

ISSN 1561-6894

NR 8 (53) 2012

Nauka i Studia

Przemysł
Nauka i studia
2012

Wydawca: Sp. z o.o. «Nauka i studia»

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54,90 zł (w tym VAT 22%)

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TREŚĆ

EKONOMICZNE NAUKI

Fisun Irena WSPÓŁCZESNY ROZWÓJ UBEZPIECZEŃ NA ŻYCIE W UKRAINIE.....	5
Tajibaev S.D., Bekzhanova T.K. NON-OBSERVED ECONOMY OF KAZAKHSTAN	13
Aleskerova Y. OBSZARÓW ROZWOJU ORAZ USPRAWNIENIA MECHANIZMU UBEZPIECZEŃ POWIAZANIA KRAJOWEGO RYNKU UBEZPIECZEŃ	18
Iglikova Gulnar, Karabayeva Nargiz THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN SUSTAINABLE DEVELOPMENT	23
Kotlyarova S.N. INFRASTRUCTURE CONSTRAINTS AND DEVELOPMENT OF PUBLIC-PRIVATE PARTNERSHIP	30
Evchenko N., Krukhal O. RESEARCH OF COMPETITIVE ADVANTAGES OF BANKS IN UKRAINE FOR THE FORMATION OF DEPOSIT STRATEGY IN CRISIS AND POST-CRISIS PERIOD	35
Krainyuchenko O., Belova T., Gavrilova T. DIFFERENT MATRIXES OF BOSTON CONSULTING GROUP	44
Kravchuk I.P. REGIONAL TRENDS IN THE NETWORK ECONOMY	49
Skrygun N., Bezpalko O., Kapinus L. MULTISENSORY MARKETING AS AN INSTRUMENT INFLUENCE ON CONSUMERS' BEHAVIOR	56
Margareta Berdar ATTRACTING FINANCIAL RESOURCES THROUGH THE SECURITIES MARKET	61
Yeris Lyubov THE IDENTIFICATION OF MARKET POSITION OF THE BANK ON THE FINANCIAL MARKET.....	68
Salo I., Lysianska O., Pavlenko L. EVALUATION OF RISK-BASED PROFITS OF BANKING PRODUCTS	78
Vanin V.N., Lomasov V.A. DECISION MAKING INSTRUMENTAL SUPPORT OF STRATEGY CHOICE IN PARTIALLY REGULATED SUBMARKET	84

Kryuchin O.V., Tarasov E.P. DAVIDON-FLETCHER-PAUEL PARALLEL ALGORITHM FOR THE TRAINING OF ARTIFICIAL NEURAL NETWORKS IN THE ECONOMIC SPHERE.....	91
Amanzhaev D.G. MORTGAGES AS A TOOL TO STIMULATE REAL INVESTMENT	106
Lagutina K. FINANCIAL PRINCIPLES OF CORPORATE MERGERS AND ACQUISITIONS	112
Andriichenko O. BRAND. BRANDING. COUNTRY BRANDING IN SPAIN	120

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THE IDENTIFICATION OF MARKET POSITION OF THE BANK ON THE FINANCIAL MARKET

The article presents research results concerning main provisions of the bank market position. The main indicators of the bank market positions concerning the size, concentration, competitiveness, financial sustainability are identified. The basic performance of Ukrainian banks in general banking system of Ukraine and in the context of individual groups of banks has been analyzed. Proposals on providing financial stability of banks have been suggested.

Keywords: market position, financial stability, assets, liabilities, capital.

Problem

Resilience and stability of the banking system is one of the most important development conditions of any national economy [3, p. 49]. Stability, predictability and transparency of the banking system allow increasing significantly the foresight of its activities for investors and increasing attractiveness for economic subjects. The stability of the banking system depends not only on the level of competitiveness and sustainable growth trend, but on the total risk.

For this reason the research indicators of banks market position in the current conditions of financial markets become important.

Analysis of recent publications

Analysis of recent publications shows proper attention of scholars to the issue of market position of banks nowadays, among which should be highlighted scientific papers of Gladkyy B. [5] A. Dzyublyuka [7] A. Epifanova [8], Yermoshenko A. [10] V. Kovalenko [13] February I. [15] A. Mahoty [16] A. Mishchenko [17] J. Toryanyk [22]. Fomin and [23] N. Shulga [24] and others.

