

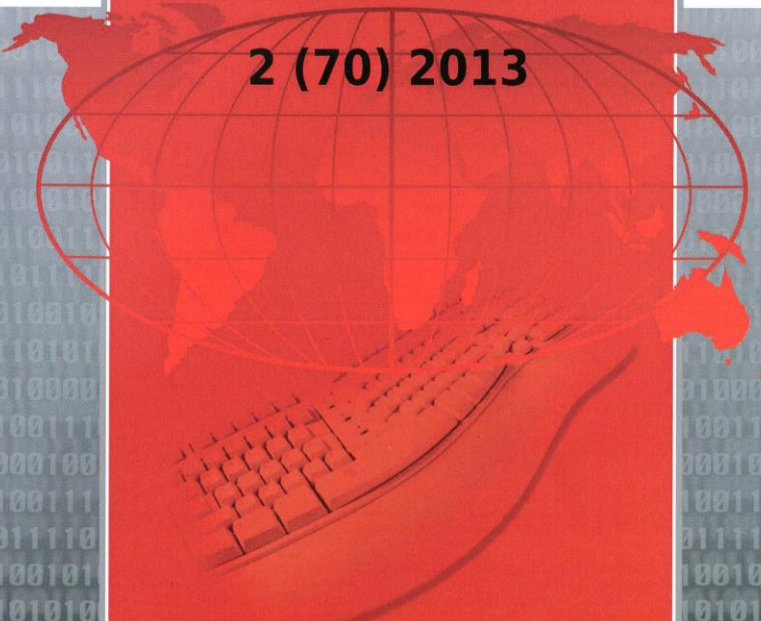
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Krivich Ya.N., Afanasieva O.B.

CURRENT STATE AND PROSPECTS OF BANKING INNOVATIONS' DEVELOPMENT

The article examines the concepts of innovation and banking innovation existing in the scientific literature. There is given author's definition of banking innovation and produced a classification of banking innovations with the examples from Ukraine banking system practice

Keywords: *innovation; banking innovation; classification of banking innovations*

I. Introduction

Increase of competitiveness level of economic systems appreciably caused by change of economic role of innovations, the pace, directions and mechanisms of realization of innovative processes. At the date economic success of any entity, including bank, directly depends on an innovative orientation of its activity. The development of scientific research on the given topic has exceptional actuality in terms of world financial crisis when the overwhelming quantity of banks both in Ukraine and abroad suffer of liquidity crises and outflow of financial resources, the reduction of innovative and investment projects financing and narrowing of innovative and investment activity take place. Moreover, the specific feature of the crisis, particularly in Ukraine, was the decline of public trust to banks which, in turn, led to the loss of client base. Under these conditions banks are forced to seek not only additional ways to sustain the existing clients by increasing their confidence and loyalty, but also opportunities to attract new ones. Together with innovations which are aimed at attracting additional consumers of banking products, nowadays banks seek innovations in the field of protection against possible frauds by unscrupulous clients. It should be noticed, that in banking sphere, innovations include those new processes and models, through which banks intend to enter the relatively new level of functioning, and improve their positions at the banking market by increasing market shares, building up client base or rising up quality of credit operations etc. That's why researches of current state and development trends of banking innovations in Ukraine and abroad are extremely important nowadays.

II. The aim of the article consists in research theoretical fundamentals and current trends in the development of banking innovation.

III. Main part

The literature review on the problem allows to state that today most of the researches unfortunately are staged and they are characterized by use of the term «banking innovation» in different interpretation and terminological combinations without disclosing its essence and content.

In scientific literature the term «innovation» was firstly used by the Austrian economist Joseph Schumpeter in 1939 in «Tactical cycles» where he interpreted innovations as «changes with the purpose of introduction and usage of new kinds of consumer goods, new production and vehicles, markets and organization forms in manufacturing» [5]. Schumpeter considered innovation as a new scientific and organizational combination of production factors, created by entrepreneurial spirit; implementation of scientific discoveries, inventions into the new technology or new type of product; new function of manufacture, which means another quality of production facilities achieved not by the old small improvement of equipment or existing organizational scheme but through the introduction of new production facilities or its organization systems. One should also notice that the scientist considered innovations exactly in dynamic as innovation processes (*production* of a new product, but not a «new product», the *introduction* of a new method, but not a «new method», development of a new market, obtaining new sources of raw materials; reorganization).

