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FINANCIAL INSTITUTION RESOURCE QUALITY MANAGEMENT POLICY

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Original research

A B S T R A C T

The main function of financial institutions in the economy is to help mobilize the savings of the population, directing them to the most effective use, which increases the total amount of investment and the potential for economic growth. Thus, banks are one of the main structures for ensuring financial stabilization in the state and creating conditions for supporting macroeconomic growth. Objectively, necessary conditions for creating an effective banking system are the possibility and practical implementation of the transfer of financial resources between business entities, providing service consumers with freedom of choice between various objects for placing temporarily free funds, as well as providing the same rights to everyone who creates demand for financial resources , the presence of a developed banking system.

The development of the financial system leads to increased competition between commercial banks for resources and effective areas for their placement. This may lead to a gradual decline in the profitability of banking activities.

1. INTRODUCTION

In modern conditions, in order to successfully operate and expand their activities, it is not enough for financial organizations to attract funds at a lower price, but to place them at a higher price (Crotty, 2008). To do this, it is necessary to improve the level of quality of business resource management. To maintain their competitiveness, financial organizations are forced to offer their clients new services, including various financial instruments, and expand their activities (Koniagina et al., 2019; Manuylenko et al., 2018; Manuylenko et al., 2022).

A special role and significance in the policy of managing the quality of business resources has the policy of tariff rates, which is formed taking into account the ratio of the total amount of effect obtained from operations associated with the placement of funds to the costs associated with raising funds, which can be considered as the efficiency of the allocated funds (Gryzunova et al., 2019; Melnikova et al., 2020; Posnaya et al., 2019; Posnaya et al., 2022; Posnaya et al., 2024; Shevtsov et al., 2024;).

2. MATERIALS, METHODS AND OBJECTS OF RESEARCH

Taking into account the evolution of the financial system and in relation to the current state of the financial market, it seems that the resource base of the bank can be presented as shown in Figure 1.

Most of the resources of a commercial bank are formed from borrowed funds, rather than from their own. The

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ability of commercial banks to raise funds is regulated by the Central Bank of the Russian Federation.

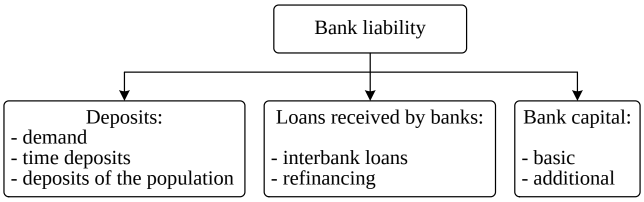

Figure 1. Commercial bank resources

Based on banking practice in matters of attracting and placing funds, we can derive the following formula for the efficiency of the banking system in the resource market, based on the position of the bank's balance sheet:

$$EAF = \frac{\alpha_1 + \alpha_2 + \alpha_3 + \alpha_4 + \alpha_5 + \alpha_6 + \alpha_7 + \alpha_8}{\beta_1 + \beta_2 + \beta_3 + \beta_4 + \beta_5 + \beta_6 + \beta_7 + \beta_8},$$

Where: EAF is the Efficiency of Allocated Funds;

α_1 – interest income from funds placed with the Central Bank; α_2 – interest income on funds placed with other banks; α_3 – interest income on loans to business entities; α_4 – interest income on loans to government bodies; α_5 – interest income on loans to individuals; α_6 – interest income on securities; α_7 – interest income on transactions with branches and other institutions of the bank; α_8 – other interest income;

β_1 – interest costs on funds received from the Central Bank; β_2 – interest costs on funds from other banks; β_3 – interest costs on funds of business entities; β_4 – interest costs from budgetary and extra-budgetary funds; β_5 – interest costs on funds from individuals; β_6 – interest costs on securities of own debt; β_7 – interest costs on transactions with branches and other bank institutions; β_8 – other interest costs.

