the result of a financial institution's activities with financial assets, which are carried out in the interests of third parties at the expense of these parties or at the expense of financial assets attracted from other parties to obtain a certain financial result by the institution, on the other hand, a financial service is a good acquired to meet the needs of a particular consumer. Therefore, according to this logic, the economic essence of a banking service is that it is the result of transactions conducted by a banking institution to buy and sell financial assets to create a certain form of good to meet the needs of a particular consumer and at the same time to generate financial results for the bank.

Depending on the way they are rendered, banking services can be active or passive in form. Depending on who is the consumer of the services, banking services can be divided into services for legal entities and for individuals, and depending on the specifics of the banking institution's activities, services can be classified as conventional (credit, deposit, cash and settlement) and non-conventional (trust, guarantee, and intermediary). Market segments can be formed based on these services. The next step was to define the term "banking services market". There is no unambiguous definition here either, as the market is viewed by different scholars from different perspectives. In the present study, the banking services market was considered as a system of economic relations between banks and their customers to provide the latter with a range of banking services on a paid basis to meet their needs and generate bank profits. The most significant thing in this definition is that these relations are commercial in nature and their result should be calculated in monetary terms.

The author of this study finds it quite relevant to clarify the definitions, considering that most scientific publications on the banking services market, instead of indicators of market conditions (supply, demand, market capacity, price of services), consider the activities of banks and the banking system, operating on the analysis of banks' assets and liabilities, banking operations. This was observed in the publication of I.V. Tsaplyuk & O.S. Klymenko (2020), who, albeit considering the banking services market as a sphere of economic relations, the function of which is to balance supply and demand, did not analyse their trends and correlations. The study on the analysis of the current state of the banking services market in Ukraine (Martsenyuk-Rozaryonova & Shmigelska, 2018) also did not contain calculations of the Ukrainian market capacity. O.O. Dremlyuga (2023) analysed the dynamics of Ukrainian banks, revenues and expenses from rendering banking services in 2017-2020 on the example of Privatbank, and even though this bank occupies a prominent place in the banking market, it cannot represent the entire range of services of the country's banking market. The above-mentioned types of analysis are essential for assessing the performance of the banking system of Ukraine, but methodologically they are not directly related to the analysis and forecast of the banking services market conditions stated in the titles of their publications.

In the context of clarifying the methodology, passive bank transactions are broader in scope than banking services: they include not only transactions related to the provision of banking services, but also liabilities of banks that must be paid at a certain time in the future, as well as capital formation transactions. Proceeding from the author's definition of "banking services" above, all non-commercial transactions should be deducted from the amount of liabilities of the banking system to obtain the value of passive services. Analogous methodological caveats apply to active operations: these include not only lending and securities trading services, but also provisioning operations, which are clearly not related to fee-based services, as they are intra-bank transactions. The conventional analysis of the banking system's assets and liabilities does not provide a correct understanding of what changes can be expected in the market environment (especially in price) in the future when the supply and demand ratio changes; what regulatory methods should be introduced in the banking market segments, as the situations in these segments may differ.

Thus, having defined the conceptual apparatus of the banking services market and clarified the methodology for calculating the capacity of these services, it is essential to determine what the methodological framework for researching the banking services market should be from the standpoint of dialectical, comprehensive, and systemic approaches so that the analysis indicators are comparable. First of all, it is necessary to determine the place of a particular country's market in the global or European system or in comparison with the markets of neighbouring countries to determine the scale, the degree of integration of this market into higher-order systems, and the degree of influence of external factors on the regional market. It is vital to establish the vector of dynamic changes in the subjectivity of market participants (sellers and buyers of services). The market under study should be segmented, which will help to understand that it is not homogeneous, and therefore, its segments may develop in distinct vectors, at different speeds, creating an imbalance in a certain period. It is advisable to analyse the structure and dynamics of supply and demand by segments of the banking services market (usually, central banks publish balance sheets); analyse the ratio of supply and demand in the segments. It is significant to analyse the dynamics of the price environment in certain market segments and identify the factors that influenced it. With the analysis by segments, it is possible to summarise the capacity of the aggregate banking services market to compare it with other submarkets that perform analogous functions in the internal market or with an analogous market of a higher hierarchy.

