

THE ECONOMIC BASIS OF CREDIT RELATIONS AND ITS DEVELOPMENT IN CONTEMPORARY CONTEXTS

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У статті досліджується важлива роль кредиту та кредитних відносин в економіці і його вплив на підприємців та громадян. Розглядаються різні погляди на переваги та недоліки кредиту, зокрема, його значення для забезпечення стабільності виробництва. Автори розглядають різні теорії кредиту і враховують внесок відомих економістів у ці концепції. Зазначається, що кредит є невід'ємною частиною сучасної економіки, що сприяє її розвитку, і розуміння його сутності вимагає глибокого теоретичного аналізу. Також досліджуються різні визначення кредиту в українській економічній літературі, виокремлюються їхні загальні риси. Автори наголошують на необхідності уточнення і синтезу різних підходів до розуміння кредиту, включаючи його цільову спрямованість та функції перерозподілу вартості, що сприяє кращому розумінню його ролі в економіці.

Ключові слова: *кредит, позичковий капітал, позика, банківський кредит*

Problem statement. During the intensification of the global financial crisis, the financial difficulties faced by local companies were mainly due to the lack of effective credit mechanisms suitable for market conditions. The main obstacles to loan development include high credit costs, lack of reliable borrowers and repayment guarantees, inadequate insurance practices, high bank service fees and the lack of a sound theoretical basis for the nature of loans. Solving these problems requires comprehensive theoretical research on the nature and essence of credit, guided by the prevailing conditions of the national economy and the global economic landscape.

The review of recent research and publications. Numerous native and international scholars are actively engaged in exploring the multifaceted theoretical and practical aspects of credit. Notable modern scholars such as M. Demianenko, O. Hudz, P. Laiko, A. Moroz, O. Nepochatenko, S. Onysko, S. Osadets, M. Savluk, P. Sabluk, and A. Podderiogin have extensively investigated the nature of credit. Despite credit's long-standing presence as an economic concept, ongoing debates persist regarding its theoretical interpretation, which holds significant relevance, particularly within the current economic climate. Analysis of scholarly literature reveals a lack of consensus on the fundamental economic essence of credit, which

serves as the cornerstone of credit relations within a nation. This lack of consensus detrimentally affects the overall organization of lending activities.

Research methodology. This study involved a comprehensive examination of the economic essence of credit and the dynamics of credit relations in contemporary contexts. It entailed the analysis of scientific papers, publications, and diverse sources to gather and organize information on credit theories, its significance, and its role in present-day economies. Synthesizing insights from prior research, the study incorporated various perspectives and approaches to conceptualizing the notion of credit. Through theoretical and comparative analyses, it facilitated the comparison of distinct understandings of credit and the evaluation of different research methodologies employed within this domain.

The purpose of the research. The purpose of the study is to summarize the theoretical foundations of the category of credit as a basic one that forms the semantic content of the essence of credit relations.

Research results. Credit is an ingenious discovery of mankind, which allows the borrower to increase the resources necessary to ensure an uninterrupted production cycle. As a pillar of the modern economy and an integral element of economic development, credit is used by both business entities and individuals. Despite the apparent advantages associated with credit, its effect on domestic producers remains ambiguous. Some experts attribute the necessity for credit to the absence of sufficient material assets required to sustain the production cycle. However, the repayment obligation inherent in loans, a fundamental principle of lending, can potentially destabilize the financial standing of borrowers, ultimately culminating in bankruptcy. According to other experts, credit, on the contrary, contributes to reducing the duration of the production cycle and serves as the main prerequisite for the expanded reproduction and functioning of business entities in modern economic conditions [1 p. 161].

Credit emerges as an indispensable component of commodity production not solely due to the borrower's financial shortcomings, but rather because, in the objective flow of capital circulation and turnover, individuals or entities often lack sufficient resources of their own. These resources, instead of being amassed as reserves, must remain in constant motion, engaged in circulation. Society's primary interest lies in preventing the immobilization of available resources and ensuring that the economy perpetually advances through expanded reproduction. Credit is an independent economic category, and credit relations form a separate niche in the overall system of credit relations. This requires both an in-depth theoretical study and an analysis of the understanding and clarification of the essence of credit as an economic category, which forms the conceptual content of the relations under study. Throughout the extensive history of the credit category, significant strides have been made in refining its theoretical definition.

Commodity production serves as the foundational underpinning for credit relations, as credit is instrumental in acquiring goods and tangible assets, facilitating the seamless operation of the production cycle. In this context, credit, as an economic

category, should primarily be understood as a form of social relations that mirrors the flow of value.