The EAF indicator should be equal to 1+*n*, where *n* shows the real level of effect that gives the bank the opportunity to develop. If EAF=1, then we can only talk about the actual coverage of costs associated with raising funds, which indicates:

a) about the problematic composition of the loan portfolio, which, due to non-standard debt, reduces interest yield;

b) on the formation of a portfolio of securities with low yield and subject to uncontrollable changes in interest income.

If overall profitability falls, the bank responds by raising the lending rate in order to restore the effect that existed before the rate began to fall.

For the depositor, not only the amount of interest received is important, but also a real program for placing funds, which provides a real stable income to the bank (DeYoung & Rice, 2004). If the bank invests funds in economically feasible objects related to the development of production, increasing jobs, then this is one of the significant attractive factors (Mustafakulov, 2017).

If geographically isolated non-balance sheet branches are opened in industrialized areas, then potential clients will be both legal entities and employees, which will determine the likelihood of opening current accounts, card accounts and time deposits.

The attractiveness of this bank will lie in the comprehensive service provided to the legal entity itself in terms of maintaining a current account, executing a salary project with full coverage of servicing all employees of the enterprise through plastic cards.

By locating territorial non-balance-sheet branches in residential areas, the bank brings closer the provision of services to individuals, including attracting people who have reached retirement age.

Due to the presence of paid education, there is a need to provide services for accepting payments for education, maintaining card accounts for scholarship students, etc. The experience of serving students of educational institutions in banks helps them develop certain skills in communicating with banks and develops a preference in the future for this bank over others.

Thus, the development of financial culture over a certain period of time will provide a stable investor to the relevant financial institution (Kolesnikov et al., 2018a; Kolesnikov et al., 2018b; Kolesnikov et al., 2018c; Grinko et al., 2019).

Monitoring deposit operations of a commercial bank allows you to determine the deposit capabilities of banks at the current moment and strategic development.

The efficiency of lending depends on the formation of a commercial bank's deposit policy. An analysis of the lending practices of a number of commercial banks in recent years shows the presence of such phenomena as non-payment of interest on loans and non-repayment of the loans themselves to individual borrowers, which leads to losses and, as a consequence, pushes banking institutions towards bankruptcy.

A significant reduction in interest rates in the end-borrower lending market, a general reduction in tariffs for almost all types of banking operations with a stable exchange rate of the national currency encourages the search for new sources of income (Orhangazi & Erinç Yeldan, 2023).

An increase in the loan portfolio, under certain conditions, can help improve the efficiency of lending, and then further increase its volumes. At the same time, this option is also possible if, with an increase in the volume of the loan portfolio, the level of efficiency of lending operations decreases, which in turn creates unfavorable conditions for a further increase in lending volumes.

If we consider the concept of "efficiency of credit operations" as the ratio of the total amount of effect obtained from such operations to the costs associated with it (the cost for the bank of funds raised, costs associated with processing and monitoring loan repayment, the formation of reserves to compensate for possible losses on credit operations, etc.), we logically come to the conclusion that not all commercial banks increase lending volumes have positive results. This assumption applies primarily to those banks where the growth in the volume of lending operations occurs against the background of their own insufficient resource base. From the theory of banking activities analysis it is known that one of the significant factors influencing the performance of lending is the cost of funds raised, which depends on the structure of a commercial bank obligations, primarily on the part of interbank resources in them.

Based on characteristics such as the source of mobilization, attracted and borrowed resources are divided into:

1) Mobilized by the commercial bank itself;
2) Purchased from other banks.

The result of the commercial banks work should be break-even; in conditions of break-even work, the total costs of funds that are attracted should not exceed the income received from the assets that are covered by these resources.

It should be noted that today the situation in the banking sector in attracting deposits is ambiguous and often diverges from the rules of classical economics. Financial institutions need to implement a quality management system for deposit services as one of the options for reducing the level of discrepancies between theory and practice in the financial and credit sector.