When forecasting the banking services market, it is advisable to use additional information materials, such as quarterly surveys (Survey on bank..., 2024; Consumer sentiment index..., 2024; Press release..., 2024), which are conducted by the Info Sapiens Research Agency on behalf of central banks, including the NBU. This allows obtaining more accurate indicators of the capacity of the credit services market for the future. The banks' resource base (liabilities) is created using the banks' own capital and attracted and borrowed funds. It is formed primarily by deposits from bank customers (business entities, individuals, and non-bank financial institutions) and time deposits from other banks and loans received from other banks (Fig. 1). Thus, deposit services are the market demand of the banking system for the money resources of its customers. The market supply in this market segment should be considered the total supply of deposits from different groups of depositors (individuals and legal entities) for different terms and conditions.

Strictly adhering to marketing approaches, supply and demand should be considered not so much the amount of funds from factual transactions (reflected in the balance sheet of the banking system for a certain period) as potential opportunities to buy and sell financial assets in the market under certain conditions. This approach should be used when forecasting for the future, especially the price environment of the banking services market, because the vector of price changes for banking products in a particular segment will depend on how the supply and demand ratio develops. When assessing dynamic and structural changes over the past periods, it is permissible to consider the values of deposit banking services recorded in the NBU's balance sheets for the relevant years as the actual volumes of this submarket's capacity in the conditions of the achieved balance of interests of customers and banks. The present study used precisely such an approach.

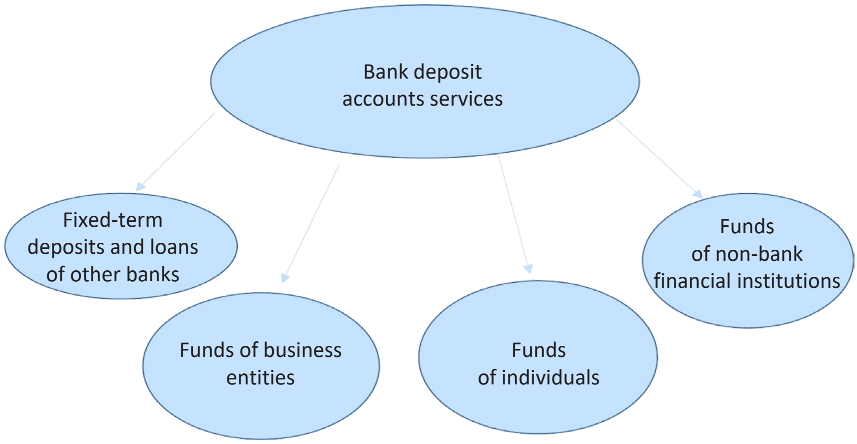

Figure 1. Composition of deposit banking services
Source: developed by the author of this study

The active services market segment is formed mainly by lending services, securities trading services of banking institutions, and long-term investments. The factual volumes of active services provided by banks were taken in the study as the market capacity in equilibrium at the end of the annual period. The provision of credit services by banks forms the factual banking supply, which will always be less than the lending capacity, based on the availability of the resource base and the possibility of its reduction due to a decline in the creditworthiness of customers. The demand for credit services from customers is determined by their needs and their willingness to take out loans on certain conditions. As a rule, demand is higher than the supply of banking services. The worst situation from the standpoint of market development is one where service consumers have no interest in increasing their demand for credit services and banks are unwilling to increase their supply due to increased risks.

The segmentation of the active banking services market by customers is significant for analysing it, as presented in Figure 2. The rate of growth of demand and supply, and the changes in their ratio in the deposit and lending segments of the banking services market, will determine the pricing situation in these segments. Additionally, the price environment will strongly depend on the type of competition prevailing in the banking services market (Shirinyan & Shirinyan, 2017). Therefore, an increase in the degree of monopolisation in the internal banking market is not desirable, as it leads to overpricing of services. The worst type of competition is considered to be when large banks compete with small ones in the same market segments.

