

**RESEARCH OF COMPETITIVE ADVANTAGES OF BANKS IN UKRAINE
FOR THE FORMATION OF DEPOSIT STRATEGY IN CRISIS AND POST-
CRISIS PERIOD**

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Annotation. In article are considered evaluation methods of depositary policy of banks in terms of its competitiveness during the financial crisis and post-crisis period. The reasons of deposit outflow of resources from the banking system of Ukraine are investigated. Proved scientific and practical recommendations of the formation of the deposit bank's strategy and its basic components that will provide a competitive market position of deposit services to attract the required volume of deposit resources.

Keywords: depositary policy, evaluation of depositary policy, deposit strategy of the bank, management techniques of deposit resources, marketing instruments of deposit strategy, brand of bank, image - advertising of bank.

I. Introduction. Essential precondition for the stable positions of the bank in competition for the depositor and successful realization of the purposes of the deposit policy is to research the spectrum this kind of services offers other appropriate banking institutions within the region or target group of clients and developing relevant strategy in the market. Taking into account escalation of interbank competition in terms of deposit outflow especially important are the issues of formation of such a strategy in the area of deposit services that can be able to turn a simple depositor to a reliable partner of the bank and to provide them with strong and a long lasting business relationships.

The development the deposit policy and its importance in ensuring the stability of the banking institution devoted a lot of scientific papers. The circle of the investigated problems covering the themes of principles of formation the deposit policy [1], the use of financial models for research of deposit banks strategies [2].

The works several scientists, including A. Mamontov [3] A. Zaitsev [4] N. Drebot, O. Galko [5], M. Vitvitsky [6] devoted to the developing measures for stimulating the inflow of money to deposit accounts of banks.

However, it should be mentioned that many scientists focus on developing measures for increase of deposit resources, overlooking in this case research the causes of outflow of money and restore the trust of depositors in banking sector.

II. Problem statement. This article is aimed reasoning the scientific approaches to optimization of bank deposit policy, which will allow keep the deposits and increase the investment during crisis and post-crisis period based on the search of the causes of outflow of money and development marketing strategy of bank's behavior at the appropriate market segment.

III. Results. The factors of internal and external environment are influencing to the process of involving of deposit funds, should be included in developing of bank deposit policy and its implementation. At the same time management of the deposit base of the bank is based on regulation supply and demand for deposit services and the development of deposit strategy of the bank. Under the bank deposit strategy we mean a set techniques and instruments for the formation of the deposit portfolio of the Bank, as well as complex of measures for strengthening its competitive positions on the market of deposit services to provide the required volume of deposit resources.

Effectively organized deposit policy may become determinant of the reliability of the Bank and its financial stability, a precondition for achievement indexes of solvency and liquidity. Evaluating the effectiveness of depositary policy propose to carry out by using of situational analysis, during which are detected the dynamic characteristics of market segments of deposit services and degree of their coverage , and expert method by the following criteria: reliability and image of bank, the volume of bank deposits range of services, technological support of deposit

transactions, service conditions, the intensity and quality of the advertising campaign, the level of staff development. Based on the results of the analysis of deposit policy, management of the bank can choose one of the strategies of behavior at each of the allocated market segments.

In period of economic crisis the growth rate of deposits is much decreased. According to the Association of Ukrainian Banks [7], in the first half of 2009 the outflow from deposit accounts has reached 61 bln. uah. The most deposits in the first half of 2009 had lost: Privatbank – 6,7 bln. uah., OTP Bank – 5,2 bln. uah., Alfa-Bank – 4,1 bln. uah. (Table 1). The main reason for the outflow of deposit investments – public does not trust the banking sector.

