

THE POSSIBILITIES OF INCREASING THE COMPETITIVENESS OF THE BANKS IN UKRAINE IN TERMS OF THE EU INTEGRATION

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Abstract

There are main directions of formation the strategy of increasing the competitiveness of the banks in terms of Ukraine integration into the European Economic Area in the article. The role of banking in the formation of effective marketing strategies of the sbank in modern conditions has revealed. Preliminary analysis of integration of domestic commercial banks to the European banking market has done. Regional specifics of bank marketing has grounded the example of Transcarpathian (Zakarpattia's) region. The perspective of marketing activities regional structural unit banks and the banking system of Ukraine has elucidated.

Keywords: regional strategy of commercial bank, bank marketing, banking products, promotion of banking services, the integration of the banking system to the European Economic Area, regional economic integration, competition in the market of banking services.

JEL Classification: E 50; L 22

Problem

Ukraine's course on activation integration processes to the European Economic

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Area stipulates formation of adequate increasing competitiveness strategy of banks, which must ensure not only their continued effective operation and increasing of competitiveness in the domestic banking services market. That's why formation of scientific approaches to developing and implementing the new marketing strategy of commercial banks, which must consider the regional specific processes of social reproduction is actual.

The analysis of recent research and publications

The analysis of the problems of modern formation the strategy of increasing the competitiveness of the banks studied in the works of foreign scientists: G. Brebukh, S. Butcher, N. Woodcock, I. Gordon, F. Kotler, S. Cook and the other. Domestic economists were also made an important contribution: I.V. Alekseev, O.L. Bilyi, M.I. Dyba, V.V. Korneev, Y.V. Litvynenko, M.V. Malchik, V.I. Mishchenko, A.M. Moroz, A.V. Nikitin, L.D .Pavlenko, M.A. Rebryk, M.I. Savluk, R.A, Slaʹluk, V.S. Stoika and the others. There are scientists don't consider the regional specificity in formation of the strategy of increasing the competitiveness of the banks, which is actual in terms of European integration. In turn, scientists, who studied the regional specificity of social reproduction processes such as: V.I. Vasilenko, M.I. Dolishniy, M.A. Lyendyel, V.P. Miklovda, O.G. Chubar don't consider banking specificity and component of the regional processes of social reproduction and don't give enough attention to the regional strategies of commercial bank as one of the factors of effective development. Thus, the methodological basis of the article have made works of leading scientists, that investigated problems and of topical aspects of formation and development of regional banking systems. We used the methods of scientific abstraction, induction and deduction.

The purpose of the article

Based on a systematic approach to justify the need to develop the regional strategy of increasing the competitiveness of the banks in the integration Ukraine into the European Economic Area.

The main material

The formation of the current strategy of increasing the competitiveness of the banks is actual in the current economic conditions the intensification of the integration processes in the European Economic Area. The relevance of the formation of modern commercial bank's marketing strategy is reinforced by the increased competition in both home and foreign markets of banking product. According to the Association of Ukrainian banks in the country there are more than 100 employees banks, while in the European banking system with stronger economic potential there are 15-20 commercial banks [1].

The Marketing Strategy of the vast majority of commercial banks in Ukraine is traditionally formed by senior managers and top managers of headquarters and does not consider regional specifics and current customer's needs. To form an effective banking strategy in the modern conditions the banks have to prioritize the segmentation in the market of banking products. In previous publications the authors highlighted the priority of providing banking services of crediting banking products[1, 2], and the priority of households of enterprises and companies in the formation of the client base of commercial banks [3].

According to The Statistics of the National Bank of Ukraine lending volumes businesses and individuals are decreasing, while deposits of individuals and entities reduced significantly during 2014. A change in the annual rate loans for the adjusted monthly data, which were given to non-financial corporations at the end of November 2014 was -11.4% compared to -5.1% at the end of October 2014 but the credits which were given to households at the end of November 2014 were -15.1%, compared to -12.7% at the end of October 2014. The change annualized adjusted the monthly data of deposits of non-financial corporations at the end of November 2014 was -5.8% compared to -4.1% at the end of October 2014, and the household deposits at the end of November 2014 was -29.0% compared to -26.0% at end of October 2014. This demonstrates the need for the new approaches to the formation of bank marketing[4].