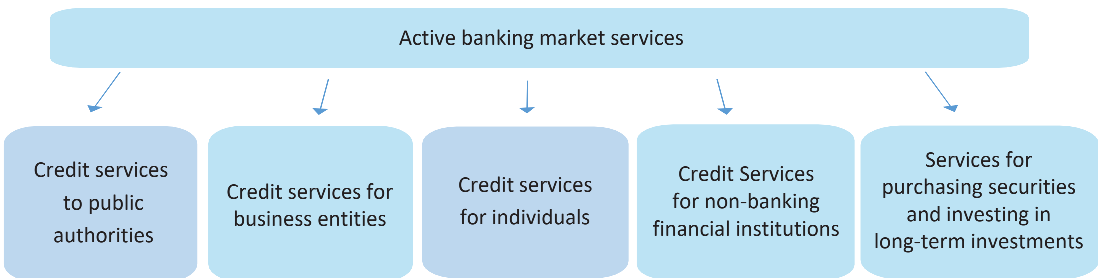

Figure 2. Segments of the active banking services market by consumer
Source: developed by the author of this study

Having considered the methodological foundations for studying the banking services market, it is necessary to describe its development in Ukraine. According to the dialectical approach, the Ukrainian banking market is viewed as having less than thirty years of history, having experienced several crises and military upheavals during this brief period. Therewith, financial analysts assess it as a dynamically developing market in terms of both quantitative and qualitative indicators. According to the systemic approach, the Ukrainian market is considered to be a part of the global and European markets, as from the very beginning of the formation of the financial services market, including banking, in sovereign Ukraine, a course was taken to bring national regulations closer to EU rules and international standards; to improve the level of service provision and to protect consumer rights. To integrate the Ukrainian financial market into the European and global financial space as quickly as possible, the National Bank of Ukraine cooperates with the supervisory authorities of the EU member states, the European Banking Authority (EBA), the European Central Bank (ECB), the International Monetary Fund (IMF), the World Bank Group, and cooperated with the United States Agency for International Development (USAID) (Macroprudential policy strategy…, n.d.). Integration into the global financial space, on the one hand, has made the Ukrainian market quite dependent on global processes, and on the other hand, it helped to overcome the financial crisis of 2008-2009, the COVID-19 crisis, and is helping to overcome military challenges in the country (2014, 2022-2025). Ukraine's banking system is adapted to the new environment and has the appropriate infrastructure and tools to not only survive, but also stay capable of further development.

To clarify the place of the Ukrainian banking market in the global system, it is sufficient to compare its size with the capacity of the global banking market. The international research company Market Research Future has determined the total capacity of the global banking market at 36,550 billion USD, and forecast for 2032 – 48,030 billion USD, with an average annual growth rate of 4.55% in these years (Market research future, n.d.). According to the calculations of the author of the present study, the share of the Ukrainian market in 2023 did not exceed 0.35% of the global market capacity (129.1 billion USD), meaning that the Ukrainian banking market is still so narrow that it is hardly recognisable on the global market. The dominant markets in the world today are North America, Europe, and the Asia-Pacific region. The European banking market is expected to grow at a slightly slower pace (2.94% per annum) from 2025 to 2029 compared to the global market (Banking-Europe. Statista, 2024). The European market is expected to reach 1,370 billion USD in 2029. The share of the Ukrainian banking services market will also grow at a higher rate, as the capitalisation of the banking sector is increasing even in a full-scale war, and the reference point in the Ukrainian market is rather low, the demand for banking services in the post-war period is likely to grow due to the partial return of the population from emigration and the expansion of banks' capabilities (Kostyuk *et al.*, 2024). The decrease in the number of banking institutions in the Ukrainian market (by 2-3 units annually) has not worsened the situation with the rendering of services to customers, as the most stable viable banks have stayed in the market, in which customers have confidence, while the provision of services online does not tie consumers to a particular location or institution and expands the range of digital services (Mandych *et al.*, 2023; Trusova & Melnyk, 2024). The capacity of the Ukrainian banking services market is determined by how much resources are generated by the banking system through the system of passive banking services, mainly through deposit services. The latter should be included in the analysis: Fixed term deposits of other banks and loans received from them, funds of business entities, funds of individuals (including savings certificates), and funds of non-bank financial institutions.