Table 1 – The deposits outflow rating of banks of Ukraine during the period from 1/1/09 to 1/10/09*

№	Name of bank	Time deposits, mln. uah.			Outflow of deposits			
					After half. year		For 3 quarters	
		1/1/09	1/7/09	1/10/09	mln. uah.	%	mln. uah.	%
Total of banking system of Ukraine		312060	250415	256831	-61646	-20	-55229	-18
1	ALFA - Bank	16629	12480	11473	-4149	-25	-5156	-31
2	OTP Bank	25442	20215	20462	-5227	-21	-4980	-20
3	PrivatBank	42795	36067	37825	-6728	-16	-4970	-12
4	UkrSibbank	11940	8498	8271	-3442	-29	-3669	-31
5	Raiffeisen Bank Aval	19135	16794	15642	-2341	-12	-3493	-18
6	UkrGasbank	6418	4004	3149	-2414	-38	-3269	-51
7	Rodovid Bank	5243	2792	2216	-2451	-47	-3027	-58
8	Finance and Credit Bank	8607	5866	5590	-2741	-32	-3017	-35
9	Bank Nadra	11486	9971	9459	-1515	-13	-2027	-18
10	First Ukrainian International Bank	5787	4190	3923	-1597	-28	-1864	-32
11	BrokBusinessBank	6698	4222	4957	-2476	-37	-1741	-26
12	Swedbank	4084	2825	2395	-1259	-31	-1690	-41
13	Vab Bank	3640	2448	2112	-1192	-33	-1528	-42
14	Bank Kiev	2579	1664	1228	-915	-35	-1351	-52
15	Imexbank	2742	1723	1420	-1019	-37	-1321	-48
16	Kreditprombank	6939	5569	5731	-1371	-20	-1208	-17
17	Ukrprombank	8928	7937	7737	-991	-11	-1192	-13
18	Vtb Bank	4019	2746	2868	-1273	-32	-1151	-29
19	UkrSotsbank	7558	5850	6472	-1709	-23	-1086	-14
20	Swedbankinvest	1812	984	834	-828	-46	-979	-54
21	Industrialbank	2394	1578	1532	-815	-34	-861	-36
22	Bank Renaissance Capital	851	365	201	-486	-57	-650	-76

23	Pivdennyi Bank	5018	4224	4421	-793	-16	-597	-12
24	Platinum Bank	721	218	145	-503	-70	-576	-80
25	Sberbank Of Russia	1663	1319	1090	-344	-21	-573	-34
26	Bank «Kyivska Rus»	2218	1765	1668	-452	-20	-550	-25
27	Megabank	1583	1092	1086	-491	-31	-496	-31
28	Big Energi	834	389	381	-445	-53	-453	-54
29	Procreditbank	2561	2074	2134	-487	-19	-426	-17
30	Trans Bank	722	459	336	-263	-36	-385	-53

* Compiled according to the Association of Ukrainian Banks [7]

Analysis of deposits outflow the largest banks in Ukraine indicates that the banks with significant foreign capital share had outflow of deposit resources which generally not exceed 10%, while the inflow of retail deposits in these banks observed already in the second quarter in 2009 (Fig. 1).