The study of linguistic origin of the term «innovation» let us figure out that it has Latin origin and is interpreted as «reconstruction», «update» [4]. It means that the practical usage of *novation* since its production and distribution as a new product or service is an innovation. The *novation* is understood as a new order, a new custom, a new method, invention, the new phenomenon.

In the market economy circumstances the methodology of the innovations systemic description is based on international standards. The basis for international comparison of indicators of science and technology, analysis of their organization and financing, science and technology policy is a Frascati Manual, «Proposed standard practice for surveys, research and experimental development». Its first recommendations were accepted in Frascati (Italy) in 1963.

Within the Organization of Economic Cooperation and Development (OECD) a group of national experts was established that worked out these official recommendations on indicators of science and technology. Due to changes in the strategy of scientific and technical policy at national and international level; accumulation of practical experience in member states of the OECD; review of international statistical standards, Frascati Manual provisions are adjusted periodically.

OECD proposals concerning data systematization in the sphere of technological innovations were approved in Oslo in 1992 and became known as «Oslo Manual». «Oslo Manual» was adopted by Nordic countries for the assistance of the Fund of industry development as a guide for collecting data on technological innovations, as OECD survey of 20 projects on innovation activities conducted in 1990 showed the

significant differences in purpose, methods, definitions of basic concepts of innovation activity. «Oslo Manual» were developed only concerning technological innovations and covers new products and processes, and their significant technological changes [4].

Generally, in accordance with international standards, the term «innovation» means the final result of innovative activity that embodies in the form of new or improved product introduced on the market; new or improved process which is used in practice or in a new approach to social services [2].

Review of economic literature has shown that at the moment, depending on the object and subject of research, different economists interpret the innovation in different ways. In domestic practice innovation traditionally viewed as the final result of innovation activity, abroad – mainly as activity, process of changes. The analysis of these publications allows confirming the existence of significant differences in the understanding of innovation as an economic category.

Systematization of foreign scientific and methodological approaches to the understanding of innovation as an economic category allows separating the following ones:

- innovation as a result (J. Rihs, V. Hippel and others.)
- innovation as a modification (J. Schumpeter, F. Valens, etc.)
- innovation as a process (D. Tidd, D. Bessant, K. Pavitt, B. Santo and others)
- innovation as a complex of measures (F. Nixon).

It is necessary to notice that, despite the methodological approaches to the term consideration, at a date scientific discussion between scientists and economists still occurs, basically, only between supporters of the second and third among listed above approaches. So, today in many domestic and foreign scientific works a term «innovation» refers both to creation and implementation of something new and to its concrete result. Naturally, this diversity of definitions only creates confusion in terms, absence of single accepted position and a common point of view becomes a problem. Besides, nowadays a problem of absence of the official common terminology in the innovative activity sphere still exists.

Systematization of views of domestic and foreign scientists on the banking innovation essence (as a result, change, process, a set of measures) allowed to prove the necessity of its interpretation as a result of the development, implementation of new or improvement of existing banking services and products, technologies of banking activity implementation.

To specify the goals and outcomes of banks' innovation activity the complete classification of innovations is needed. Its development will provide a holistic understanding of the subject of study, and will identify problematic relationships and correlation of different groups and types of banking innovation. Summarizing the theoretical researches of domestic and foreign authors we led the range of banking innovations to one structure, the author's vision of which is presented at Figure 1.

Let's characterize some kinds of innovation presented on Figure 1.