But the main issue that is worth considering in future research is the definition of evaluative indicators which can help to measure the market position of banks.

The purpose of the paper is reasoning the basic parameters of the market position that determines the position of banks in the financial market.

The main material

The Ukrainian banking system in recent years shows unstable indicators of development that is a result of the last financial crisis.

Current conditions of the banking business, new market niches in the banking market, the implementation of new banking technologies cause increasing competition in the money-credit market. In such circumstances, banks have to expand the list of its own operations and services, improve service quality to attract more customers, increase rates of return and profitability of its activities in general. Strengthening banking competition, which is manifested in the rivalry between banks and other nonbank financial and credit institutions, banks strive to achieve the leading position in selected segments of the banking market, which ultimately determine the overall competitive position. During the competition, banks solve problem of competitive positioning, which is a choice, competition and the formation of market position.

In our opinion, market position involves identifying key indicators that can help to evaluate the level of stable market conditions for capitalization, balance of involved and placed bank resources and their adequacy [9, p. 71-80].

Accordingly, the indicators of the market position of banks to the following classification groups are proposed to consider:

Firstly, these are the indexes of banks performance scale measured by assets, capital and liabilities in general, regionally and in comparison with other foreign financial systems.

Secondly, these are indicators of concentration, capitalization, efficiency of foreign capital in the banking system.

Thirdly, these are indicators of financial stability and liquidity of banks.

Fourthly, the structural performance of the banking system.

Fifthly, indicators of banks' risk performance.

If we consider the basic performance of banks by their size, it should be noted that the most dynamic according to the development of the banking system for the research period stands 2007 (*Table 1*).

Table 1 Growth rate of key performance indicators of banks of Ukraine for 2007-2011, %, calculated by the author according to data [18]

Indicators	2007	2008	2009	2010	2011
Assets	176,2	154,5	99,96	100,07	111,9
Loans	180,2	163,2	99,94	101	109,3
Liabilities	178	152,3	99,95	105,1	111,7
Capital	163,5	171,4	99,97	119,6	112,9

This year we can observe balance between the growth rates of obligations, loans and total assets. Peak of reduction in the magnitude of the banking business is 2009.

This is due to crisis situation of the financial system. 2011 is characterized by increased growth of assets, liabilities and loans, but the problematic issue is the level of bank capitalization.

It should be noted that in 2011 there was a tendency of increasing concentrations of assets, liabilities, equity in banks and groups that are able to lend to large projects and play a major role in the banking system and socio-economic development of Ukraine (Table 2).

Table 2 Distribution of Ukrainian banks into groups according to key performance indicators for 2010-2011, compiled by the author on the materials [6]

Indicators				Absolute growth		Growth rate for 2011, %
	01.01.2010	01.01.11, .	01.01.12,	for 2010	for 2011	
Bank of firstgroup						
number of banks	18	17	-1	17	-	-
total assets, thousands grn	606 249 970	628 785 640	22535670	705 448 994	76663354	112,12
loans to customers, thousands grn	526 177 181	524 602 494	-1574687	570 967 268	46364774	108,83
commitment, thousands grn	524 865 476	537 299 070	12433594	603 658 802	66359732	112,35
equity capital, thousands grn	15 500 971	91 486 572	75985601	101 790 189	10303617	111,26
Banks of the second group						
number of banks, thousands grn	19	22	3	19	-3	-
total assets, thousands grn	138 333 751	170 328 631	31994880	155 635 762	-293969513	91,38
loans to customers, thousands grn	102 695 063	128 895 493	26200430	120 459 375	-8436118	93,46
commitment	122 832 778	149 895 167	27062389	132 484 397	-17410770	88,38
equity capital, thousands grn	10 095 508	20 433 463	10337955	23 151 364	2717901	113,30
Banks of the 3rd group						
number of banks	21	21	-	22	1	-
total assets, thousands grn	57 033 261	59 806 008	2772747	81 974 135	22168127	137,07
loans to customers, thousands grn	43 813 668	44 167 540	353872	52 051 738	7884198	117,85

