Principles And Rules Of Financial Planning In Banks In The Crisis Krukhmal O.

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Problem statement. Operation of any bank and its successful performance depends on the ability to take such administrative decisions that allow the bank to provide the proper level of liquidity, profits and save contractors accounts from the negative impact of various banking risks. A key indicator of banking institution position is the strength and quality of financial planning. Banking activity planning is the process of setting goals for the future and finding ways to achieve them. Thus, it is impossible to reach appropriate level of efficiency, without proper

system of financial planning.

Research on specific issues in the field of financial planning in the banking institutions devoted to the work of OV Vasyurenka, AP Vozhzhov, A. Epifanova, AM Frost, S. Kozmenko, AJ Kuznetsova, A. Kolodzieva, LA Prymostky, IV Sala, MI Savluk, OA Creakle, B. Syurkalo. The importance of these issues is also discussed by Western scholars: G. Aylenberha, P. Rose, S. Myers, E. Nikbahta, G. Cinque, Timothy W. Koch, DP Whiting and others.

Remaining part of the problem. Despite the importance of achievements of domestic and foreign scholars in this field, current Ukrainian environmental conditions require to define the characteristics of financial planning and directions of optimization. In the face of uncertainty the financial planning process can not remain the same as under conditions of stability: planning horizon should be reconsidered, plans should be more flexible, it is necessary to set appropriate goals. One could well argue that the role of planning under uncertainty is not reduced, but the process of financial planning is much more complicated.

It is also important to take into account the shortcomings in the technology of Ukrainian banking planning itself that involves periodic set of goals and plans based on achieved results. This approach does not takes into account not only the continuous and dynamic nature of the variability of the environment, but also the potential of the bank, which significantly reduces the efficiency of financial planning as a management tool, especially in a crisis situation. Thus, the purpose of our study was to find areas to optimize financial planning in banks under uncertainty.

To solve this problem, we have defined the features of financial planning under uncertainty in Ukraine.

The main results of the study. In a constantly changing environment of the financial market the most crucial part of managing the bank is planning. It is where the policy of the bank is set starting from idea, then moving to introduction of specific measures and quantitative indicators to control the process, and up to the implementation of it.

Planning allows us to predict the future development of the bank. More efficient use of all resources, control of possible risks in active and passive operations, timely introduction of new services, improvement of the quality of service adjusted to market conditions. This all lead to better profitability and consistent growth of capital.

Planning is a complicated and extensive process that covers all aspects of organizational and financial management of the bank in the

context of the external and internal environment at the strategic, tactical and operational levels.

The effectiveness of the planning system is based on principles (Fig. 1).

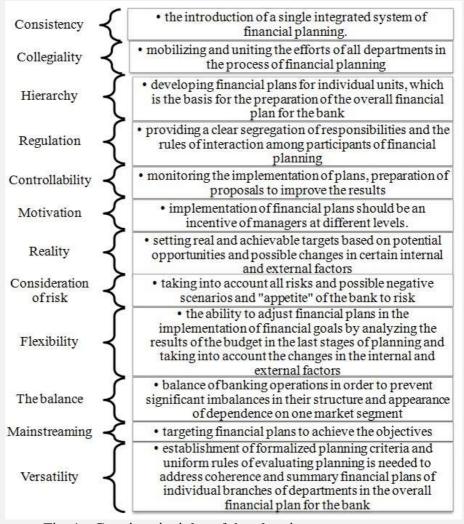


Fig. 1 - Certain principles of the planning system

Development of a reasonable plan is impossible without a detailed analysis of the actual situation of the bank and forecast of future activities of the bank. Planning allows you to define tasks that ensure the effective functioning of the bank in the long term and rapid adaptation to changing environmental conditions [3,506].

In the process of financial planning one should define key trends of banking financial resources usage, establish the fundamental provisions to form financial relationships with contractors.

The main objects of financial planning at banks are assets and liabilities portfolio of banking services and related income and expenses. Planned units in financial planning in the bank may include bank as a whole and its institutions (branches, additional offices); internal structural divisions of the Bank and its products (transaction services) and customers. Thus, planning is a continuous and comprehensive process. It is also important to determine the planning horizon - a period which made the construction of financial plans.

In developed economies planning horizon is 5 years broken down by year. With the development of Ukraine's economy, especially in the banking sector planning horizon should be no more than one year, given the volatility of interest rates and exchange rates. But most banks plan their activities on a quarterly basis with monthly breakdown. This is not so much related to problems of predictability of financial and economic situation in the country, but to government regulations of forming mandatory reporting including taxes.