But till now the scientists don't have unity in recognizing the primacy and the special role of banking in the banking business (such as the primacy of cash settlement services as the basis of all banking activity), but their special role in the

formation of the modern commercial bank's strategy. Scientists Malchyk M.V. and Koval S.I. in their work "The Bank marketing in the competitive environment", on the one hand, recognize the difference in banking products and services: "segmentation enables the bank to find new target markets and thereby expand the offer of banking products and services" [5, p. 232], on the other hand, determine the credit and deposit products as "lending and deposit services of commercial banks". [5, p. 233] That does not match the very essence and purpose of the separation of banking products for the credit (capitalized) products and banking services without diminishing the role and the significance of the research. These scientists noted that the differences in the perception of the nature of banking services is an obstacle in the correct segmentation of banking products and forming the effective marketing strategy. V.V. Korneev in his work "Bank services in the credit market of Ukraine: the assessment of the use of borrowed resources" doesn't separate the specific bank services from bank loans [6, p. 99]. M.A. Rebryk [7, p. 137] Y.V. Lytvynenko [8, p. 53] and some other scientists share the similar views. From the times when Philip Kotler formed the marketing theory was determined that service as opposed to products is characterized by three inherent features that would cause their uniqueness in shaping the marketing strategy:

1. The intangibility of services and the inability to form their "warehouse stock." The credit resources of banks are tangible products with the possibility of building supplies and limited resources in its nature. Some aspects of this issue were considered and were confirmed in the research work of A. Meshcheriakova [9, p. 33] Y. Litvinenko and others.
2. The quality of service and efficiency of its progress depends on the level of staff, as opposed to goods, which occupy its original and technological features. Similarly, the promotion of banking services depends on marketing strategies and skills, and the credit and the deposit of products depend on the interest rate and loan amount.
3. The provision of services is more cost-effective compared to the production of goods. The specificity of banking shows that without primary banking services - cash management services of credit can't be profitable banking products as a result of the operation of the banking system credit multiplier effect.

So, for the formation of the modern effective strategy to increase the competitiveness of banks is very clear and unambiguous scientific segmentation of banking products and services. Such approaches meet the criteria of the European Union in banking [10, p. 177].

Based on the author's understanding of banking perspective the increasing of the competitiveness of domestic commercial banks can be achieved only through the effective marketing strategy of promotion banking services. The strategy of increasing the competitiveness of the banks should consider both the weaknesses and the advantages available.

The undeniable weaknesses of the national banking system:

1. The capitalization of domestic banks is smaller than the capitalization of the European banks. There is no need to even enter any statistical information which, for tens and hundreds of billions euro can be compared to the tens and hundreds million hryvnias. This leads the inability to compete in terms of crediting and the interest for the use of resources. Due to the small size of reserve requirements and the discount rates in Europe, better loan portfolios of the European banks maximum use the multiplier effect that occurs in the lending process [11].
2. The domestic banking system has an extensive branch chain in Europe, and has the financial ability of its creation soon.
3. The domestic stock and currency markets do not contribute to increasing the competitiveness of the banking system of Ukraine, and the ratings of domestic rating agencies are not recognized in Europe. That is why to receive a European license for the national rating agency is practically impossible.
4. The image and brand potential, as advertising budgets and available technology advancement of banking services domestic commercial banks are not competitive in the European banking market.
5. The customer base of the national economy stands less competitive system of social reproduction, which is based on imperfect legislation (primarily tax), compared to most European economic systems.
6. The Guidance of The National Bank of Ukraine is not ready for radical

reform of the banking system in the direction of the transition economy of Ukraine from hryvnia to the single European currency.