commitment, thousands grn	46 937 753	51 430 722	4492969	72 146 029	20715307	140,28
equity capital, thousands grn	13 226 647	8 375 285	-4851362	9 828 104	1452819	117,35
Banks of the fourth group, thousands grn						
number of banks, thousands grn	121	115	-6	117	2	-
total assets, thousands grn	71 832 592	83 163 715	11331123	111 213 396	28049681	133,73
loans to customers, thousands grn	53 609 876	52 870 852	-739024	70 385 368	17514516	133,13
commitment, thousands grn	58 605 942	65 733 918	7127976	90 496 117	24762199	137,67
equity capital, thousands grn	13 226 647	17 429 793	13226647	20 717 269	17429793	118,86
Total in the banking system of Ukraine						
number of banks	179	175	-4	175	-	-
total assets, thousands grn	873 449 574	942 083 994	68634420	1 054 272 287	112188293	111,91
loans to customers, thousands grn	726 295 788	750 536 379	24240591	813 863 749	63327370	108,44
commitment	753 241 949	804 358 877	51116928	898 785 345	94426468	111,74
equity capital, thousands grn	120 207 619	137 725 113	17517494	155 486 926	17761813	112,89

As of 01.01.2012 for the first group accounts 66.91% of assets, 70.16% of loans, 67.16% obligations and 65.47% capital of banks. It can be argued that the process of monopolization of the market of credit services to major banks is taking place.

According to the data in Table 1, the balance equity in the banking system of Ukraine has increased for 2011 by 12.89% and on 01.01.2012 is 155 486 9266 9.6 grn. It should be noted that in such banks of the 4th group such as «Inprombank» and the bank «Capital» for of 01.01.2012 capital of banks is negative, respectively 180 344 grn. and 11 546 grn., indicating that the amount of liabilities of these banks exceeds their assets.

In 2011 an increase in banks' funding base, stability and sufficiency of which is an indispensable prerequisite for evaluation of the market position of banks is observed.

For 2011 the obligations of banks of Ukraine have increased by 11.74% and by 01.01.2012 they are amounted to 898.8 billion. The increase in liabilities of banks took place mainly at the expense of economic entities – 186.5 UAH billion., or by 29.3%, including term deposits of economic activity – 74,2 billion USD., or 34.3%, of individuals – 306.2 billion., or by 12, 9%.

It should be noted that bank capital is an important indicator in determining the market position of banks. How good banks will pay attention to the formation of capital depends their ability to carry out actively banking transactions and provide services, their market position and role in a process of economic transformation and further development of the economy on market principles.

During 2011 banks continued to increase their capital base. Among the major trends in the development of banking system in 2011 is worth noting the positive trend of growth in banks' regulatory capital, which for the year has increased by 17.6 billion, or by 10.9% and for 01.01.2012 is 178.5 billion USD. (*Table 3*).

Table 3 Dynamics of banks' regulatory capital of Ukraine for the period from 01.01.2007 to 01.01.2012, calculated by the author according to [18]

Indicators	01.01. 2007	01.01. 2008	01.01. 2009	01.01. 2010	01.01. 2011	01.01. 2012
Sum, billion	41 148	72 265	123 066	135 802	160 897	178 454
Growth rate, %.	165,4	175,62	170,0	110,35	118,48	110,91

Enhancing competition in the banking system requires from banks to process bank capitalization and performance of a mediator of transformation, which in turn affects the stability and adequacy of resources.

Transformational function of the bank German scholar G. Ashauer defines as: the transformation period – converting short-term money in the long term; the transformation of the size of money sums – converting a large number of small deposits in a small number of loans; risk transformation – banks, acting as intermediaries between depositors and borrowers of money transform risk investors, reducing it [2].

American researcher RG Hubbard considers the function of banks as intermediaries as follows: the interaction of depositors and borrowers that is accumulation of many small depositors to provide loans to borrowers, reducing the risk of liquidity and information. As agents work with a large number of depositors and borrowers, they have much better opportunities to diversify risk than an individual investor[4].

Transformation function for today is a manifestation of the basic requirements in Basel III [11]. First of all, the above mentioned concerns performance of indicator of the adequacy of banks' regulatory capital in Table 4.).