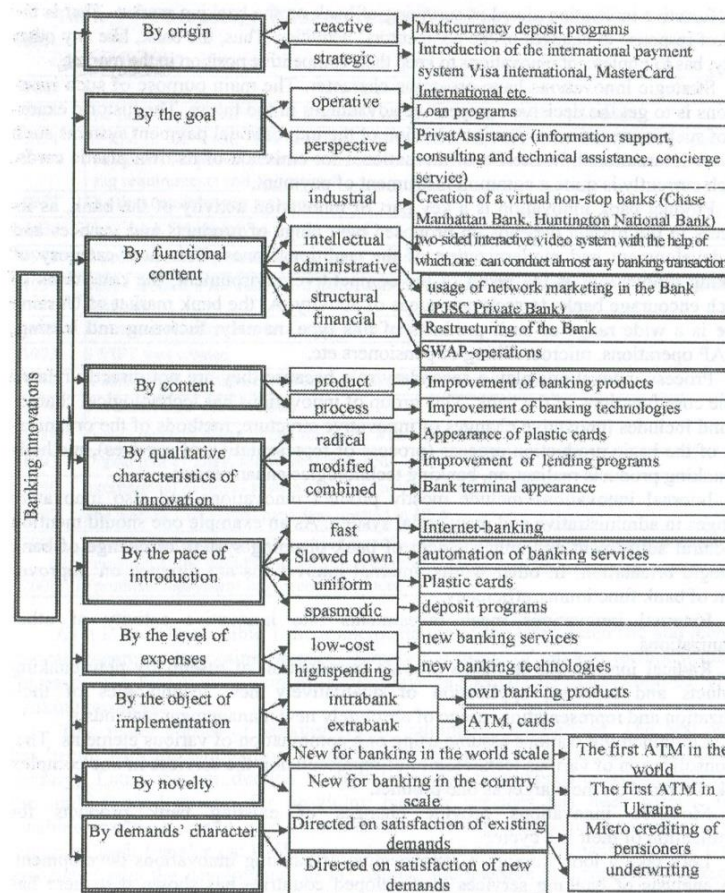


Fig. 1. Classification of banking innovations

Reactive innovation aimed at surviving of bank on the banking market. That is the kind of response to changes of the competitors' activities. Thus, the bank, like any other entity, has to implement innovations to keep their competitive position in the market.

Strategic innovations have proactive character. The main purpose of such innovations is to get the decisive competitive advantages in the future. The historic example of such innovation was the introduction of the international payment systems such as Visa International, MasterCard International for emission of its own plastic cards, which currently is quite a common instrument of payment.

Product bank innovation is a key part of innovation activity of the bank, as its success in the market depends on proposed new range of products and services and the development and modernization of the traditional ones. This new category of banking innovations is the result of the competitive environment, the conditions of which encourage banks to seek new areas of activity. At the bank market of Ukraine there is a wide range of such products of this type, namely: factoring and leasing, SWAP operations, microcrediting of pensioners etc.

Process innovations play a secondary role because they are not directly related to the core functions of the bank. This group of innovations has technological character and includes innovative changes of innovative structure, methods of the organization of the basic production process (process of representation of services), methods of banking products realization, banking technologies enhancement.

Internal innovations include mostly product innovations and also innovative changes in administrative and managerial system. As an example one should mention structural adjustment and enhancement of bank planning system or change of bank strategic orientation. In other words, internal innovations are directed on improvement of bank functioning efficiency.

External innovations mean investments into innovative activity of other organizations.

Radical innovations in banks provide introduction of essentially new banking products and services, application of qualitatively new technologies of their realization and representation, usage of absolutely new management methods.

Combined innovations assume using of a combination of various elements. That is consolidation of various technologies of representation the services in one complex packet offered on the market as one product.

Modified innovations provide changes of existing bank products for continuation of their life cycle.

Let's take a look through a retrospective of banking innovations development. The analysis of banking services in developed countries has shown that there has been accumulated great experience in innovation, including banking sphere. In our opinion, the research of this experience presents the great interest for domestic banks because they can be used at Ukrainian bank market taking into account its specifics. Therefore, the attempt to systematized stages of the most significant banking innovations development is presented in the article. The results of the analysis are shown in the Table 1.