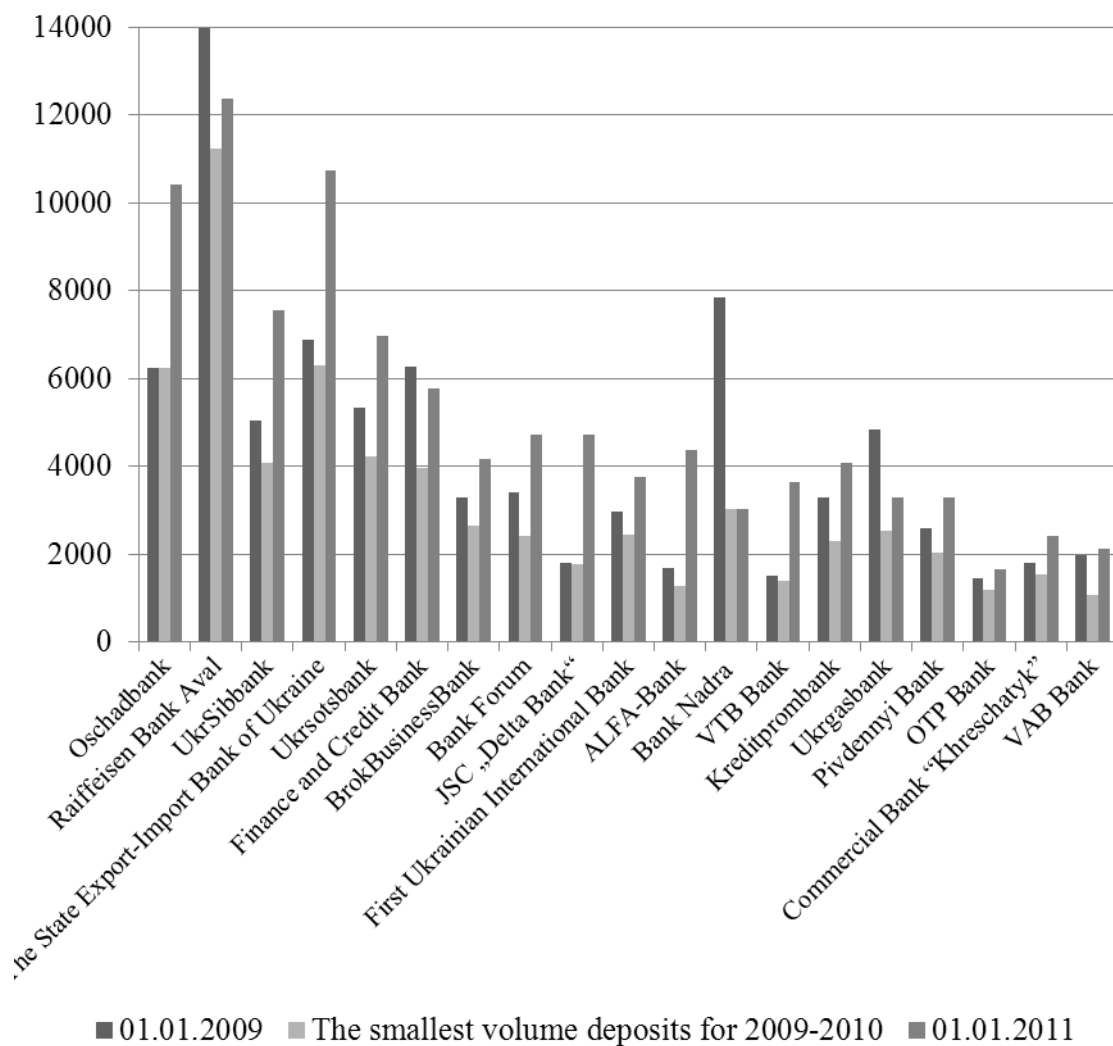


Fig. 1 – The volume of outflow of retail deposits in the largest banks in Ukraine during the period from 01/1/2009 to 01/1/2011.

During the third quarter of 2009, some banks (Privatbank, Ukrsibbank, Brokbusinessbank, Ukrsootsbank, VTB Bank) managed to stop the outflow and restore the deposit base. In most of banks the deposit outflow of resources continues.

However, several banks succeeded not just retained but also increase its deposit portfolio (Table 2).

Table 2 – The deposits inflow rating of banks of Ukraine during the period from 1/1/09 to 1/10/09 *

№	Name of bank	The term deposits, mln. uah.			Inflow of deposits			
					Over half. year		For 3 quarters	
		1/01/09	1/07/09	1/10/09	mln. uah.	%	mln. uah.	%
1	Oschadbank	7555	8627	14502	1072	14	6947	92
2	Bank «Kliringoviy Dim»	833	1832	1660	998	120	827	99
3	Universalbank	1712	2108	2446	395	23	734	43
4	Bank Credit Agricole Kiev	983	775	1345	-207	-21	362	37
5	National Standard	496	665	854	169	34	358	72
6	Zlatobank	536	716	886	180	34	350	65
7	Pivdencombank	360	574	685	214	59	324	90
8	Bank People's Capital	20	325	283	305	1537	263	1324
9	Financial Initiative	488	729	746	241	49	258	53
10	UkrBusinessBank	699	852	951	153	22	252	36
11	Erstebank	734	852	952	118	16	218	30
12	Dongorbank	3284	3342	3490	58	2	206	6
13	Delta Bank	2959	2490	3134	-469	-16	175	6
14	Pravex Bank	2911	2681	3074	-230	8	163	6
15	Finbank	578	622	723	44	8	145	25

*Compiled according to the Association of Ukrainian Banks [8]

Thus, in crisis conditions an important factor that influences volume of deposit resources is the public trust. The most effective way to return trust of the customers of the bank is the formation of positive public opinion about its activity. Therefore, the primary task of the deposit strategy is to support its image as a stable and reliable bank. For solving this task first of all responsible service of PR and marketing. Also equally important is to extend the range of deposit products offered to depositors, and the introduction of loyalty programs to retain customers and attract new depositors.