Contemporary political economy categorizes the theory of credit into two interconnected frameworks: the naturalistic theory and the capitalist theory. The naturalistic theory of credit was established by renowned figures in political economy such as D. Ricardo, A. Smith, J. Mill, and A. Thurbeau [2]. Subsequent to its inception, this theory garnered support and substantial augmentation from various other scholars. According to their research, credit plays a crucial role in the economy and is a fundamental component of economic progress. The emergence and evolution of credit relations are rooted in the circulation and turnover of capital. Therefore, in examining the naturalistic essence of the theory of credit, these researchers centered their analysis on the production process and its characteristics. They focused on the means of production and the reproduction of labor value as the primary objects of credit.

Proponents of the naturalistic theory of credit believed that borrowed money is a technical means of transferring real capital from one entity to another for further use, and banks only act as intermediaries, accumulating temporarily free funds and then placing them in the form of a loan. The study reveals the advantages and misconceptions of the naturalistic theory of credit [3]. The strengths of the naturalistic theory of credit lie in its recognition that credit does not generate real capital, which is only created through the production process. Additionally, proponents acknowledge that the interest rate on credit is contingent upon fluctuations in profits.

However, the theory's shortcomings are evident in its failure to adequately acknowledge the significance and distinctiveness of borrowed capital. Supporters overlooked the role of borrowed capital as a distinct component of industrial capital in monetary form and neglected its potential to facilitate expanded reproduction. Furthermore, there was a lack of clarification regarding the differentiation between real and borrowed capital, and insufficient consideration of how the interest rate is influenced by the balance of supply and demand for borrowed capital and prevailing market conditions. In summary, while the naturalistic theory of credit offers valuable insights, its limitations stem from a narrow perspective that does not fully account for the complexities of modern financial systems and the multifaceted role of credit in promoting economic growth and development.

The development of production relations and the impact of bank credit on expanded reproduction led to the emergence of the so-called capitalist theory of credit, which includes expansionary, reproductive and stock theories. The founder of the capital-creating theory of credit was the English economist J. Law, who believed that credit, like money, is wealth, capital, and the driving force of expanded capital reproduction. Banks are the creators of capital, and therefore they should be more active in expanding their credit impact on production, including through the issue of money. The size of a bank loan depends on the objective conditions of the economy, not on the bank itself, which is one of the drawbacks of the capital theory.

In the early twentieth century, the followers of the capitalist theory were such well-known theorists as I. Schumpeter and A. Hahn. They believed that the driving force of production and the basis for constant economic growth was inflationary

(capable of unlimited expansion) credit. This theory was called the "expansionary theory of credit". Schumpeter and Gunn believed that the sphere of circulation, not the sphere of production, was the determining factor in the economy. Their main mistake was to justify inflation and credit expansion in the country [4].

The global economic crisis of 1929–1933 highlighted the shortcomings of the capitalist theory. However, from its foundations, J. Keynes and his followers formulated the fundamental principles of credit regulation in the economy, asserting that economic development is heavily influenced by credit. Subsequently, the theory of capital formation evolved into monetarism, spearheaded by figures such as M. Friedman, J. Rueff, and O. Fite. According to Friedman, the primary tools for economic regulation involve adjustments to interest rates and the money supply. By manipulating the average annual growth rate of the money supply and establishing specific interest rate levels, it becomes feasible to manage price levels and production dynamics within a country [5].

It is important to recognize that while both the naturalistic and capitalist theories of credit have yielded both positive and negative conclusions; neither has conclusively demonstrated its ultimate superiority. Consequently, modern economic science advances the theory of credit by integrating and synthesizing the insights from both the naturalistic and capitalist theories. This approach allows for a more comprehensive understanding of credit dynamics and facilitates the development of more nuanced and effective economic policies.

The study of credit relations is impossible without clarifying the category of credit in the broad sense of the word. A detailed study of this category makes it possible to assert that this term conceals two interrelated but different economic categories. They are different both in terms of the nature of the relationship and in relation to business entities that are direct participants in this relationship. This interpretation of credit necessitates examination in both its broad and narrow senses. In the broadest sense, credit serves as an economic category facilitating the distribution and redistribution of temporarily available funds released within the production process. Typically, this redistribution occurs through two interrelated processes. Firstly, funds are accumulated via the credit system, leading to the establishment of a loan fund, which is fostered both by the central bank at large and commercial banks specifically.

Another crucial aspect shaping the definition of the loan category is the temporary shortfall of an enterprise's own funds required to sustain the continuity of the production cycle. This deficit is bridged by financial institutions providing funds for temporary use in the form of a loan, subject to specific conditions. Practical experience gleaned from financial institutions collaborating with business entities underscores that a prerequisite for loan approval is the availability of adequate resources within commercial banks. These resources are accumulated during uninterrupted production, as part of the process of creating a social product. Irrespective of the conditions and duration of production for the social product, the entirety of the value invested in it typically remains within the realm of expanded reproduction. This value traverses various stages of distribution and redistribution within the aggregate product.