The advantages of the banking system:

1. High interest rates on attracted resources, that causes the attractiveness for both domestic and for European customers.
2. The sufficiently high level of technical and information of customers service.
3. The availability of public demand and preconditions for reforming of almost all branches of the economy and social life in accordance with European standards and principles, including the further promotion to associate to full membership in the European community.
4. The high level of education and literacy of the population (both existing and potential customers of banks) compared to most European countries.
5. The significant resource and economic potential for the further development.

The implementation of the existing marketing strengths and minimization of weaknesses in the marketing strategy of the Ukrainian commercial bank can consider the example of Transcarpathian (Zakarpattia's) region. The strategy of increasing the competitiveness of Regional Banks has to consist the following:

1. the strategy of increasing the competitiveness of banks should focus on the individual as the main consumer banking services, with the whole range of banking products (even providing some at zero profitability) should encourage the individual consumption of the main banking services - the transition to the individual cash management services to the bank. These benefits of marketing strategy of commercial banks were repeatedly published by the authors and demonstrated their practical benefits in a number of commercial banks in Ukraine. However, in the integration of Ukraine into the European Economic Area, this strategy of the banking institution is more relevant than ever;
 - the strategy of increasing the competitiveness of banks should target a significant increase in the range of banking products

related to international payment cards while improving their quality of service (round the clock support in multiple languages, increasing the number of self-service terminals, agreements with the European banks for the simultaneous reduction of joint committees, the increase of public awareness of new banking services, etc.). These elements of strategy are especially important due to the imminent cancellation of visa barriers, which will, in its turn, to a significant increase in foreign travel of citizens of Ukraine (transit and people). The value of this factor can not be overemphasized. In fact it can be compared to the modern history with the fall of the Berlin Wall in Germany. Despite the evidence of these changes and benefits, it is important that banks should prepare for this in advance, because the introduction of any product has a life cycle;

- the diversification of assortment and intensification of the promotion of the related or integrated commercial banks such as the integrated settlement and depository services, the insurance services, information and referral services (including registration information on the status of bank accounts in accordance with EU requirements, advising on the return of European VAT. More advantages of integrated banking services to regional banks described by the authors in the previous publications [1, 2]
- the strategy of increasing the competitiveness of banks should include the development and introduction of new banking credit related to the compatriots abroad. This crediting can be carried out under the pledge of property citizens that remains in Ukraine, or even under the pledge of property in other countries. This ways of crediting are particularly relevant for those compatriots who are engaged in business activities connected with retail. With the introduction to these banking services can use perience of of the Russian bank "Kedr", which introduced a similar service to the Russian citizens in Athens (Greece) [12]. It is reasonable to the activization of the economic cooperation with Ukrainian foreign

diaspora.

- the regardless targeting service of regional banks in the priority servicing of individuals, it does not constitute a waiver of cooperation with enterprises and legal entities. The most promising direction of this cooperation can be the service of documentary credits. The promotion of these services by the overwhelming majority of banks in Ukraine is carried by using the central staff office (metropolitan) of commercial banks. The integration of the Ukrainian banks in the European Economic Area will require the formation of local level groups of professionals, of experienced at serving all kinds and types of documentary credits. This task can be done with the active involvement of scientific and pedagogical staff of higher education institutions.

Conclusion

The development of the strategy of increasing the competitiveness of the banks in terms of the Ukraine integration into the European Economic Area is relevant. The preliminary analysis of the advantages and weaknesses of banking activities in Ukraine shows low competitiveness of the domestic banking system. The modern regional marketing strategy of commercial banks allows using the existing advantages and competing in some segments of the banking market in terms of the integration into the European Economic Area. The Domestic scientists don't pay sufficient attention to the research of this issue. At the same time the ways of increasing the competitiveness of banks were proposed on the example of Transcarpathia region by including the new elements to the strategy of increasing the competitiveness of banks. Further research will focus on the development of the authors strategy to improve the competitiveness of regional banking systems in terms of EU integration.

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