So, in a the economic crisis the bank deposit strategy for increasing the deposit portfolio should be directed to:

- 1) attracting of new clients (strategy of development and strategy of diversification);
- 2) retention of existing clients (penetration strategy);
- 3) implementation of new directions in the development of products and services (innovative strategy).

While developing the measures for each of the above strategies, the bank is necessary to consider changes that have occurred in behavior of consumers of deposit services because of banking crisis. These changes first of all influenced the selection of the term of deposits, currency of deposits, type of products and allocation strategies of clients (Table 3).

Table 3 – Features behavior of consumers of deposit services due to banking crisis

Descriptions	Period of stability	Period of crisis	Post-crisis period	Conclusions
Terms of deposits	6-12 months	Week, ten-day period	To 3 months	Clients reducing terms of investment. An important factor is possibility of choice of expiration of deposit agreement.
Currency of deposits	Prevalence of hryvnia deposits	Multicurrency	Increasing the share of foreign currency in deposits	There is an active diversification of the portfolio of deposits by currencies.
Types of products	The maximal interest rates and the possibility of replenishment	Possibility to withdrawal of deposits	Possibility to withdrawal of deposits and level of interest rates	For clients the preferred is the possibility of withdrawal of deposits and increased rates when increasing the volume of deposits.
Strategies of clients	Even distribution of clients among banks according to their strategy	Targeting clients on reliable banks	Well-defined distribution of customers on «players» and «investors»	Some clients are «players» that choose banks which offer a very high interest rates, others – the stability and guarantees.

Deposit bank's strategy necessarily have to include such marketing instruments as advertisement, public relations (PR) and informational support.

The first step toward support of reputation of the bank are such a well known marketing instrument as advertising. In a post-crisis period banks will need to focus on the image advertising.

Image advertising is the creation of a favorable image of the bank and its services. It is directed does not only the potential clients, but also a wider audience. Its main task is to create a positive image of the bank for the consumer . The most effective for this kind of advertising are the following advertising instruments: advertising big boards, light box, advertising in newspapers and magazines, participation in various charitable programs, commercials.

In developing the advertising is necessary to focus of public attention on the belonging of bank to the international banking group. The analysis of the 10 most stable banks in Ukraine, which was compiled by opinion research authoritative investment companies, including Dragon Capital, Astrum Investment Management, Bonum Group, Concorde Capital, Pheonix Capital, Foyil, «Art Capital», «Quinto», showed that the almost all of them are banks with foreign capital. For the clients this is evidence of support of the parent company and of the foreign experience in providing financial services. Is also does not less effective use in advertising references to the experience of bank work at the market of Ukraine, ratings of international organizations, bank awards.

Besides the advertising banks need to demonstrate their work. This task can be implemented by active work of PR-service of the bank in order to achieve a loyal relation to bank activity. In contrast to advertising and promotion of products of the bank, PR actions have a long-term effect and directed first of all not on the potential clients, but to the environment and public opinion.

Activity of PR is to organize the charity actions, sponsorship, press conferences, presentations and the continuous updating of web-sites of bank and close cooperation with the media. An important function of the PR also is to explain the social role of

the banking business. Relations with the public, depending on the subjects of influence, can be constructed on the following directions:

- organizing relations with the media;
- relationships with target audiences;
- relations with the government and administration.

However, in a competitive environment for each depositor, except the above mentioned actions, no less important are the measures directed to retention of the client who has already come to the bank. For this bank should to diversificate the deposit products, to develop a loyalty programs for both new and regular clients to provide complete customer service.