The use of this product is influenced by numerous factors, including the economic and social policies of the country and the prevailing economic mechanisms.

In the economic literature of the 1930s, one could encounter descriptions of credit as the redistribution of temporarily available funds. This interpretation has retained its relevance to some extent up to the present day. At the core of credit relations lies the accumulation of funds by business entities or individuals, which are then transferred to credit institutions for temporary utilization. These funds are expected to be returned within a specified timeframe, accompanied by the payment of interest for their use.

The redistribution of temporarily available funds via the credit system stands as a pivotal form of distribution, facilitating the flow of value within the social product. Driven by the redistributive function of money, banks play a crucial role in creating avenues for credit circulation. Through these channels, banks can augment the quantity of means of payment, contingent upon the availability of material factors of production and the requisite volume of money required for circulation. In light of these considerations, it is justifiable to regard credit as a distributive category.

The dialectic of studying the credit category reveals that some authors exclusively focus on the issuing capacity of banks, emphasizing their role in creating monetary resources for lending to businesses. This perspective, known as the fund theory, prioritizes the establishment of a credit fund for economic turnover over the redistributive function of credit, considering it of secondary importance.

Supporters of the fund concept are M. Volkov, L. Voronova and others, who characterize credit as the movement of the loan fund [6, p.192]. In this case, the study of the essence of credit is considered to be necessary to study its simplest forms, in particular, a conventional loan agreement. By their properties, these forms should be reliable for characterizing credit as an integral economic process. In examining the credit category, it's essential to acknowledge that the notion of credit money taking precedence in economic turnover has its limitations. In such a scenario, credit becomes detached from its connection with credit resources and instead directly hinges on the issuance of credit money.

An analysis of the definitions given in the economic literature by modern Ukrainian scholars shows that there is no consensus on the definition of the term "credit". The ambiguity of understanding the category under study is due to the complexity and availability of various approaches to its study. Quite often in scientific papers there are attempts by individual authors to define credit through different types of economic relations. According to B. Lutsiv, credit is "...economic relations between market participants regarding the redistribution of value on the basis of repayment, maturity and payment" [7, p. 141]. The author sees the main role of credit in "redistribution of value". And although this is indeed a very important feature of credit, it is easy to understand that it cannot put this category in the category of priorities, since it is not decisive already because it belongs not to the sphere of production or even to the sphere of distribution, but to the sphere of redistribution. Whether the authors like it or not, their objective reduction of the essence of credit to redistribution narrows its meaning and diminishes its role.

The definitions of credit outlined above share common features: they portray credit as an economic relationship between parties to a credit agreement and elucidate the principles governing its provision. However, these definitions overlook the purpose of the loan. The Financial Dictionary – reference book gives an interpretation of the concept of "credit" as "...a form of transfer for temporary use of funds in cash and in-kind on terms of maturity, repayment, payment and purpose, provided by one legal entity or individual – the creditor, to another person - the borrower" [8, p. 265–266]. This interpretation of a loan is no longer bound by any relations, but in our opinion, it needs to be clarified, since funds cannot be provided in kind. By replacing this word with "borrowed value", the inaccuracy in the interpretation of the concept of credit can be eliminated.

A loan represents a channel through which borrowed capital is transferred under the condition of repayment and interest payment. It necessitates that the borrower releases funds in a quantity sufficient to ensure repayment of the loan amount along with interest for its utilization. Without receiving interest income from the borrower, the lender lacks incentive to provide the loan. In certain instances, repayment to the lender may be facilitated by a third party, such as a guarantor, co-signer, or insurer, if the borrower is unable to fulfill their obligation. Failure to repay the borrowed value causes the loan to lose its economic significance.

Despite certain limitations in interpreting the credit category, the prevailing approach often simplifies it to "the movement of borrowed capital," referring to monetary capital provided in the form of a loan with terms of repayment and interest. However, as O. Dziublyuk rightly noted, this viewpoint fails to adequately reflect the essence of credit due to two key factors: Firstly, it constrains credit relations to the monetary sphere alone, disregarding the fact that credit can also involve commodities [9, p. 22].