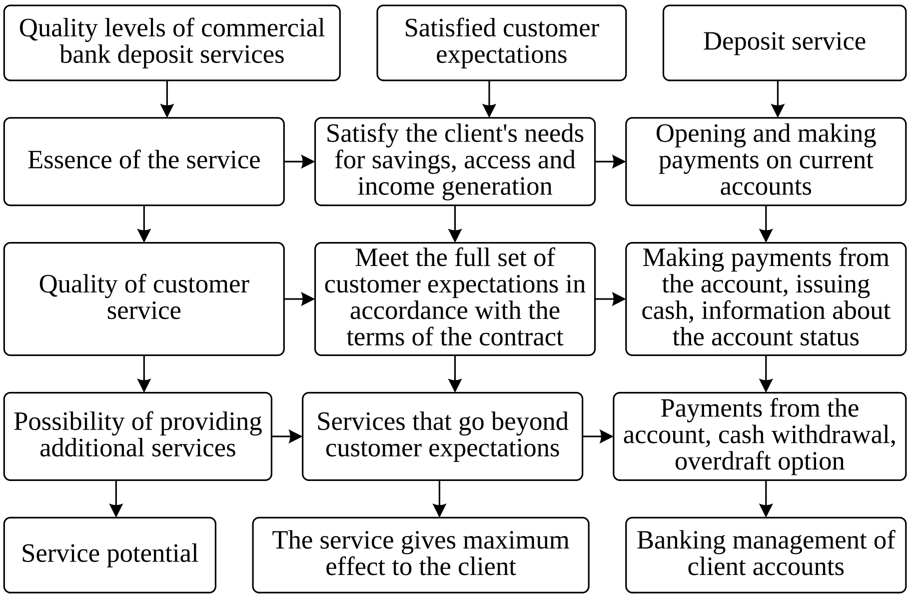

Figure 2. Quality levels of financial institution's deposit services

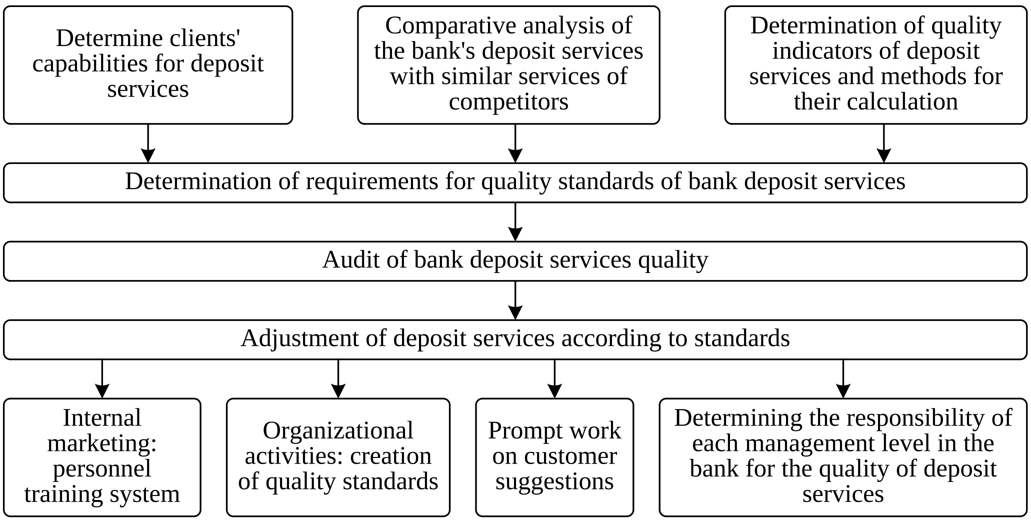

Figure 3. Model for managing the quality of financial institution's deposit services

In our opinion, the quality policy should reflect the solution of two important tasks:

- Establishing general priorities for the quality of banking customer service;
- Determination of ways to ensure the quality of deposit services in each specific bank.