Table 1 – Chronology of the most significant banking innovations development

Year	The essence of innovation
1661	The first state central bank in the world was established – Bank of Sweden
1824	At first in the world bank clearing system was set up in USA – the system of cashless payments for goods, securities and rendered services based on mutual financial accounting requirements and obligations
1937	The first credit bureau was established
1939	The first ATM prototype was invented
1949	A prototype of the modern credit card was released
1950	Banks created a network for transmission of financial information using telex communications
1961	The negotiable deposit certificates were introduced
1973	SWIFT was created
1972	A centralized electronic network of bank checks accounting was created
1974	The smart card was invented
1984	French bankers began to communicate with customers via e-mails
1993	Digital money DigiCash were introduced
1996	International payment system Visa International implementation
1997	The world's first virtual bank was opened in USA
2000	Association consisting of 12 major manufacturers of microprocessor cards announced the creation of the world's first universal electronic purse (e-Purse)
2008	Terminals repayment Ibox were introduced

As it is seen from Table 1 the implementation of the latest scientific and technological researches in routine practice, namely the usage of modern technical means for payment transactions' automation, has played a special role in development of the banking business.

Two major phases of banking system automation are defined. The first phase has begun with the automation of individual transactions (before 70-s years of XX century). Later, the introduction of digital technology acquired universal character, the multi-formed system for providing banking services has been formed (e.g. machines-cashiers, credit cards, automatized working places for bank employees, telegraph cash transfer etc.). The second stage (the present) of banks automation is associated with the development of IT, namely the massive proliferation of personal computers and electronic communicative means, as well as with changes on the financial market. At this stage electronic money are widely developed which have a long history of development.

Development of communicative means and the simultaneous increase of the number of people using the paid communication services promoted the remote banking services development. A number of essentially new banking services appeared, namely: TV-banking, mobile banking, home-banking etc. Internet-banking has be-

come the major among them. Firstly banks used a telephone system and the camera centers for customer services. Later the client had a possibility, passing the operator, to perform operations independently by means of direct modem connection. Nowadays in France direct communication with bank have about 300 thousand clients. In the USA all major banks offer the clients servicing at home. The information about level of Internet-banking penetration in individual countries is presented in Table 2.

Original causes of Internet-banking application by banks is a competition, in which Internet technologies considered as a way of holding and attracting customers, and cost effectiveness, because it's much easier and cheaper to distribute and realize online banking than to create traditional bank branches that require buildings and personnel.

Table 2. The level of Internet-banking penetration in individual countries

Country	Banks that offer Internet services, units	Number of banks in the country, units	The share of banks that provide online services, %	Users of Internet-banking, %
Germany	285	1042	27,35	50,5
Great Britain	170	679	25,04	45
Ireland	70	106	66,04	29,3
Sweden	45	122	36,89	57,2
Finland	12	102	11,76	52,8
Holland	62	150	41,33	36,7
Belgium	102	235	43,4	35,3
Luxembourg	152	280	54,29	38,3
France	143	609	23,48	42,4
Greece	35	77	45,45	17,2
Europe (average)	107	340	28,5	42,6
Russia	102	1590	6,42	15
Ukraine	10	180	5,5	1,2
USA	1532	7800	19,6	35

In addition, virtual banks appeared. The idea of online banking appeared in USA due to existing in the country restrictions on opening of branches in other states. Movement of the client (the migration in USA is very high) entails negative consequences for both parties: the bank loses customer and the customer loses all privileges acquired him in the bank and should prove his solvency again. Such banks had to search ways of granting services to the client who is in other state or country. Thus, the first virtual bank Security First Network Bank appeared in 1995, which exists till today, being one of the best banks of this kind. In the real world it has no office or branch neither any usual attributes of a bank – the bank clients conduct operations over the Internet. According to recent reports there are 17 independent virtual banks and nearly 23 virtual banks with the trade name in the USA. In 1995 in Europe

other banks that offered Internet-banking to clients on a qualitative new level appeared, that are fully using Internet communication and service opportunities. Today banking system successfully works through the Internet not only in major Western banks, such as Citicorp, Bank of America, First Union, Wells Fargo, Union Bank, etc., but in hundreds of medium and small banks around the world. A new term that refers to a virtual bank emerged – branchless bank, which exists only online.