The effectiveness of the above marketing instruments confirmed of the renewal of deposit base of banks of Ukraine.

In the second half of 2009 there has been a growth of deposits. In 2010, the banking system exceeded the level of of deposit base before the crisis period. Retail deposits increased in 2010 on the 28.5%. Deposits in national currency grown more prompt rates than the deposits in foreign currency – 41,6% and 17,4% respectively (Fig. 2).

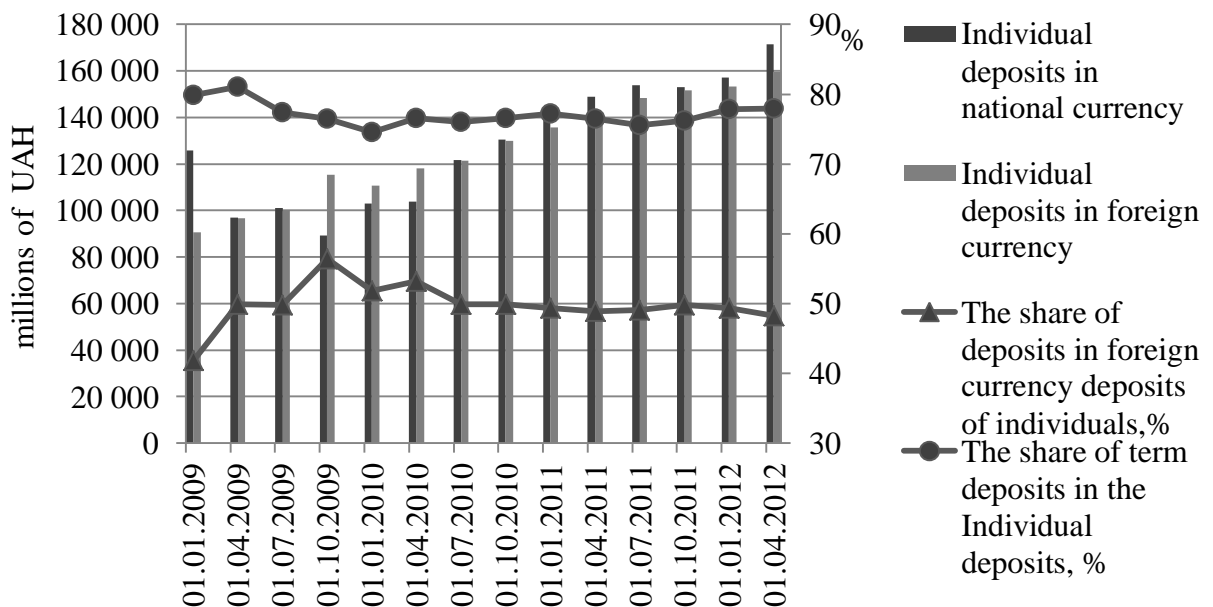


Fig. 2 – Dynamics of individual deposits in national and foreign currencies during the period from 1/1/09 to 1/4/12*

*Compiled according to the National Bank of Ukraine [9]

Structure of Individual deposit has improved – the share of long-term deposits in the overall of deposits has increased from 27% at the end of 2009 to 39% at the end of 2010. The tendency of increasing of deposits in UAH at the beginning of 2011 slowed down. It is promoted by high rates of inflation in the country that makes people the large part of their income to spend on daily needs.

However, the amount of deposits in UAH in April of 2011 increases and such growth experts associated with increasing of public trust in the national currency and the domestic banking system. Deposits in foreign currency increased slightly a slower pace.

This way, on the background of growing trust in the banking system, lack of practical alternative to bank deposit and the growing to devaluation moods in society the volume of deposits in foreign currency will continue to grow, however will not exceed the share of deposits in national currency.

IV. Conclusions. Thus, the financial crisis and post-crisis period, the main components of the deposit bank's strategy, which will provide to it a competitive advantage should be the strategy of development and diversification, the strategy of penetration and the innovation strategy.

At the same time the main task of deposit strategy is to return the trust of depositors, which will help preserve and increase deposits resources of the bank. Achieving this aim could be provided by using non-price methods of the deposit resources management using the marketing instruments.

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