According to Table 1, all segments, except for fixed-term deposits of other banks, have a long-term trend of submarkets expansion. Thus, the submarket for services to business entities grew from 406 billion UAH in 2018 to 1,497 billion UAH in 2024, a 3.7-fold increase.

The retail deposit submarket increased from 508 billion UAH to 1,216 billion UAH (2.4 times). Deposits of non-bank financial institutions held in the Ukrainian banking system increased from 24 billion UAH in 2018 to66 billion UAH in 2024 (2.8 times).

Table 1. Dynamics of deposit services in the Ukrainian banking market, UAH million

Segments of the deposit services market	2018	2019	2020	2021	2022	2023	2024	2023 to 2018, %	2024 to 2018, %
Fixed-term deposits (deposits from other banks) and loans received from other banks	42,178	23,912	24,235	24,948	6,457	6,763	4,271	16	10
Funds of business entities	406,367	498,157	646,491	758,434	889,526	1,260,156	1,497,363	310	368
Funds of individuals (with savings certificates)	508,457	522,115	681,892	726,898	933,240	1,083,758	1,216,452	331	239
Funds of non-bank financial institutions	23,794	26,885	34,704	41,410	53,188	61,741	66,428	259	279
Total capacity of the deposit segment of the market	**980,796**	**1,071,069**	**1,387,322**	**1,551,690**	**1,882,411**	**2,412,418**	**2,784,514**	**246**	**284**
Chain index of deposit segment capacity	1.00	1.09	1.30	1.12	1.21	1.28	1.15		

Source: calculated by the author of this study based on Main Indicators... (n.d.)

Overall, from 2018 to 2024, the factual total capacity of the deposit banking market increased from UAH 980 billion to 980 billion UAH to 2,784 billion UAH, i.e., 2.8 times. However, as shown by chain indices, this growth was not uniform over the years: it depended on both global influences (COVID-19) and the factor of a full-scale war in Ukraine. The structure of deposit services that form this market is gradually changing, as presented in Figure 3. While in 2018, the retail deposit segment was dominant and accounted for 52% of the market, it now accounts for 44% of the market, and the submarket for services to business entities has increased from 42% to 54%. The market's deposit services to non-bank financial institutions stayed at the same level (2.4-2.3%). Fixed-term deposits from other banks stayed insignificant and continued to be within 1% (Main indicators..., n.d.). This is a welcome sign, as it means that banks balance their liabilities with assets well and do not need to constantly borrow heavily on the interbank market.

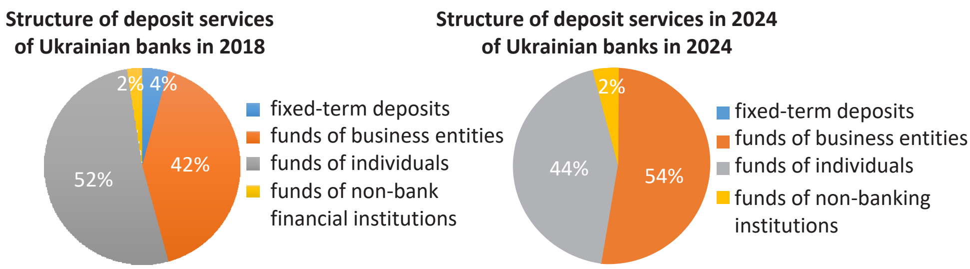

Figure 3. Dynamic changes in the structure of deposit banking services
Source: developed by the author of this study based on Main indicators... (n.d.)

