

Zakhozhyi, V. The Application of the Methodical Approach to Assessing the Impact of Internal and External Factors on the Bank Profit in Process of Its Adaptive Planning [Text] / V. Zakhozhyi; Academic advisor O. Kryklii // Shevchenkivska Vesna 2013: Economics : 11th International Scientific Conference of Students and Young Scientists (18-22 March 2013) / Taras Shevchenko National University of Kyiv. – Kyiv, 2013. – C. 234-235.

THE APPLICATION OF THE METHODICAL APPROACH TO ASSESSING THE  
IMPACT OF INTERNAL AND EXTERNAL FACTORS ON THE BANK PROFIT IN PROCESS  
OF ITS ADAPTIVE PLANNING

**Vitalii Zakhozhyi**

*SHEI "Ukrainian Academy of Banking of the National Bank of Ukraine"*

1<sup>st</sup> year Masters' student in "Banking"

Academic advisor: PhD, Associate Professor Kryklii O.

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*The article deals with the necessity to apply the adaptive or flexible methods in bank's profit planning because of the volatility and the uncertainty of environment in which banks operate. The aim of the paper is the development of a methodical approach to adaptive planning of bank's profit considering the factors of external and internal environment. The author analyzed and systematized the factors which influence the bank profits. The assessing the factors impact approach, based on the binary method, is described.*

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Profit is an important category that describes the effectiveness of the bank. Moreover, profit is the basis for strengthening the bank's competitiveness of the banking market. Therefore, a research of profit, its components and the factors that affect it is extremely important in the system of management of any bank.

The post-crisis environment in which Ukrainian banks operate is unstable and volatile. Consequently, profit planning becomes one of the most important tasks for the bank. Currently available researches for profit planning are fragmented, characterized by significant defects. Hence, that determines the relevance of this study.

The aim of this paper is to develop a methodological approach to assess the impact of internal and external environments on the profit of the bank in order to use these data in the profit adaptive planning.

Undoubtedly, Ukrainian banks should alter the profit planning approaches. Currently existing technology of planning involves making periodical plans of bank profits which are based on the results of preceding period. It should be mentioned that this approach has serious drawbacks because it ignores not only the continuous and dynamic nature of the variability of environment, but also the potential of a bank, which significantly reduces the efficiency of financial planning as a management tool.

In the conditions of uncertainty and variability of environment planning process the bank's profit cannot be the same as in the conditions of stability. The high degree of uncertainty is the biggest threat to financial planning at a bank. Consequently, in the rapidly changing environment, which is typical of the current economic situation in the world, it is important to take into consideration and to assess as many factors of influence as possible while planning of the bank profit.

Assess the impact of external and internal factors on bank profits using multifactor model involves a sequence of stages that are listed below.

On the first stage factors influencing the bank's profit should be identified on basis of expert assessment of a certain factor's significance. It is suggested to take into account factors in accordance with classification, which is shown on the Chart 1.

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On the next stage one should form the system of indicators that actually characterize influencing factors.

The third stage of this approach is to identify methods to assess the impact of factors on bank profits. At this phase, the estimation of external and internal factors influence on the profit should be implemented using a binary method.

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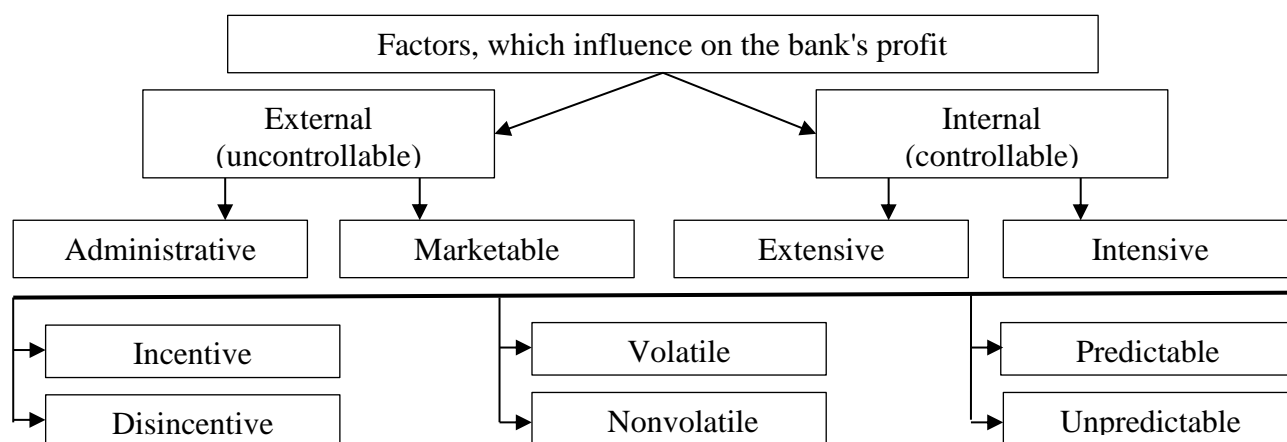


Chart 1. Classification of factors, which influence on the bank's profit  
Source: compiled by the author according to the sources [1, 2].

The next step of the approach is to develop a model of factors' impact on the bank's profit assessment. One should compare the existing values of the indicators with the normative ones. It is also needed to formalize such compliance for all indicators by using binary characteristics: positive factors - 1 and negative - 0 [3]. Therefore, there is a possibility to identify the level of mismatch between the amounts of bank profits under the influence of identified factors [3].

In conclusion, it should be noted, that the environmental volatility, the uncertainty of the factors behavior are the main reasons that the Ukrainian banks should develop flexible adaptive planning of their profits. The bank management should have the unique methodical approach to assess changes and influence of external and internal factors in order to make effective management decisions. Thus, the use of this technique provides a comprehensive assessment of the internal and external factors' influence on bank profits. The knowledge of these factors and the ability to manage it will affect the performance of the bank, including the amount of bank profits. It should be noted that the advantage of the above-mentioned method is that the results can be used in flexible (adaptive) profit planning. Also it gives an opportunity to define tactical and strategic direction of bank's activities. The application of this approach in the banking planning will help to find the best management decisions. Furthermore, it can be helpful for managers to determine the strategy of profit management with possible rapid adjustment in cases of factors change, so the managers can choose and employ the appropriate preventive measures.

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