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**«International Management»**

Modes of Study: distance

# MASTER'S THESIS

# Modern Development Business Strategies (on the basis of "OTP Bank")

Student - Viktor Buriachenko

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Supervisor – Ph.D. (Economics), Associate Professor Viktoriia Oliinyk

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**Thesis has been approved for the defence before the Examinations Commission**
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## метадані

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**Modern Development Business Strategies (on the basis of OTP Bank).rtf**

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**Academic Supervisor's Review of**

**Master Thesis**

by the Student at the Faculty of International Economics and Management

*Educational and professional programme «International Management»*

Buriachenko Viktor

Title: Modern Development Business Strategies
(on the basis of OTP Bank)

1. Evidence of learning in accordance with the objectives of the assignments (0-5 points)_______________________________________________5 points
2. Depth of critical analysis (0-10 points)______________________8 points
3. Effectiveness of argumentation/analysis (0-10 points)__________8 points
4. Accurate and coherent use of quantitative tools and language (0-20 points)15
5. Compliance with master thesis written requirements (0-5 points)____5 points
6. Compliance with writing master thesis's schedule (0-5 points)______4 points
7. Attendance (0-5 points)_________________________________5 points
8. Published research work/Thesis (0-10 points)______________10 points

9.Positive aspects of the thesis: thesis contains the analysis of the business environment for the activities of an international financial company.

10. Negative aspects of the paper: there are shortage of the development business strategies.

11. Total Supervisor's Grade of Master Thesis: ___________60 points

Academic Supervisor Ph.D. bn Economics, Associate Professor

________________ Viktoriia Oliinyk
(Signature)

02.13.2023

## EXTERNAL REVIEW OF MASTER THESIS

by the student at the Faculty of International Economics and Management
INTERNATIONAL MANAGEMENT Master's Program

**Viktor Buriachenko**

**MODERN DEVELOPMENT BUSINESS STRATEGIES (ON THE BASIS OF "OTP BANK")**

Complicated conditions of competition in the banking market, financial crises in both the domestic and international banking environment, globalization of business, the rapid development of the latest technologies and acceleration of competition require adaptation of the processes of development and implementation of long-term development strategies to the new economic conditions. That especially applies to the banking sector. It is characterized by a high level of competition, a low degree of banking product differentiation and moderate demand for them from consumers, as well as by a high level of violation and market changes.

In Viktor Buriachenko`s master's thesis, almost all aspects of the development and implementation of the international company's strategy are reflected. The planning of the market activity of the bank has been studied. Therefore, it is relevant both from a theoretical and practical point of view.

The positive features of the study include the following:

- based on the generalization of approaches to the structure of business strategy expediency of forming the structure of the bank's business strategic hierarchy based on the distribution of financial responsibility in the bank to the centres of general responsibility, costs and profit has been proven;
- the diagnostics of the market sources of the banks` competitive advantages in financial services has been accomplished using the "importance-relevance" method to increase the reliability and objectivity of obtaining results.

The shortcoming of this work is that the generalization of approaches to a business strategy and its hierarchical structure does not include a detailed review and a logical transition from enterprise strategic planning to a bank. We believe it would be appropriate to investigate the specifics of business strategies in banks concerning other enterprises or to prove the existence of such features.

The practical significance of the obtained results arises from the author actualizing the issue of implementing a development strategy implementation by a banking institution and defining the main guidelines for such activity.

Начальник відділу маркетингу
АТ «ОТП БАНК»

Сас Сас.... И. С.
*(підпис, ПІБ)*

Місце печатки організації, де працює рецензент

**THE CONTENTS**

# INTRODUCTION

**Relevance of the research topic.** The company's development strategy is an indispensable component of success. The basis of an effective development strategy is the three steps of planning the development of the enterprise, namely: defining the vision of development in the company, defining short-term and long-term goals, as well as defining the methods of activity and the persons responsible for them. The strategy of the enterprise can be defined as the definition of long-term goals and directions of the further development of the enterprise, as well as the way to achieve them and the resources used for this.