The second segment of the market for conventional banking services is the segment of active services formed as a result of active banking operations, i.e., operations on placement of resources. The capacity of this market is formed based on lending services provided to bank customers (public authorities, business entities, individuals, and non-bank financial institutions), as well as securities trading services and long-term investments. Importantly, provisions for active operations of banks that are included in the assets of the banking system should not be attributed to credit services.

Table 2 presents the dynamics of active services in the Ukrainian banking market over the period from 2018 to 2024. Based on the resource base of transactions conducted in the country's banking system in 2023, the market for credit banking services and securities trading and long-term investment services totalling 2,831 billion UAH was formed, which was 1.6 times higher than in the baseline period. In 2024, the market capacity reached 2,831 billion UAH. Therewith, the lending segment of the market has in recent years fallen far behind the securities trading segment, which is considered less risky. While in 2018, lending services accounted for 70.0% of active services and securities trading services for 30.0%, during the martial law period in 2023, banking lending services accounted for only 41.1%, while securities trading services increased to 58.9% (Main indicators..., n.d.).

The dynamics of credit banking services for all groups of clients in Ukraine during 2018-2024 did not show an upward trend; conversely, in 2023, a decline of 8% was still recorded, and only in 2024 was an excess of 2% over the base year achieved (Table 2). The analysis shows that the development of this market was highly dependent on the influence of external and internal factors (pandemic, war, falling demand).

Table 2. Dynamics of active services of the Ukrainian banking market, UAH million

Segments of the active services market	2018	2019	2020	2021	2022	2023	2024	2023 to 2018, %	2024 to 2018, %
Credit services rendered to all customers including:	1,118,861	1,033,430	960,597	1,065,347	1,036,213	1,024,678	1,138,036	92	102
▪ to public authorities	2,865	4,724	11,641	26,973	24,809	18,349	13,077	640	456
▪ to business entities	919,071	821,936	749,335	795,513	801,413	783,690	850,581	85	93
▪ to individuals	196,859	206,737	199,561	242,633	209,943	222,590	274,276	134	139
▪ to non-bank financial institutions	66	33	60	228	48	49	102	74	154
Securities purchase and long-term investment services	480,615	539,466	791,373	829,887	1,022,658	1,466,474	1,692,972	305	352
Total capacity of the active services market	1,599,476	1,572,896	1,751,970	1,895,234	2,058,871	2,491,152	2,831,008	156	177

Source: calculated by the author of this study based on Main indicators... (n.d.)

Substantial changes also occurred in the structure of lending services to major borrowers – businesses and individuals: while in 2018, unconditional preference was given to business entities (2,831 billion UAH – 82%) rather than individuals (196.9 billion UAH – 18%), in 2023, the amount of loans granted to business entities decreased to 783.7 billion UAH, and their share in credit services decreased to 71%, while consumer lending, respectively, increased to 352 billion UAH and reached 29%. This indicated that banks were unwilling to risk their assets; and businesses that reduced production in the frontline zone, relocated their businesses, and experienced infrastructure damage during the war reduced their demand for credit services. At the same time, certain groups of the population that found themselves in challenging living conditions slightly increased their demand for consumer loans. However, the overall decline in incomes of the Ukrainian population during the war, the emigration of a large part of the population, and high interest rates on consumer loans (23-25%) prevented the demand for this type of loan from growing more actively. The loss of income by a significant number of households affected their perception of living standards. A survey conducted by Info Sapiens showed that 58% of respondents consider their level of well-being to be lower than average, which is reflected in consumer sentiment (Press release..., 2024). After the start of massive rocket attacks on the territories, consumer sentiment deteriorated, and, accordingly, demand for durable goods declined. According to the NBU, the consumer confidence index in December 2024 was only 71.1; the index of the current state of respondents was 51.5, and the index of economic expectations for the coming years was 84.2 (Consumer sentiment index..., 2024). These indices are quite low. As a result, consumer demand stays low, which leads to a decrease in demand for unsecured consumer loans and mortgages.