It is also necessary to notice that today in the Western Europe (Germany, Spain, France and Netherlands) there are twice more of electronic banks than in the USA. The highest ratings for the services quality provide the following banks: Security First Network Bank; Wells Fargo Bank; Citibank; Salem Five Cents Saving Bank; Bank of America.

Along with Internet-banking mobile-banking also gets the increasing rates of development. Introduction of mobile banking services in modern global economy is one of chief goals for participants in the market sector of wireless technologies – the companies providing payment transactions, financial institutions and telecommunication firms. Though it is still necessary to solve many problems in this direction, mobile banking incomes already grow, and according to the international analysts statements this tendency would remain in foreseeable prospect. For the banks of the world it is a great chance to learn a new market of wireless banking services, to attract more clients and get a new real source of replenishment of their incomes.

Fig. 2 presents data of non-profit association Mobile Marketing Association (MMA), which is engaged in marketing researches by mobile communications. At the moment about 46 million of U.S. households use the Internet bank. Till the end of 2008 10% of this quantity of households has been using mobile banking.

However, despite the information technologies development total banking automation was not achieved for today. Clients still need live human interaction. Therefore along with the self-service development abroad we can see the trend of emergence of so-called «banks of the new wave», a key characteristic of which is the change of image of the bank through the formation of non-traditional departments. So, in 2003 in Portland (USA) a new type of bank branches of Umpqua Bank appeared. They appeared in the form of comfortable, cozy cafes. Today, specialists in these departments are trying to plan everything in detail, even the sounds and smells. In addition, films are shown, and regular clients get a free record CD-ROMs of their favorite singers and conducting a series of measures which absolutely not connected with the financial sphere. Another bank Washington Mutual has introduced an innovation focused on customers with children. Administration of this bank anticipated the availability of playgrounds with books and video games. In 2004-2005 its retail banking operations increased by 23%, reflecting the increase in clients and increase of cross-selling. One should note that this trend was armed to a number of banks' armory. As a result they had an increase of client base.

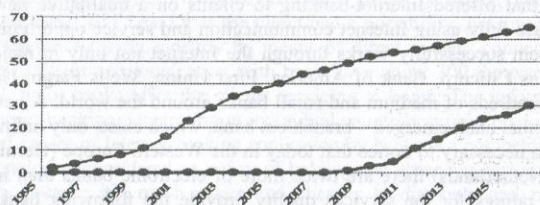


Fig. 2. Mobile banking and internet banking. Current situation and outlook till 2016 according to MMA data (million U.S. households)

In modern banking business models focused primarily on improving service quality are widespread, and according to this the revenue increase of these banks is seen. For example, following the proclaimed motto «The Most Comfortable Bank of America», Commerce Bancorp (USA) not only extended the working day, but brought the practice of «seven days a week» work. A similar practice is led by the Ukrainian bank «Khreschatyk».

In addition, analysis of innovative changes in foreign banks showed the increase of intensity of using a customer self-service areas that may significantly reduce the burden on specialists of bank cash operating room and, consequently, reduce the number of account managers and cashiers who perform routine operations. It also would help to increase the number of managers involved in loan accounting, consulting and other services. Important role is played by ATM (Automated Teller Machine, ATM) – multifunctional machines (autobanks) controlled by the latest generation of magnetic cards.

One of innovative tendencies in bank servicing is introduction of new ATM functions. The Bank of Queensland (Australia) transferred its ATMs to new system based on Windows operating system that allows the bank to use an ATM as a marketing tool. For example, ATM Bank of Queensland can offer lower interest rates on new credit card to card owners from other banks [3]. At the same time in Singapore the standard ATM offers to clients about 35 types of services, including such non-traditional services for other countries as acquisition of cars and renovation of driving licenses.