Given the object of our study, the legislative interpretation of the essence of credit provided in the NBU Regulation "On Lending", the Law of Ukraine "On Corporate Profit Taxation" and the Law of Ukraine "On Banks and Banking Activities" is of particular interest. The general definition of a loan, but without specifying its form and type, is given in the NBU Regulation "On Lending" and the Law of Ukraine "On Corporate Profit Taxation". In particular, the NBU Regulation "On Lending" states that "...a loan is a bank's borrowed capital in monetary form, which is transferred for temporary use on the terms of "security, repayment, urgency, payment and intended use". In the above definition of credit, the emphasis is placed only on bank credit, since the conditions of security, maturity and purposeful use are not inherent in all types of credit. The definition of a loan, as interpreted by the Law of Ukraine "On Corporate Profit Taxation", is that "...a loan is funds and material assets provided by residents or non-residents for use by legal entities or individuals for a specified period and at interest. Credit is divided into financial, commodity, investment and tax credit and credit for securities that certify the loan relationship" [11]. This definition identifies the essence of credit with funds and tangible assets and with a loan secured by securities. The same definition also refers to a commodity loan. In addition, such different

economic categories as finance and credit, which are generally interrelated but not identical, are combined into a single concept.

The definition of the term "bank loan" in the Law of Ukraine "On Banks and Banking Activities" is based on the essence of bank lending operations. Article 2 of this law defines a loan as follows: "A bank loan is any obligation of a bank to provide a certain amount of money, any guarantee, any obligation to acquire the right to claim a debt, any extension of the debt maturity, which is provided in exchange for the debtor's obligation to repay the amount owed, as well as the obligation to pay interest and other fees on such amount" [10]. According to this law, a loan is not equated with money or material assets, but is considered as an obligation arising (in accordance with Articles 4 and 151 of the Civil Code of Ukraine) from a contract or other grounds. In other words, a loan is treated as an economic relationship provided for by law or not contrary to it. Thus, different laws of Ukraine have different approaches to interpreting the essence of the same economic category – credit, which ultimately underpins all credit relations in the country, and this undoubtedly has a negative impact on the organization of bank lending in general.

To sustain continuous lending to economic enterprises, it is imperative for the state to intervene in market mechanisms in a methodical manner, guided by sound scientific principles. This intervention involves enacting appropriate laws in areas such as lending, taxation, and budget policy, with the aim of enhancing credit relations and bolstering domestic banking institutions. Such measures are vital for fostering production growth and facilitating the country's recovery from financial crises.

Conclusions. The results of the study show that the evolution of credit engenders substantial transformations in the organization and operation of enterprises. Economic theory posits that any unwarranted government intervention in market mechanisms, which grants preferential treatment to certain participants while imposing artificial constraints on others, disrupts the functioning of market laws and diminishes economic efficiency. In the contemporary economic landscape, the establishment of credit relations between banks and borrowers necessitates a solid theoretical foundation that substantiates the essence of credit and its role in the reproduction process. Additionally, it's crucial to ensure that credit arrangements align with the principles of market dynamics, fostering fair competition and efficient resource allocation. This requires a balanced approach to regulation, where interventions are guided by a clear understanding of market forces and aimed at promoting stability and sustainable growth.

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Annotation

Nepochatenko O. O., Bechko P. K., Huzar B. S., Kyselov I. A., Havrylenko O. A. The economic basis of credit relations and its development in contemporary context.

Amidst the escalation of the global financial crisis, the fiscal challenges encountered by indigenous enterprises primarily stemmed from the inadequacy of credit mechanisms tailored to contemporary market exigencies. Key impediments to the progression of lending activities encompassed elevated credit outlays, paucity of creditworthy debtors and repayment assurances, deficient insurance protocols, exorbitant banking service charges, and a dearth of robust theoretical frameworks elucidating the intricacies of credit dynamics. Addressing these challenges necessitates comprehensive theoretical inquiries into the fundamental principles and characteristics of credit, meticulously aligned with the prevailing dynamics of the domestic economy and the broader global financial area.

Furthermore, an in-depth examination of credit risk assessment methodologies, regulatory frameworks governing lending practices, and innovative financial instruments can augment the efficacy and resilience of credit mechanisms. Embracing collaborative efforts between financial institutions, regulatory authorities, and academic institutions can foster the development of bespoke solutions tailored to local market conditions, thereby fortifying the resilience of indigenous enterprises amidst financial turbulence.

The article explores the important role of credit in the economy and its impact on entrepreneurs and citizens. Different views on the advantages and disadvantages of credit are considered, in particular, its importance for ensuring the stability of production. The authors examine various theories of credit and take into account the contributions of well-known economists to these concepts. It is noted that credit is an integral part of the modern economy, contributing to its development, and understanding its essence requires a deep theoretical analysis. The article also examines various definitions of credit in the Ukrainian economic literature and identifies their common features. The authors emphasize the need to clarify and synthesize different approaches to understanding credit, including its purpose and value redistribution functions, which contribute to a better understanding of its role in the economy.

Key words: credit, borrowed capital, loan, bank loan.