Considering the current situation in the credit market, with significant amounts of macro-financial aid to Ukraine from other countries and international financial organisations (which was distributed mainly through banking institutions in the form of concessional lending services), the country did not experience price shocks in the credit market. From 19.2% in 2018, the weighted average interest rate on all instruments gradually declined to 7.7% in pre-war 2021, rose to 19.8% in 2022 due to the war, and to 26.1% in 2023, but fell back to 16.9% in 2024. In 2025, bank lending rates are likely to increase slightly as the NBU raises its key policy rate to 15.5% to reduce inflation in the country. (NBU monetary policy indicators, n.d.). Throughout this period, the NBU managed to flexibly regulate the cost of money in the market for businesses and households using the key policy rate. Table 3 presents the total capacity of the banking services market by major segments for 2018-2024.

Table 3. Dynamics of the total capacity of the market of basic banking services in Ukraine, UAH million

Markets	2018	2019	2020	2021	2022	2023	2024
Passive services	980,796	1,071,069	1,387,322	1,551,690	1,882,411	2,412,418	2,784,514
Active services	1,599,476	1,572,896	1,751,970	1,895,234	2,058,871	2,491,152	2,831,008
Total market capacity	2,580,272	2,643,965	3,139,292	3,446,924	3,941,282	4,903,570	5,615,522

Source: developed by the author of this study based on Tables 1 and 2

Table 3 shows that between 2018 and 2024, the passive banking services segment in Ukraine increased by 2.8 times, while the active services segment grew by only 1.8 times. The total capacity of the core banking services market grew from 2.6 trillion UAH on to 5.6 trillion UAH (133.6 billion USD at the exchange rate of 42.039 UAH/USD), i.e., by 2.2 times. These figures are evidence of the active development of the market, despite the unfavourable conditions in the country. Considering the extreme conditions in which the banking services market is forced to operate at this stage, it is impossible to do without regulating its market conditions.

The need to maintain a balance between passive and active services, a sufficient level of liquidity and profitability of the banking system and the country's economy as a whole in the context of a protracted war prompted the NBU to update the Macroprudential policy strategy of the National Bank of Ukraine (n.d.), a market regulation tool, at the end of 2024. Its purpose was to achieve financial stability in Ukraine in the face of military challenges. The key areas highlighted in this Strategy were the need to ensure business continuity in a full-scale war; preventing operational risks from turning into systemic risks; concentrating state support on certain segments and categories of borrowers so that preferential lending does not violate general market principles; and reducing the influence of environmental, social, and governance risks on the functioning of financial institutions. Therewith, the mechanisms for regulating the banking services market introduced by the NBU should be comprehensive, protecting borrowers during martial law, but also maintaining the stability of the banking system so that the deposit source does not dry up and bank lending and investment in the post-war economy is not threatened.

DISCUSSION

The development of the banking services market has been in the focus of many Ukrainian scholars since the formation of this market in Ukraine. Since market transformations began only in the 1990s and continue to this day, the range of these studies has been quite wide – from changing the role and functions of the bank in market conditions; the essence of banking operations, services, and the banking services market; methods of measuring market capacity; market management mechanisms; to the use of digital technologies in customer service. Most of these issues have not lost their relevance to this day, as the scientific discussions on them were not completed at the time.

V.I. Mishchenko *et al.* (2007) and A. Nechyporenko (2023) developed the theoretical aspects of the problem of bank activity, considering the diversity and essence of banking operations that have developed in the banking system of Ukraine since its formation, and substantiating a fairly correct definition of a financial service as the result of a transaction. O. Dzyublyuk (2005), in his study devoted to rethinking the essence and functions of a commercial bank in market conditions and the specifics of a banking product and service, offered a comparable definition of a banking service, which is different from a banking transaction. A.A. Meshcheryakov (2007), considering the organisation of a commercial bank's activities, described the hierarchy between a banking product, a banking operation, and a banking service. In the present study, its author, while clarifying the concept of banking service, relied on the definitions of these researchers, which helped to establish the difference between operations and services and further develop the author's methodology for calculating the market capacity of basic banking services.