Planning stages include:

- oal setting (defined goals and objectives that need to achieve);
- search for alternative solutions (identifying all possible alternatives or ways to achieve goals and selection of alternatives that include a detailed study);
- evaluation of alternatives (impact assessment of alternatives to achieve qualitative and quantitative objectives in terms of expected future environmental situation of the bank, as well as the uncertainty of the internal environment of the bank, which is to change the same objectives, measures and restrictions);
- decisions (the selection of alternatives to be implemented and which will ensure the most effective operation of the bank's planned period);
- implementation plans (implementation of the selected alternative and direct guidance on the implementation of plans to create incentives for the implementation of plans);
- control performance (determined by the actual performance of plans, compared with the plan, subject of a detailed analysis of the results of which, if necessary, the decision to hold a reevaluation of alternative ways of development of the bank) [3,

5091.

Thus, the planning process — is a systematic goal setting and determination of the structure and sequence of measures to achieve them. With the help of financial planning goals and targets are set and readjusted along with objectives and activities of the bank, by setting specific absolute and relative indicators of performance. Financial planning requires a comprehensive and integrated assessment of banking strengths and weaknesses, organizational and financial structure, financial performance, personnel policy and oversight of the bank. The next step is to develop a plan of corrective measures that would have shifted the emphasis from the bank as such, to the results of this activity.

There are several strategies that not only allow to operate properly, but also to grow and develop operations even in conditions of uncertainty. The first one is to identify small but growing market segments in the stagnant sector. The hardest part of this approach is to make sure that segment is identified correctly and be able to forecast the segment properly. Another approach is to diversify activities on the basis of current operations, but improve the quality of it by introduction of new banking technologies. This approach is promising because successful innovation can bring significantly higher quality of service and contribute to a rapid growth of client base. The advantage of this approach is that it will also allow to win in non-price competition. And earn good profits by providing innovative services. The third approach is to focus on the dramatic cost savings that will give more competitiveness. Such approach will allow achieving higher profitability on bigger volume of operations. To introduce this approach one should close all unprofitable business units, structural units, reduce operational and economic costs by optimizing internal processes.

Currently, banks in Ukraine are experiencing a difficult phase of its development. Mergers and acquisitions are very frequent; market competition is greater than ever. Banks operate under conditions of economic recession, high inflation and low solvency of the population, so they have to take up new niche markets and offer new products. Banking activities are also affected by a number of other factors, such as the need for a positive rating by international agencies, a significant presence in the domestic market of foreign capital, compliance with international standards. All this requires bank managers to improve the quality of management decisions. To address all these issues and find high-quality solutions managers need to organize proper assets and liabilities plan of the bank.

Another result of the practical application of financial planning is the availability of technology planning that have resulted from differences in banks by size, type of business and professional level staff (Fig. 2).

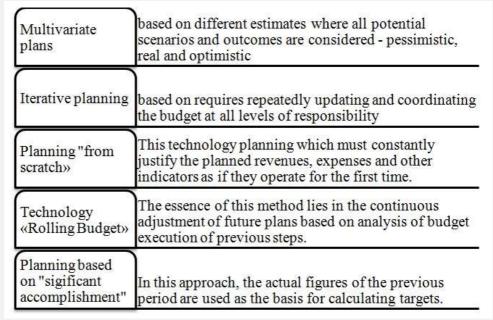


Fig.2 - Most recent planning technologies under uncertainty

It is also advisable to select multiple rules to increase the realism of financial planning in crisis conditions, which are subject to high uncertainty. Firstly, planning based on a pessimistic forecast. In operational terms appropriate to use pessimistic premise of factors and provide maximum compensating measures will somewhat negate a high degree of uncertainty. Second, the preparation of crisis plans should be based on expert assessments of employees and, most important, increase the powers of branches in the preparation of plans. This approach will give affiliates greater independence and create the conditions for creativity leaders and specialists of regional offices, which will take into account the real possibilities of branches and use the full internal and external potential, given local conditions and to determine the real needs of customers, to achieve objectivity, reasonableness and reality developed financial plans. Using peer reviews is one of the main problems for uncertainty. This method can not get accurate data and

forecasts. Thirdly, it is responsive to changes. Under conditions of high uncertainty the bank has to strengthen macroeconomic data gathering and be able to broadcast the results in time to get fast response.

Thus, the process of financial planning is tailored to certain conditions of the bank. Understanding of financial planning in banks under uncertainty and implementation of directions of its optimization allows to take into account when planning a continuous and dynamic nature of changes in the external environment, the possible negative scenarios, potential threats and risks and to plan measures to prevent them. And with the ability to adjust financial plans in the implementation of the set objectives can significantly improve the efficiency of the developed plans as a management tools. We propose to use scenario planning where dynamic changes of the environment are taken into account. All potential threats and risks are considered and measures planned in advance to prevent them. Important feature of this approach is to introduce mechanism of "sliding" financial planning that allows to continuously adjust financial plans to meet required result.

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