When solving these problems, the bank needs to:

–Providing quality customer service is the basis for establishing long-term partnerships and mutually beneficial relationships with clients;
–The bank should consider quality as the prompt and effective provision of the services they need to clients in a convenient location and at a favorable price;
–The bank must guarantee clients the provision of banking services in accordance with accepted service standards.
In connection with the above, a model for managing the quality of a financial institution's deposit services and quality levels of a financial institution's deposit services are proposed.
Figure 2 proposes to consider the identified quality levels of a financial institution's deposit service.
Figure 3 proposes a model for managing the quality of a financial institution's deposit service.

3. RESULTS AND DISCUSSION

Historically, passive operations played a primary role in relation to assets, since for the implementation of active operations, a necessary condition is the sufficiency of resources.
Own capital represents a special form of banking resources. Own capital, having a clearly defined legal basis and functional certainty, is the financial basis for the development of the banking business. Thus, when formulating a policy for managing the quality of business resources, important attention should be paid to the capital of a financial institution.
The structure of bank capital is not constant in terms of its qualitative composition and changes throughout the year depending on many factors, in particular the quality of assets, the use of profits, the bank's policy regarding ensuring an increase in the capital base, etc.
The part of a commercial bank's own capital in total resources is small, while in the sphere of material production the ratio of own and borrowed capital is different. For an industrial enterprise, it is considered normal for equity capital to be 50% of the total capital; for a commercial bank, 8% is considered sufficient. This is due to the specifics of banking activities. The bank uses mainly other people's money, and its own funds are intended, in particular, to insure the interests of the bank's depositors and creditors, as well as to cover current losses from banking activities. That is, the equity capital of a commercial bank performs a protective function.
The authors propose to allocate stable and unstable resources as part of the liabilities of a commercial bank.
The bank's stable resources include time deposits and interbank credit.
The deposit is potential money for the investor. The depositor can write a check and put a certain amount into circulation. But at the same time, "bank money" earns interest. They act for the investor in a dual role: as money, on the one hand, and as capital, which brings profit, on the other. The advantage of a deposit over cash is that the deposit earns interest, but the disadvantage is that the deposit earns interest lower than the interest that ordinary capital brings. This low percentage is the essence of the nature of the bank - to pay less for a deposit, but to place it more expensive.
For the purpose of an optimal policy for managing the quality of business resources, it is proposed to analyze the balance sheet of a financial institution in the following sections:

1) Analysis of active operations;
2) Analysis of passive operations;
3) Analysis of the balance sheet according to liquidity criteria.

Active bank operations are financial operations involving the placement of funds in order to generate income. These include issuing loans and borrowings, purchasing securities, investing money in commercial projects, leasing, factoring operations, and transactions with bills.
An asset is one or another object that is controlled by the bank and meets one of the requirements below:

1) Provides income;
2) Can be exchanged for another object that generates income.

All active bank operations are risky and provide the largest portion of income.
The purpose of active operations research is to determine, through analysis, dynamic changes in the structure of assets, as well as changes in dynamics.
Liabilities reflect the bank's capital and liabilities. The amount of claims against the bank must be equivalent to the full amount of its assets.
Requirements arise as a result of the transfer of funds by investors for the acquisition of assets by the bank. If the requirements are fixed, then it is known who and during what period is the owner of a certain amount of funds - they are called liabilities.
All other requirements are called "capital". They are not fixed, since capital owners will be able to exercise their ownership rights to assets only after satisfaction of requirements - obligations.
Bank capital is the bank's residual interest in assets excluding liabilities. It is defined as the difference between the bank's total assets and liabilities.
Capital performs several important functions in the daily activities of the bank and works to ensure the long-term viability of the bank:

1) Protects against bankruptcy (these are funds for a "rainy day"), compensating for current costs;
2) Is a source of funds necessary for the creation, organization and operation of the bank by the time it attracts a sufficient volume of deposits;
3) Helps maintain customer trust. Capital must be sufficient to give borrowers confidence that the bank can meet their credit needs when the economy is in a downturn;
4) The bank takes funds from capital for organizational growth, provision of new services, implementation of new programs, and purchase of equipment.