Applied aspects of the development of the banking services market in Ukraine in different periods were covered by O.V. Martsenyuk-Rozaryonova & V.V. Shmigelska (2018), who analysed the current state of the banking services market in Ukraine and the directions of its development. L.A. Bondarenko & O.I. Zhuk (2013) discussed the concepts of products and services and offers options for market segmentation by various criteria. The author of the present study also performed an in-depth analysis of the banking services market by segments and then summarised the total market capacity. Scientific publications of the last four to five years have analysed the situation in the Ukrainian banking services market over different periods of development of the Ukrainian banking system. I.V. Tsaplyuk & O.S. Klymenko (2020) addressed the situation in the Ukrainian market in 2019-2020, noting that the globalisation of the world economy leads to dynamic structural and qualitative changes in the banking services market, and one of these notable changes was the expansion of remote banking services.

Transformational trends in the banking system of Ukraine and the transition to digital technologies were widely covered by V. Kostyuk *et al.* (2024). O. Mandych *et al.* (2023) presented elements of the methodology for studying financial relations in the field of digital adaptation and innovative development of banking services. N. Trusova & O. Melnyk (2024) emphasised that the modern paradigm of financial market development in the innovative environment of digital technologies markedly simplifies and increases the reliability of the settlement system and payments through payment systems, and contributes to GDP growth.

M.V. Tymchak & S.Yu. Korol (2023), considering the prospects for further development of the Ukrainian market, noted the growing role of banking institutions in the national lending system and the increasing innovation in the banking system. The author of the present study agrees with their conclusions that digitalisation of banking services is one of the promising areas for expanding supply and demand in the banking services market, as it reduces the cost of service supply for banks and increases demand for consumers. L. Shirinyan & A. Shirinyan (2017) examined the activities of banks in the financial services market of Ukraine, proposing a methodology for a comprehensive assessment of the openness of banking services markets and presented a classification of market types by the criterion of openness. This is significant for understanding how the price environment in the market is formed.

N. Kravchuk & O. Lutsyshyn (2022), analysing the reality of the functioning of the financial market of Ukraine during the war, concluded that the war strongly affected the functioning of all components of the financial market, and the activities of these institutions were an indicator of the mood in the country, yet despite all the negatives, the war intensified the diversification of tools and methods of work of financial institutions, developed new habits among all market participants. To stay competitive in the global and Ukrainian markets and expand the banking services market, banks should not lose their innovativeness in the coming years. L.A. Bondarenko & O.I. Zhuk (2013) emphasised that research on financial market issues must be based on an adequate methodological framework, and that the very term "financial market" must be correctly defined, as its interpretation is still controversial. It is difficult to disagree with them, as inaccurate definitions of categories lead to inaccurate calculation methods.

Despite the significance of the studies conducted by the predecessor scholars, considering their titles, which refer to current trends in the banking services market, factual calculations of market capacity, supply and demand for banking services are absent or replaced by an analysis of the banking system's liabilities, assets, and sustainability.

CONCLUSIONS

The present study showed that the purpose and objectives it set out were achieved. This study confirmed that the terms "banking operation" and "banking service" are not identical. A banking transaction should be viewed as a system of actions coordinated in terms of place, purpose, and time, aimed at servicing a bank's customer. It was clarified that the economic essence of a banking service is that it is the result of transactions conducted by a banking institution for the purchase and sale of financial assets to create a certain form of benefit to meet the needs of a particular consumer and, at the same time, for the bank to obtain a financial result from this.