Table 4 Regulatory capital adequacy (H2) and the share of capital in liabilities and in the whole banking system of Ukraine for the period from 01.01.2007 to 01.01.2012, %, prepared by the author on the materials [18]

Indicators	01.01. 2007	01.01. 2008	01.01. 2009	01.01. 2010	01.01. 2011	01.01. 2012
Regulatory capital adequacy (H2)	14,19	13,92	14,01	18,08	20,83	18,9
The share capital in liabilities	12,5	11,6	12,9	13,1	14,6	14,7

In general, you can agree with the opinion of V. Kovalenko, that the main problem areas of capitalization and concentration of bank capital are: the formation of optimal capital structure of banks, particularly in terms of sources of and use of subordinated debt; development of complex constraints in the process of attracting foreign capital into the banking system of the country; the implementation of best practices in the banking system: the latest technology of the banking business, new services and products, software; the implementation of preferential taxation of income that is used to increase bank capital; creating a proper regulatory framework for mergers and acquisitions procedures of banks without administrative pressure based on objective economic needs [14, p. 53].

As a rule, banks increasing capital by several classical methods. But the real set of options in Ukraine is quite limited. Thus, relatively minor net profits of banks are not a reliable source of growth capital. Capitalization strategy through mergers and acquisitions in the banking system so far is more theoretically possible. Increased interest in entering outside investors the financial market opens significant opportunities for banks development, but the objects of attention are especially strong banks with extensive branch network, customer base and image of financial institutions stability.

Proponents of policies of foreign capital inflows find that the presence of foreign banks is a positive factor for development of the banking system as increases competition, provides income of investments, improves the service of Ukrainian economics. In Ukraine, the bank with foreign capital is recognized such bank in which the share capital that belongs at least to one foreign investor is not less than 10 percent [20].

According to the National Bank of Ukraine as of 01.01.2012 in Ukraine is registered 198 commercial banks, including the participation of foreign capital – 53, that is 26.77% of the total number of banks in Ukraine. For comparison, for 01.01.2011 there were 194 commercial banks, including the participation of foreign capital – 55, or 28.35% of the total number of banks in Ukraine. Including the 20 banks for 01.01.2011 and 22 banks for 01.01.2012 with 100% foreign capital. It should be noted that the share of foreign capital in total share capital of banks for 01.01.2012 is 41.9% (Table 5).

Table 5 Dynamics of banks with foreign capital, the number of banks with 100% foreign capital and foreign capital share in the authorized capital of banks in the banking market in Ukraine for the period from 01.01.2007 to 01.01.2012 [18].

	01.01. 2007	01.01. 2008	01.01. 2009	01.01. 2010	01.01. 2011	01.01. 2012
Number of banks with foreign capital	35	47	53	51	55	53
Number of banks with 100% foreign capital.	13	17	17	18	20	22
The share of foreign capital in the authorized capital of banks, %	27,6	35	36,7	35,8	40,6	41,9

In recent years, an increase in the share of foreign capital in the banking system of Ukraine is observed. For five years the number of banks with foreign capital in Ukraine's banking system increased by 18 and the share of foreign capital in the authorized capital of banks increased by 14.3%. Also the number of banks with 100% foreign capital is increased by 9.

This testifies that foreign investors are investing their money in the development of the banking system of Ukraine.

Conclusions and further exploration

Thus, for providing the market position of banks it is necessary to resolve the issue of stimulating the development of capital markets, which is very important for Ukraine as a set of financial instruments is limited (loans, deposits); increasing the efficiency of the banking system in general; improving corporate governance, which reduces share of assets that do not provide revenue and improving asset quality; increasing competition in the market for long-term lending and increase of foreign banks role.

In general, the market position of banks depends on the pace and development of integration processes and the presence of foreign capital in the banking system of Ukraine. That is why the presence of foreign capital in the national banking system

should positively affect the financial potential of the banking system of Ukraine. However, flow of foreign capital into the banking system of Ukraine also has its negative impact on the financial sector of Ukraine, because Ukraine's lack of own transnational banks can put it in dependence on foreign financial institutions that will determine the direction and dynamics of the financial processes in Ukraine.

To ensure financial stability of banks should be made:

- support for financial resources in accordance with the real return on investment in production;

- diversification of the banking system at national and regional level, to ensure the structure of the banking system structure of the real economy through the formation of different-sized banks, the banking infrastructure, the location of banks on the basis of proximity to the client;

- coordination of monetary and industrial flows, based on the fact that the basic manufacturing, industrial apparatus and other sources of economic growth is in the regions;

- ensure the transparency of each bank, especially their branches.

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