The market of payment cards is also constantly renewing. For today the wide nomenclature of credit and debit cards is offered to a client, each of which is used for payment for a certain service. For example, quite common is a debit card, which let the client to pay for medical services. Also loyalty programs are very popular, when for every purchase paid with the card clients are awarded with prize points. They can be used to buy certain products or services of the companies bank have an agreement with. Similar loyalty programs are used by Ukrainian banks also, for example by «PrivatBank». A significant innovation in the banking sector has been emission of privileged cards. Such cards as World Signia (international payment system MasterCard International) and Visa Infinite (international payment system Visa Interna-

tional) take significant place in the hierarchy of bank cards in the world [301]. Such cards are emitted by the bank board's decision, so they are exclusive for each client. For today in Ukraine these cards are emitted only by «PrivatBank».

As for innovations in the sphere of protection against possible fraud by the unscrupulous clients, one should mention the experience of United Nation Bank (UAE). This bank was the first in UAE to introduce an innovative system of automatic signature verification. It ensures the verification of signatures by two criteria: stable individual characteristics and dynamic features of signature that also have individual character. As a result check processing time was reduced and safety of these operations was increased.

IV. Conclusions

Summarizing the results of this research, it's appropriate to highlight most common innovative changes in banks nowadays:

- 1) change of the structure and appearance of banks: multi-channel activity with a combination of new and traditional technologies and tools, self-service, remote service, phone centers;
- 2) virtual banking and financial technologies: bank account management, cash payments, electronic signature, conclusion of contracts;
- 3) integrated usage of new informational and communication technologies for electronic and mixed (new and traditional) marketing;
- 4) new opportunities for internal control and audit;
- 5) changes in personnel skills: product manager, consultant, specialist in consulting and transactions.

Modern trends of the global banking market show that the focus of leading European banks is focused, primarily on changing the structure and image of the bank. So new organizational structures appear, methodology of relationship with customers and principles of office management changes, branch managers are provided with additional power and rights. In addition, modern banks are developing in a globalizing of telecommunications, remote self-service becomes more widespread.

Thus, interest of banks in development and introduction of innovations, is conclusive despite its riskiness. Development of new bank products and services is a process of change of banking strategy.

Thus, the analysis has shown that introduction of innovations concerns various spheres of bank activity, therefore the majority of innovations can't be carried to a concrete kind from classification offered above. So, for example, product innovations are often accompanied by marketing and technological, and structural – by administrative.

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CONSTRUCTION OF A COST MANAGEMENT SYSTEM OF ROAD COMPLEX ENTERPRISES

A new perspective on the issues of construction of cost management system of road complex enterprises on the basis of a systematic approach and comparative analysis of its structure and content has been suggested.

Keywords: cost, management, system, resources, functions, aims, road enterprise

I. Introduction

In the conditions of economic crisis that is accompanied by insufficient funding of industries of national economy of Ukraine, including strategically important, the issues of forming of an effective cost management system of road complex enterprises are especially actual.

Road construction is one of the main production areas, that provides solving social and economic problems at the macro and micro-economic levels, and directly affects the main economic indicators of the country. The aim of functioning of road complex in Ukraine is the creation of a national transport system, integrated in international transport corridors.

Road construction includes construction, reconstruction, operation and maintenance of roads and roadside infrastructure. Accordingly, the achievement of a stated goal is through the implementation of a wide range of road construction and services related to them, that specify the activity of domestic road enterprises and organizations, as well as Ukrainian contracting road construction market in whole. Limited financial resources to development of the industry specify the subordination of such enterprises to principle of minimizing production costs of road construction works and services in combination with rational distribution of productive resources.

A lot of scientific papers of domestic and foreign scientists, such as: I. Blank [1], S. Brju [2], R. Vakulenko [3], S. Kotlyarov [4], Yu. Kravchuk [5], K. McConnell [2], D. Sigal [6], Ye. Stepanova [3], A. Turylo [5], Yu. Tsal-Tsalk [7], A. Chernova [3], D. Shima [6], V. Shumilin [3] and others, are devoted to considering the economic essence of costs as the basic economic category. The theoretical and practical aspects of essence of costs are represented in most works of these scientists, their classification is given and the search of the main directions to their cut according to macro- and microeconomic approaches is carried out.

However, the problem of establishing feedback between production cost management and the efficiency of the industrial enterprise in whole has not received sufficiently complete and systematic reflection, along with the fact that in current market operating conditions the production costs have a significant impact on management decisions.