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Features Of Banking Management: A Set Of Principles, Technologies And Methods.

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ABSTRACT

This article discusses current issues of banking management, which as a special area of liabilities management of a commercial bank, is a set of principles, technologies and methods of management of a credit institution in order to maintain its competitive position, increase profitability and profitability of an economic entity in compliance with its liquidity and reliability. Banking management in modern conditions is characterized by consistency, hierarchy, mobility and stability, efficiency and cost-effectiveness. Bank management is aimed at ensuring coordination of the objectives of a commercial bank, its capabilities, as well as the interests of staff. The main purpose of bank liabilities management is to prevent or correct an imbalance and protect against banking risks by assessing the effects of a commercial bank's strategy on the balance sheet structure and its profitability.

Keywords: bank management, bank liabilities, banking.

SHORT REVIEW

Liabilities in a commercial bank are designed to ensure the optimal amount of attracted resources (most often the maximum - depending on the desired volume of active operations). At the same time, operations of a commercial bank must comply with the existing requirements of the prudential regulation of the central bank, and the development of the resource support of the bank must meet the main goals and principles, as well as its plans [1, 2].

In the economic literature, all the proposed approaches to the bank management of the financial resources of a commercial bank can be divided into two groups:

- management of the balance of a commercial bank;
- management of financial flows of a commercial bank.

The management of the balance of a commercial bank is proposed to be carried out by both domestic and foreign authors. Within this approach, two main directions can be distinguished.

The first direction is understood by the management of the balance to maintain within the specified limits the ratios between separate groups of assets and liabilities. In other words, there is a requirement for compliance with a certain set of standards, for example, central bank standards or other similar values determined by internal decisions of the bank's management.

The second direction in the balance sheet management method involves the correlation of the purpose of the bank's financial activities for some perspective with the future bank balance. Thus, the bank management process is reduced to ensuring a consistent transformation of the initial balance into the required future one.

However, banking practice confirms the very low reliability of this method of management. This method of financial management, in essence, repeats the approach to management based on "common values", which are the proportions of bank balance (regulatory requirements).

These methods are an attempt to resolve one of the eternal dilemmas of banking activity "liquidity - profitability" and differ in that emphasis is placed on considering the problem of asset management and to what extent quantitative analysis is carried out when assessing possible alternatives. These include:

1. method of combining the sources of funds;
2. method of separation of sources of funds;
3. balanced fund management (based on a combination of the first two methods);
4. method of scientific management.

The method of combining the sources of funds involves the consideration of all the funds of the bank as it were received from one source.

The method of separation of sources of funds is intended to ensure, first of all, the maintenance of sufficient (non-excess) liquidity by establishing strict correspondence in terms of raising and placing funds between the sources of resources and the directions of their investment. At the same time, profitability is entirely determined by margins by funded areas (groups of operations) and volumes of these operations. Thus, the method assumes in fact the creation of several centers of "liquidity - profitability" within the bank itself, used to place funds attracted by the bank from different sources. These centers - "banks within a bank" - were named by a number of authors of business centers [3].

However, in recent years, there have been publications that deserve serious attention in which methods of model forecasting the parameters of a bank's financial activity are considered. They are a significant step forward in ensuring the processes of managing financial resources of the bank, including passive operations.

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Traditionally, the quality of the liabilities of a commercial bank is characterized by the stability of the resource base, the cost of attracting resources, the sensitivity of the bank's liabilities to changes in interest rates, and the dependence of the bank on external sources of financing, including short-term interbank loans.

The process of managing the liabilities of a commercial bank implies their effective use in accordance with the possibilities of forming the resource base and, conversely, the formation of the resource base in accordance with the possibilities of its use. The dialectic of these processes is resolved by finding the “golden mean” between the attraction and use of resources.

The purpose of bank management in the area of managing a bank’s liabilities is to attract a sufficient amount of funds at the lowest cost to finance those active operations that the bank intends to carry out [4].

So, in the process of forming funds, the manager must take into account two main management parameters - the cost of the funds raised and their volume. To provide the desired structure, volume and level of costs for deposit liabilities, different methods of raising funds are used.

Non-price techniques include: advertising; improved service level; expansion of the range of accounts and services offered by the bank; comprehensive service; additional types of free services; location of branches in places as close as possible to customers; adaptation of work schedule to customer needs, etc.

In the conditions of aggravated competition in the banking sector, management pays great attention to non-price management methods, since the increase in deposit rates has limitations, and not always this management method can be applied. In the struggle for customers, banks resort to such methods as holding a lottery among customers, free distribution of account statements, opening deposits for newborns as a gift from the bank, equipping free parking lots near the bank, and arranging ATMs in public places. Non-price management methods are based on marketing research of the market sector, which is served by the bank, in studying the needs of customers, in developing new financial instruments and operations offered to customers. In general, the use of non-price methods requires some (sometimes significant) costs. Therefore, choosing the method of managing borrowed funds, the bank’s management should compare the costs associated with an increase in the deposit rate and the costs that will accompany the introduction of non-price receptions. In practice, these methods can be applied in parallel. The objective need to find new sources and ways of financing has contributed to the improvement of non-price methods of managing borrowed funds.