A significant part of the liabilities consists of the bank's liabilities.

Liabilities are claims on a bank's assets for a fixed amount of funds that the bank must pay at a specified time in the future.

The bank's obligations include:

1) Balances on correspondent bank accounts;
2) Balances on clients' current accounts;
3) Deposits – time and on demand;
4) Interbank loans;
5) Balances in the accounts of debt obligations issued by the bank that are traded on the market;
6) Accounts payable.

When analyzing the bank's liabilities, it is necessary to give them a quantitative and qualitative assessment. Among the bank's obligations, there are cheap and expensive resources. Cheap resources include:

1) Client account balances;
2) Demand deposits;
3) Accounts payable.

Expensive resources include:

1) Time deposits;
2) Interbank loans and deposits.

The increase in the bank's liabilities is assessed positively, but this indicates an increase in the amount of credit resources.

The greater the share of time deposits, the higher the stable part of the commercial bank's resources. This has a positive effect on the bank's liquidity and reduces dependence on interbank loans.

Only when studying the constituent parts of the asset and liability of a financial institution is it advisable to formulate a resource policy.

Marketing policy is the most important tool for increasing the efficiency of the resource policy of a commercial bank.

The effectiveness of resource policy is the most important lever for attracting clientele, expanding the scope of services, thereby increasing profits.

Marketing is a market strategy for creating, promoting and selling products (services). Bank marketing involves the use of a certain set of technical techniques in order to satisfy the client's needs for banking services in a profitable manner for the bank. Banking marketing includes product, innovation, price, currency, credit, emission and advertising policies, and covers market segmentation.

A bank that decides to put into practice the use of a marketing policy must go through a number of stages:

- setting goals for the bank and its branches, such as specifying tasks in terms of time and size;
- identifying the bank's existing capabilities in order to ensure their balance with market demands for developing development programs;
- research of the banking market through market analysis, market monitoring and development forecast;
- development of a marketing strategy for a financial institution, that is, formulation of a long-term goal and determination of ways to implement it.

It seems necessary to dwell in more detail on the structure of marketing. World economic science and practice are replete with different approaches to ranking strategies, but most of them are based on the construction of the first two matrices, each sector (square) of which corresponds to a specific standard strategy.

I. Ansoff's "products-markets" matrix provides for the use of four alternative strategies to maintain or increase sales:

1) The market penetration strategy assumes that the bank is developing an already established market and offering the same product (service) as its competitors. It is preferable when the target market is growing or is not yet saturated.
2) The market development strategy means that the bank seeks to expand the sales market for the services it provides, but not by penetrating existing markets, but by creating new markets or market segments.
3) The product development strategy is carried out through the creation of fundamentally new, but more often modifications of existing products and their sale in old markets. This strategy is used by banks in conditions of non-price competition.
4) A diversification strategy means that the bank seeks to enter markets that are new to it and for this purpose introduces new products into its range. This strategy leads to the universalization of banking activities.

4. CONCLUSION

The choice of strategy depends on the degree of market saturation and the ability to update your product range. After choosing a strategy, the bank faces the task of determining the optimal choice and effective use of banking marketing policy tools.

Product policy (banking product planning) consists of determining and changing the nature and range of services offered (assortment policy), as well as volume (volume policy). In turn, assortment policy distinguishes between the formation of a basic and current assortment. Ways to implement the policy of assortment flexibility may be to expand or narrow the assortment, as well as replace old services with new ones.

So, we can conclude that only an integrated approach based on marketing policy, calculation of performance indicators, balance sheet analysis, etc. will allow us to develop the most effective policy for managing the quality of business resources.

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