TECHNOLOGY OF BANK MANAGEMENT IN UKRAINE

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Abstract. Banking has considerable effect on socio-economic life of people. Efficiency of banking was actualized in this article. Firstly, it seems necessary to study a comprehensive approach to efficient bank management, as one of the most suitable in modern society. Secondly, it is important to measure the influence of some external factors on bank management in Ukraine, as it will ensure sufficient profit including preservation of bank deposits and maintaining vital functions of banks. Our third task is to carefully study the main vectors of bank management activities, which are to ensure its effective functioning on the market of bank services. It is essential to analyze basic characteristics of monetary and credit policy in Ukraine, study management of resources, which are especially important for bank management on the whole. Our another task is studying the necessity of bank management in Ukraine and adapting existing methods of analysis, managing approaches and other instruments while overcoming socio-political crisis.

Keywords: bank management, Ukraine, efficiency of banking, bank, financial service.

Introduction

Today development of banking, as one of the most dynamic fields of business, gained constant attention and interest of economists. Banking is a sphere of social life and its efficiency has considerable effect on life styles and living standards of society. As any other business entity, bank operates under constantly changeable market conditions. Thus, always exists some risk and market situation requires empirical analysis. Efficient bank management under market conditions must overcome risks or risk situations and ensure profits, which will be sufficient for preserving bank deposits and maintaining vital functions of a bank. “Scientific principles of management include a system of scientific knowledge, which is a theoretic base of practical management and which provides practical management with scientific recommendations” (Osovska, 2006).

Market driven economy has been functioning in Ukraine for a short period of time, so Ukrainian model of bank management is only in the making. Managers need to work on forming this model taking into consideration general scientific approaches, features of national economy and avoiding formal transfer of foreign management experience which contradicts with Ukrainian culture.

Method

Using modeling method (theoretical and practical indirect perception of activities of an individual bank) we can sum up that bank management is an influence exerted on the staff which is aimed to achieve goals, and other necessary correlated measures. These measures include: organization, key factors and regulation of this process using feedback; control over people; decision development, making, and further implementation; the best possible administration of resources and goal-oriented data processing. After econometric methods and computers had been introduced into modern science, an era of transfer from qualitative description of administrative situations to quantitative analysis and explanation began. Analysis and synthesis methods are based on some theories, assumptions and relationship of cause and effect of these categories. Today management replaces theoretical wordy and descriptive approaches by models, symbols and quantitative indices.

Results

Bank operations are supposed to provide banking process with all the necessary resources and organize technological cycle: for example, it includes establishment and improvement of bank technologies, ensuring necessary quality level of bank products and services, performing all types of bank operations, material support for banking, staff hiring, maintaining solvency and bank profitability.
Work in the field of bank management in Ukraine demands constant search of new possibilities, ability to achieve goals attracting resources of diverse origin and using them, trying to increase efficiency and obtain the best possible result at minimum cost.

Bank activities of the most banks in Ukraine are diverse and universal at the time. Thus, systems of bank management become more complex and new areas of bank management emerge. There are two types of bank management considering a field of operation: organizational and financial management.

The organizational process of bank activities in Ukraine is usually built according to such principles:
1) Functional structure, which means that bank structure is directly connected with bank specialization;
2) Accordance to declared purpose and mission of a bank;
3) Hierarchy of authority and levels of organization. There are superior levels of bank management (Bank Board, Bank Administration, auditing committee, different committees) and there are other divisions of a bank, which work with clients and perform other bank functions;
4) Mutual and coordinated actions, because structure includes not only a set of elements, but also their interactions;
5) Rationalization of management (bank activities have to be organized to ensure development of a bank by introducing new services, cutting down expenses, improving productivity, studying market tendencies, etc.);
6) Integrity and compliance with external environment (according to accepted sole strategy of bank development, all bank divisions are tightly interrelated and every division improves its work considering changing conditions of external environment);
7) Ensuring control (external and internal auditing is mandatory);
8) Regulation of staff work (banks work out statutes, regulations for every division and department, technological maps for operations, qualification characteristics and official instructions);
9) Supply of current and operational information, which allows taking necessary organizational and economic measures to ensure stability and reliability of a credit agency.

In some cases the lack of personnel with necessary skills for providing certain operations and services, makes bank expansion and creation of new full-service structural units impossible for Ukrainian banks.

“Modern structure of some Ukrainian banks is not fully developed; there is a lack of highly skilled professionals in special bank divisions; this factor, along with others suppresses development of some types of bank activities” (Vovchak and Rushchyshyn, 2008).

Successful implementation of bank functions and strategies can be achieved by choosing a well-defined structure of bank organization. However, lack of attention towards processes of organizational management capable of making flexible decisions can cause a malfunction of logic interrelations which exist between different stages of decision-making process.

Financial management of Ukrainian banks is aimed at optimizing bank finances administration. Every administrative decision about financial activities of a bank must be assessed considering their risk/reward ratio. The most rational managerial strategy is individual for every bank and it depends on risk/reward ratio and most of all on attitude and expectancies bank owners.

Management of bank finances includes such spheres:
- assets and liabilities;
- bank risks;
- profitability;
- solvency and reservation;
- bank portfolios;
- financial planning and budgeting.

“Ukrainian banks have limited selection of managing methods. They often choose composition of balances managing method. Inadequate development of different segments of internal financial market makes using more thorough managing methods (such as hedging and insurance, etc.), impossible (Prymostka, 2002).