The study also clarified the economic essence of the banking services market as a system of economic relations between banks and their clients regarding the provision of a full range of banking services to the latter on a paid basis to meet their needs and generate bank profits on this basis. Clarification of definitions is essential to correctly determine the size of this market and its segments, as well as the place of the Ukrainian market in the global market system of banking services. Based on the revised definition of a banking service, to calculate the size of the passive services segment, the banking system's liabilities must be deducted from non-commercial (internal) transactions. Analogous approach must be used to determine the size of the active services market segment: the assets of the banking system must be reduced by the amount of provisions for active operations, as these are purely intra-bank transactions.

The study proposed a methodology for analysing the banking services market and analysed the development of the Ukrainian market in 2018-2024. Ukraine's banking services market has been formed over the past three decades, has survived several financial crises, has been operating in a full-scale war for over three years, and is dynamically developing and is well integrated into the global and European markets (although the share of the Ukrainian market in the global market is estimated to be only 0.35%). Ukraine's banking system is adapted to the new environment and has the adequate infrastructure and tools to stay capable of further development. The findings of this study showed that between 2018 and 2024, the passive banking segment in Ukraine increased by 2.8 times, while the active banking segment grew by only 1.8 times. The total capacity of the core banking services market grew from 2.6 trillion UAH to 5.6 trillion UAH (133.6 billion USD), during this period.

Considering the extreme conditions in which the banking services market is forced to operate at this stage, there is a need for the NBU to regulate its conditions. Regulatory mechanisms must be predominantly market-based and comprehensive, protecting borrowers during martial law, but at the same time maintaining the stability of the banking system, preventing a reduction in the resource base and narrowing of the bank lending and investment segment of the post-war economy of Ukraine.

This study focused on the conventional segments of the banking services market in Ukraine – deposit, credit, and investment. The segment of non-conventional services, which are becoming key in the global banking sector, requires further investigation. The theoretical, methodological, and practical aspects of determining the capacity of the ancillary services market are promising. There are few such studies in Ukraine, which complicates the assessment of the total market size and prospects for its further development.

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Методологія дослідження ринку банківських послуг в Україні

Анотація. Будь-яке сучасне наукове дослідження проблем соціально-економічного розвитку, а особливо таких складних і динамічних явищ, як розвиток ринку банківських послуг потребує розробки наукових підходів, методології і сучасних методів дослідження для їх аналізу і прогнозу. Мета даного дослідження полягала в тому, щоби розробити теоретичні підходи і методологію дослідження цього ринку, уточнити методику аналізу ринку банківських послуг та розрахувати його сумарну ємність для України. Дослідження мало, переважно, теоретико-методологічне спрямування, тому використовувалися загальнонаукові методи: дедукції (для загальної логіки побудови дослідження), аналізу (для класифікації сегментів ринку), порівняльного аналізу (при уточненні понятійного апарату), індукції (при формулюванні висновків). Із спеціальних методів дослідження використовувалися, головним чином, статистичні методи (аналіз динамічних рядів, структурний аналіз для розрахунку ємності українського ринку банківських послуг і його сегментів). У статті уточнено понятійний апарат – «банківська послуга», «ринок банківських послуг», запропоновано поділ ринку банківських послуг на активні і пасивні для поглибленого вивчення кон'юнктури ринкових сегментів і факторів впливу на неї на кожному з них, розроблено методику розрахунку ємності основних сегментів даного ринку з урахуванням української банківської статистики. Розраховано ємність сегментів пасивних і активних банківських послуг України, що дало можливість розрахувати сумарну ємність ринку основних банківських послуг, а також визначити місце України на світовому ринку і встановити найбільш впливові фактори, що впливають на кон'юнктуру. Вперше розрахована ємність українського ринку банківських послуг у вартісному вимірі за 2018-2024 рр., намічені заходи його розвитку на перспективу до закінчення війни і на післявоєнний період. Практична цінність даного дослідження полягає в тому, що авторський підхід до методики розрахунку ємності основних сегментів ринку може бути використаний і для інших сегментів

Ключові слова: теоретико-методологічні засади; системний аналіз; ємність ринку; банківські депозитні послуги; кредитні послуги банків; сегментний аналіз ринку