The decrease in profitability against the background of regular financial crises, the weakening of financial stability and the increase in the riskiness of activities require international organizations of various sectors of the economy to develop and apply strategies aimed at increasing their competitiveness, strengthening the reliability and efficiency of their activities. This is especially true of the financial services market, the characteristic features of which are a low level of product differentiation, limited consumer demand for them, and the mass nature of sales, which increases the need for strategic planning of activities aimed at ensuring sustainable competitive advantages.

The relevance of the study of modern strategies1 of the development of international companies is due to the fact that in the conditions of global financial instability and increased competition, approaches to strategic planning, its essential content, goals and objectives, etc., need to be revised and reconsidered.

**The aim of the study.** The purpose of the study is to develop applied proposals for improving the strategic planning of business organizations based on a previously conducted study of the theoretical and methodological foundations of strategic planning and economic diagnostics of the activities of "OTP Bank"

**Objectives of the study.** To achieve the set goal, we need to solve the following tasks in our work:

- determine the essential content, role and features of modern development strategies of an international company;

- clarify the theoretical foundations of building a hierarchy of development strategy formation;
- determine the components of the strategy formation process in the financial services market;
- determine the organizational and information support of the development strategy;
- provide a general description of the financial and economic condition of "OTP Bank";
- carry out a diagnosis of the sources of competitive advantages of "OTP Bank" in the process of strategic planning;
- to propose possible ways of harmonizing the development strategy of "OTP Bank " and the banking sector of Ukraine.

**The subject of the study** is a set of theoretical, methodological and practical aspects of the implementation of strategic planning of business organizations.

**The object of the study** is the process of strategic planning of the activities of a business organization in the market of financial services.

**Research methods.** During the writing of the qualifying master's thesis, such methods of scientific research were used as: a dialectical approach to the study of modern strategic planning of business organizations, analysis and synthesis of general concepts, grouping, statistical comparisons, observation, generalization and graphic representation of data.

**Research information base.** Legislative and regulatory acts of Ukraine, works of leading economists, materials of scientific and practical conferences, seminars and financial reporting indicators of "OTP Bank" were used in the research.

**Structure of work.** The qualifying master’s thesis contains 81 pages, 16 tables, 19 figures, a list of references with 63 titles.

# CHAPTER 1. THEORETICAL BASIS OF STRATEGIC PLANNING FOR THE DEVELOPMENT OF AN INTERNATIONAL COMPANY

## 1.1. The content and place of strategic planning in the management system of an international company.

Researchers associate the beginning of the use of the terms "strategy" and "strategic planning" with the 1950s and 1960s. By the middle of the 20th century the essence of planning within the organization consists in drawing up annual financial estimates - budgets by expenditure items for various purposes for each economic function and individual division, that is, planning was in fact budgeting. The fundamental feature of the financial approach was traditional methodological principles - it serves as a tool for the distribution of company resources, rational organization, coordination, and control of the activities of divisions *(Dligach, 2012).* The development of this approach was the method of program-target programming in the 1960s and 1970s.

In the 1950s and 1960s, against the background of the growth of commodity markets and the acceleration of changes in the external environment, the idea of the need to forecast the future became widespread: organizations began to use methods of forecasting and long-term planning several years ahead. It was based on the development of company forecasts, prospective sales volumes, and the formation of prospective goals based on them, which maximize the opportunities for its growth, first of all, in the financial sphere (at the same time, methods of discounting cash flows, extrapolation of sales volumes are widely used, which was called "planning from what has been achieved"*(Volodkina, 2014).*

In the early 1960s, a characteristic feature was the strengthening of competition, the acceleration of market growth and changes in the external environment. This led to the expansion of the planning horizon and the creation of conditions for long-term planning. Over time, companies begin to form a new function of management - planning aimed not only at the inside of the company but also at the external environment. So the company's development planning function took the form of long-term planning, which used extrapolation forecasting methods to draw up detailed plans and budgets, the clear and consistent execution of which is considered a necessary condition for achieving the set goals.

