

**PECULIARITIES OF PAWNSHOP ACTIVITIES IN A PANDEMIC
CONDITION
(ОСОБЛИВОСТІ ДІЯЛЬНОСТІ ЛОМБАРДІВ В УМОВАХ
ПАНДЕМІЇ)**

У статті досліджується стан ломбардної діяльності в період пандемії та вплив чинників на їх ефективність. Проведено аналіз нестабільності банківських установ, як основний каталізатор ломбардних послуг. Здатність ломбардів забезпечити населення миттєвими, короткостроковими кредитами забезпечує рентабельність їх діяльності.

Ключові слова: *ломбарди; пандемія; короткострокове, миттєве кредитування; позики під заставу; нестабільність банківських установ.*

The article examines the state of Lombard activity during the pandemic and the influence of factors on their effectiveness. The analysis of instability of banking institutions as the main catalyst of pawnshop services is carried out. The ability of pawnshops to provide the population with instant, short-term loans ensures the profitability of their activities.

Key words: *pawnshops; pandemic; short-term, instant lending; secured loans; instability of banking institutions.*

Modern economic development is positioned by instability, so the search for socio-economic stabilizer with constant change is an urgent issue for society. In this case, pawnshops are stable institutions for the provision of financial services, namely the lending of funds to individuals.

The main activity of pawnshops as participants in the financial services

market is the provision of instant, short-term financial loans at their own risk secured by goods or currency values. Lombard loans are issued in cash, for a certain period and without a specific purpose to increase the solvency of borrowers [1].

During the pandemic, the number of financial institutions, such as insurance companies, credit unions, and pawnshops, declined significantly. This is mainly due to the voluntary surrender and revocation of licenses, as well as exclusion from the state register of institutions that were liquidated in previous periods [1].

Pawnshops have slowed down lending since the beginning of 2020, as quarantine restrictions have significantly affected their activities. Examining the periodicity of changes in the volume of loans granted by financial companies, it should be noted that in the first quarter of 2020, for the first time after a period of profitable activity, they showed a loss. In the second quarter of 2020, the volume of new loans decreased by 25%. However, following the results of the next quarter, their financial result became positive again [2].

The statistics summarize the following indicators: about 80% were provided as collateral for precious metals and pawnshop loans, and another 19% as collateral for household appliances. The main income of pawnshops is interest, which increased compared to the same period last year - 87%, the sale of collateral provides only 9%, as well as fines, penalties and income from the sale of property - 2.7% and 9.0% of total income, respectively. With regard to the costs of formation of reserves and financial expenses, the percentage is equal to 1.6% and 2.4% of total expenses [2].

Despite the decline in pawnshop profits in the first half of 2020, the financial result remains positive. Due to the reduction in the level of costs, the return on capital is 8.9%, which is higher than in 2019, which means that the activities of pawnshops remain profitable.

Although pawnshops cannot completely displace banking institutions in the field of retail lending, during the pandemic in conditions of financial instability, they created serious competition [3].

In parallel with the positive trends in the activities of pawnshops, there are a number of problems. Among which the most significant are:

- 1) insufficient regulatory and legal support in the field of regulation of pawnshop activities;
- 2) low public confidence in pawnshops;
- 3) risks in the system of insurance of mortgaged property and the possibility of its irretrievable loss;
- 4) unfair assessment in comparison with the sale of mortgaged property;
- 5) lack of protection of pawnshop customers and regulation of this issue [3].

Thus, due to the difficult socio-economic situation in Ukraine in the context of the pandemic, Lombard loans have become popular. The inability to provide loans by banks provoked the population to actively use the financial services of pawnshops. The advantages of Lombard lending are availability, speed of receipt and relatively flexible interest rates on loans. Despite the negative side of this activity, pawnshops are in demand among the population due to their stability in the financial market.

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