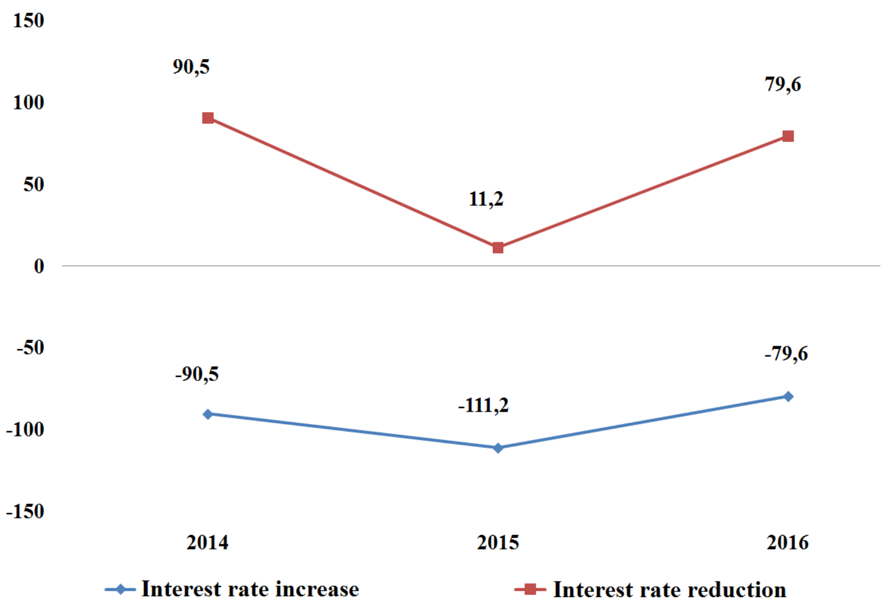

Figure 1: Analysis of sensitivity to changes in interest rates, billion rubles.

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In the practice of Russian banks, price management methods have an advantage, since deposit rates are not subject to regulation and are set by the bank's management independently depending on the need for attracted funds.

Too low a level of interest leads to an outflow of deposits from the bank, reduces the amount of credit resources, and, consequently, reduces the possibilities for conducting active operations and generating income.

Overestimation of the deposit rate leads to an increase in interest payments for customer accounts and, due to the lack of highly efficient areas of resource allocation, leads to a decrease in margin or even to losses.

As a result of a decrease in interest rates, an increase in interest income is observed. An increase in interest rates, on the contrary, will lead to a decrease in interest income. Floating interest rates can increase, decrease or leave unchanged the bank's interest income. This change depends on: the structure of the bank's loan portfolio, the sensitivity of the assets and liabilities of the bank.

Based on the management process, managers form a resource management strategy.

Management flexibility: at each point in time, you can clearly determine how much and for what period the bank needs to borrow funds. The need for non-deposit sources is calculated as the difference between the initial and input cash flows of the bank, taking into account both real and expected values. High sensitivity to changes in market interest rates: loans are mostly provided at a floating rate or for short periods of time.

The short-term nature of borrowing: the most popular are one-day loans and with maturities of up to two weeks. The impossibility of applying price management methods, since the loan rate is set by the lender.

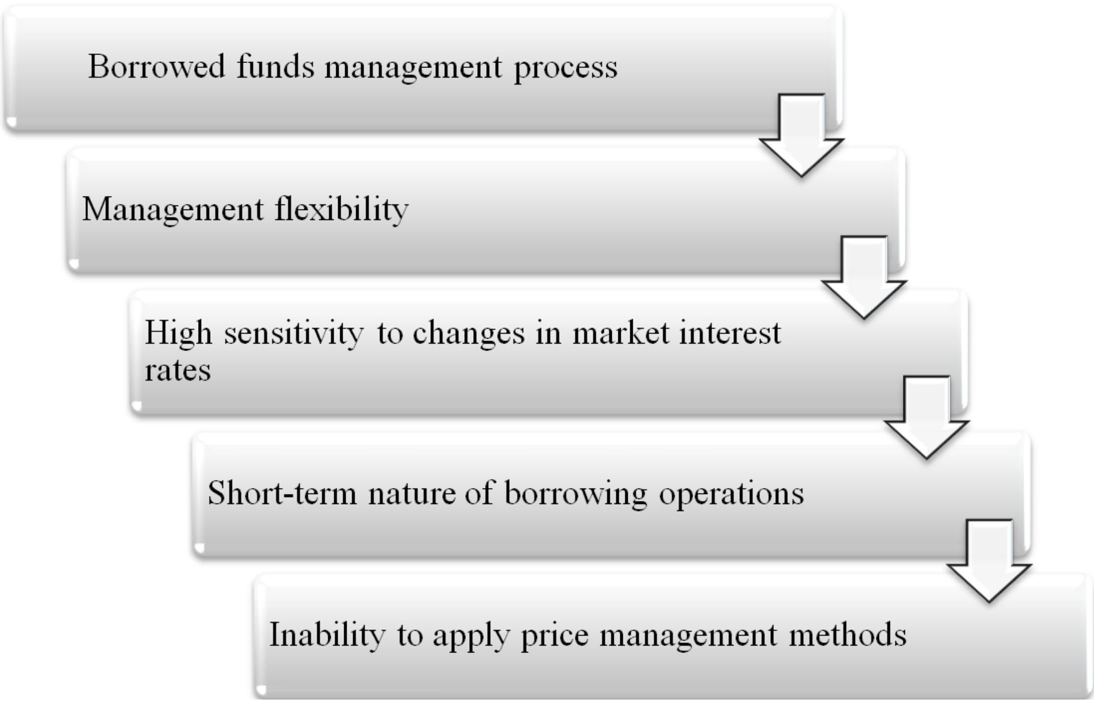

Figure 2: The process of managing borrowed funds of a commercial bank

So, bank management can partially affect the cost of borrowed funds, maintaining the high reputation of its institution, increasing its reliability and solvency and improving financial performance.

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CONCLUSION

In market conditions, commercial banks should pay serious attention to attracting resources and for this:

- develop your own deposit policy;
- in the process of depositary policy, special attention should be paid to time deposits;
- to diversify the types of deposits;
- expand banking services to attract potential investors;
- pursue an effective interest rate policy that does not reduce the profitability of the bank and provides a certain attractiveness for depositors.

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