The starting point of such planning was the assumption of unchanged external business conditions during the planning period and complete predictability of the future, which did not correspond to reality and led to a decrease in the effectiveness of planning. The 1960s were already marked by the increasing instability of the business environment, the acceleration of its changes, the unpredictability of directions of institutional development, and the significant complication of the competitive business environment. D. Sampler, for example, explains such complications with two main reasons: the development of information technologies and the globalization of competition associated with them, which lead to the emergence of an increasingly unpredictable business environment and explosive changes, which greatly complicated the task of adapting strategies to it *(File, 2002).* Y. Kunde *( Kunde, 2002)* also adds to them the transition from national to international companies, the movement from goods to concepts, which requires a completely different approach to information, training and service, shortening the life cycles of products and services, and the need for an accelerated response to changes. Accordingly, the application of forecasting methods and long-term planning based on the extrapolation of the results obtained in the past began to differ more and more from the real results, which proved their low efficiency in the conditions of a dynamic external environment and intense competition.

The identified shortcomings of long-term planning, in particular the low adequacy and adaptability of extrapolation methods that did not take into account the appearance of new factors and changes in the external environment, led to the development of a new concept of planning - strategic planning, which understood the activity of determining the goals of the organization, the resources necessary for their achievement , and policies aimed at acquiring and using these resources.

One of the earliest definitions of the concept of "strategy" was proposed in 1962 by the American business historian A. Chandler, who proposed the following formulation: it is the definition of the basic long-term goals and objectives of the enterprise and the taking of measures and the allocation of resources necessary to fulfill these goals *(Chandler, 1962).*

It was this view that was reflected in the provisions of the first school of planning studies - the "design school". One of its founders, K. Andrews, was the first to substantiate the strategy development methodology based on the analysis of data on the external and internal environment of a firm or enterprise, according to which the economic strategy is a correspondence between the characteristics of the firm (its weak and strong characteristics) and market opportunities and threats, through which she successfully adapts to the external environment *(Andrews, 1987).*

In contrast to the design school, supporters of the next school of strategic thinking - the planning school, the emergence and development of ideas of many researchers consider the actual transition of scientific thought to strategic planning, has developed a new approach to this process. According to him, it was proposed to consider strategy as a rule for decision-making and a means to achieve a previously defined goal and strategic decisions as means by which organizations try to achieve their strategic goals. Many other scientists *(Ansoff, 1990; Hofer, 1986)* supported this opinion - regarding the need for a clear distinction between goals and strategy - in different years.

In addition, the school of planning introduced the concept of a typical strategy, which became a key stage in the development of the theory of strategic planning and fundamentally influenced its application in practice. Accordingly, it was proposed to divide the planning process into separate stages, each of which contains a certain number of steps that must find answers to formalized and typical questions using special methods and measures. In general, the strategic planning model developed by I. Ansoff had 57 points that must be fulfilled during strategy formulation, sometimes almost mechanically.

Subsequently, already in 1985, a group of researchers led by P. Ginter agreed on the stages of planning, and in this form, they are known and used by many managers and researchers in scientific and educational literature even today, namely: defining the mission, goals, analysis of external factors, analysis of internal factors, development of strategic alternatives, strategy selection, implementation, strategy management *( Ernst & Young, 1995)* (Fig. 1.1).