Nowadays the banking system of Ukraine is again being forced to regain people’s (potential clients’) trust and prove banks’ capability to stay stable, regardless of external, especially political, factors. That is why banks operating on the bank services market of Ukraine are trying to set a short-term goal (fixation of financial indices at the beginning of a balance year until political situation stabilizes) without disrupting their strategy (Table 1).
In January of 2014 the development of monetary market could be characterized by reduction of main indices caused, on one hand, by the traditional for the beginning of a year slowing of business activity and, on the other hand, by exacerbation of social and political situation in the country and existing devaluation expectations. Mobilization operations, especially banks refinancing, were chosen as the main instrument for solvency regulation.

“Interest-rate policy of the National Bank had to keep balance at monetary market, as it dynamics showed a substantial slowdown in January. Weighted average interest rate of refinancing was lowered. National bank of Ukraine has not changed a discount rate (6,5%) since August 2013. Interest rate for deposits and credits was formed according to seasonal factors and changes of client accounts balances and sufficient solvency of the bank system” (National Bank of Ukraine, 2014). Considering seasonal slowdown and social tension the amount of residents’ deposits decreased in January. At the same time the part of long term deposits increased.

The quantity of “one year and less” deposits and “on demand” deposits has decreased among deposits in national currency belonging to non-financial corporations. This is related to the beginning of a new business season and introduction of funds after a slowdown of business activities at the beginning of the year. Funds were also channeled to service loans. Besides, socio-political situation created new risks for business and determined the necessity of cash flow redistribution for its future diversification.

At the same time, balances in national currency of the accounts of corporations, which manufacture food and beverages, work in mining industry and telecommunications, increased. “Foreign currency accounts demonstrated a decrease of credit balances (for 5,9 billion UAH or for 1,9 %) for credits of different periods. Such a dynamic was determined by the increased devaluation expectancies of economic agents. During the last month clients’ credit debt in national currency decreased by 1.4 billion UAH or for 0,2 %, and for 5,5 billion UAH for short term loans (National Bank of Ukraine, 2014).

Considering modern situation credit and investment activities of banks demand mobilization of measures which would include a search for new sources of resources with minimum value and guarantee controlled balance stability. Efficient methods of managing of bank resources are necessary to keep existing customers interested in bank services and to attract new clients, to reach desired level of profits and bank reliability. This management must meet the main criterion: funds must suffice needs at the distinct time and place.

There are different vectors of resource management for every bank in Ukraine:
- commercial banks must fulfill requirements for prudential standards set by the National bank of Ukraine;
- commercial banks must have well-balanced assets and liabilities for different periods;
- commercial banks must keep their assets and deposits qualitative;
- commercial banks must take measures to attract new investments, deposits and to preserve them.

Deciding to deposit money to the bank account, depositors are evaluating bank against three main criteria: reliability, interest rate and quality of services. Deposits, credits, bank’s own funds and alternative forms of resources attraction are the main sources of bank resources.

Discussion
Bank management means processing information, analyzing it and making responsible administrative decisions. Any administrative decision is a result of feedback received from market and other elements of external environment. A set of these actions comprises a technology of management.

Today, during the recovery period after socio-political crisis the necessity to adjust existing methods of analysis, managerial techniques and procedures is the peculiarity of bank management technology in Ukraine.

Table 1

<table>
<thead>
<tr>
<th>Index</th>
<th>2013 Sum, million UAH</th>
<th>2012 Sum, million UAH</th>
<th>Variance (+/-) %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>168888</td>
<td>150449</td>
<td>+12,3</td>
</tr>
<tr>
<td>Expenditures</td>
<td>167452</td>
<td>145550</td>
<td>+15,0</td>
</tr>
<tr>
<td>Profit</td>
<td>1436</td>
<td>4899</td>
<td>-70,7</td>
</tr>
</tbody>
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*Drawn up according to the official data of The National bank of Ukraine
When problems with solvency emerge in banking institutions, National Bank of Ukraine uses its own instruments to stabilize situation. It is quite effective, but bank management needs to perform strategic planning and management of solvency without external help according to comprehensive analysis of all factors which might affect bank’s capability to fulfill its obligations.

In order to carry out these tasks a bank needs to ensure mobilizing of sufficient capital from different sources for different periods of time, obtaining optimal combination of periods and value of mobilized capital, rational placement of funds in different types of assets to receive profit. It also needs to maintain necessary level of solvency and optimization emerging risks.

Along with economic tasks of bank management, bank’s position towards solving different state economic problems is also important. A bank is objectively required to ensure economic development; it is an important part of any economic system. Bank can develop its internal and external divisions only by participating actively in economic processes.

Efficiency of management of a modern bank depends on its ability to predict future tendencies in economy, to have perspective vision and to control risks. Considering this, there are such tasks for bank management in Ukraine:

- creation of systems, which exert control over the level of bank risks;
- satisfaction of clients’ demands on structure and quality of bank services;
- insurance of profitability of bank activities;
- creation of efficient organizational structure of a bank;
- organization of control, audit, security and informational systems, which ensure vital functions of a bank;
- creation of conditions for hiring highly skilled professionals and fully applying their potentials;
- constant search and development of new markets.

According to the results of our research, we can draw a conclusion: bank management has different vectors of development. Bank management’s ultimate aim includes managing rationally a complete set of bank activities, improving quality of bank services received by clients, increasing efficiency of bankers and ensuring bank profitability.

References