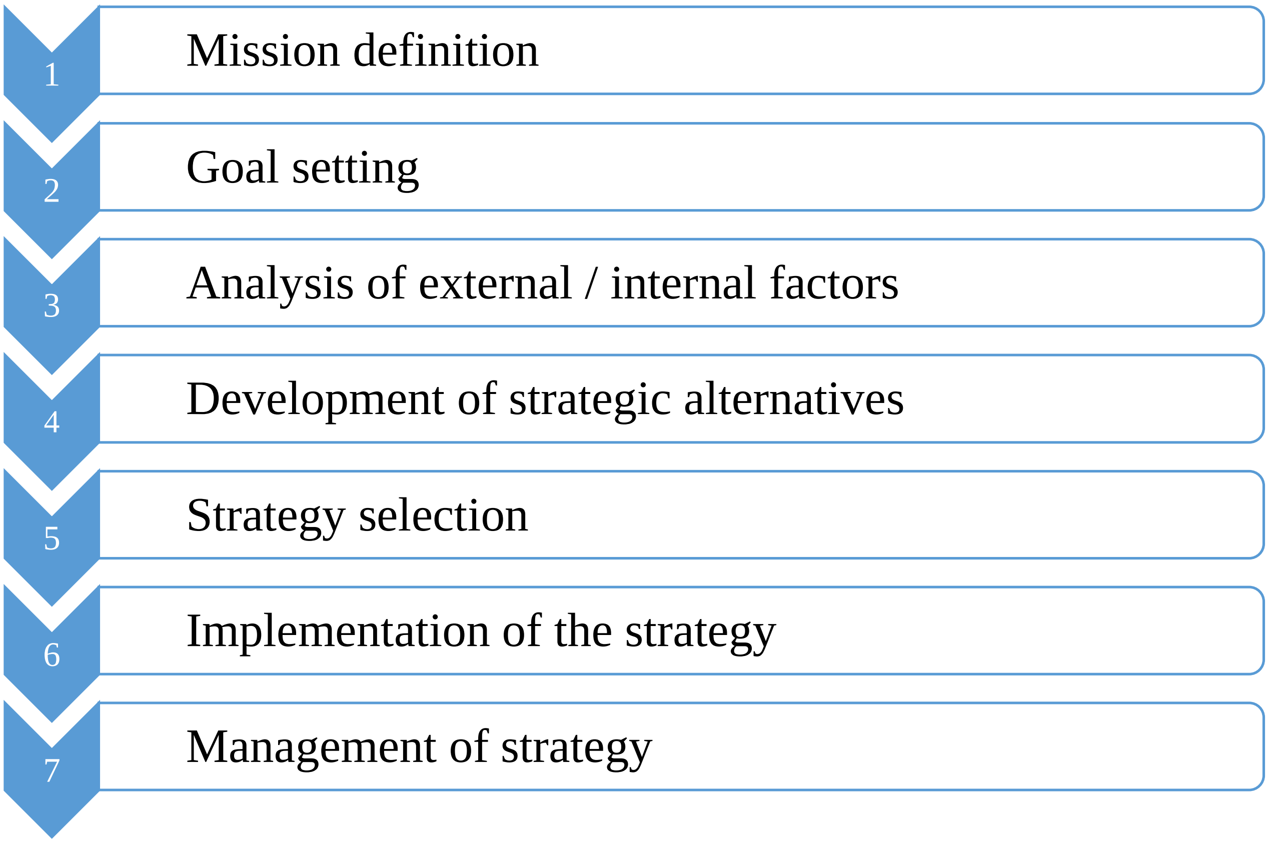


Fig. 1.1. Stages of the strategic planning process

*Source: compiled by the author according to Ernst & Young LLP*

Therefore, the "planning school" put forward the use of complex calculation and analytical models and methods of long-term forecasting and planning in order to develop such a strategy that would allow the company to achieve the maximum correspondence of internal parameters to the variables of the external environment and thereby achieve the set goals. It was a "prescriptive" approach to the formation of a long-term strategic plan, which largely depended on the accuracy, representativeness, consistency, and correctness of the data used in the process of its preparation. Accordingly, the need for a creative approach to strategy development and ensuring their uniqueness, which was emphasized by the design school, was abolished. Moreover, the proposed formalized approach allowed some researchers to draw a new conclusion about the essence of planning in the context of the ideas of the planning school: it is a formalized procedure aimed at obtaining a clearly defined result, which has the form of an integrated system of decisions, and it cannot be identified even with the development of a strategy, neither with strategy formation nor with management at all *(Lytui, 2008).* The very idea of the transition to strategic planning as a formal process of creating standard plans at some stage entered into a certain contradiction with the logic and understanding of the specified factors, i.e. acceleration of changes in the external environment, increased competition, etc.

First, unpredictable and rapid changes in the market environment required quick response, short-term adaptation, and, (or) interaction on the part of companies and organizations. At the same time, classic strategic planning has a typical, long-term and, formalized nature, which can at least slow down, and in the worst case, cancel the processes of making adequate decisions and taking measures under the listed circumstances. In addition, the acceleration of changes in the external environment has reached the level where adaptation to them by means of a simple adjustment of the plan has become ineffective. At the same time, the consolidation of business led to increased pressure on them from the external environment.

Secondly, the products of classical planning are plans that sometimes come into conflict with unplanned and sometimes unforeseen changes in the external environment, and therefore lead to less flexible administration; and the more detailed and elaborate the plans, the less flexibility they exhibit. Moreover, the need for strategic analysis and making appropriate decisions does not arise regularly. And when the strategic response is subordinated to the planning cycle, the effectiveness of the efforts of both the strategic business unit and the company as a whole can be jeopardized, especially in fast-moving industries.

So, these and other factors led to very limited effectiveness of classical strategic planning in the conditions of business conglomeration, acceleration and deepening of turbulence and globalization of the external environment. As a result, already in the early 1970s, many researchers expressed their observations or even doubts about the usefulness and effectiveness of strategic planning.

"Incrementalism" was proposed , according to which a strategy is recognized as a type of action or behavior formed due to the constant adoption of many "small" decisions in accordance with external and internal conditions by the "trial and error" method ". However, this approach did not become widespread due to the insufficient level of justification of decisions, the lack of a rational approach to their development, insufficient attention of managers to rational goal setting, etc.

The next step in the development of strategic planning was portfolio planning, which involved the use of "market share/growth rate" models of the Boston Consulting Group, McKinsey matrices, General Electric and some others. However, macroeconomic and financial instability in the 1970s, the oil crisis, inflation, and the rapid growth of bank rates proved the imperfection of these methods, especially during periods of instability, and contributed to their discredit. Among their main shortcomings is the need to carry out extensive analytical work due to the lack of tools for such analysis, the assessment of the need for cash flows only based on the market share and growth indicator, the impossibility of formulating strategies based on the results obtained from these models due to the simplification and insufficient recommendations strategies *(Boyett, 2002).*

Taking into account the shortcomings and criticism of previous approaches, further development of strategic planning models was based on competition analysis and strategic positioning. The main contribution to the development of this direction belongs, without a doubt, to Harvard Business School professor M. Porter, who proposed to consider the analysis of the firm in the industry context, to use a structured approach to the study of its competitive behavior, paying attention to the formation of its competitive advantages. To determine the company's strategy, the scientist proposed three key concepts: five competitive forces that should be taken into account when choosing a company's strategy, typical competitive strategies, one of which the company should choose, and a value creation chain in which competitive advantages should be sought namely cost minimization and differentiation *(Porter, 2005).*

This approach made it possible to theoretically substantiate the search, acquisition and use of a competitive advantage thanks to a correctly chosen strategy, countering competitive forces, and positioning in an attractive industry. However, M. Porter's concepts also had certain limitations, among which researchers especially noted the static nature of the analysis, excessive attention to the external environment of the organization compared to the analysis of internal resources, and even their opposition, focus on competition rather than cooperation *(Katkalo, 2003).*

Because of the development and improvement of the described approaches, extrapolation models of forecasting within the framework of strategic planning were replaced by methods of strategic analysis, namely: building scenarios, expert assessments, portfolio analysis, etc. However, the construction of future business development decisions based on past results and already implemented strategies and excessively formal planning methods and processes remained a significant drawback that could not be overcome within the considered approaches.

Therefore, since the 1980s, strategic planning began to lose its popularity, then at the end of the 1990s, it was recognized by many managers as ineffective and not justifying the time and resources spent on its implementation. In general, several reasons can be identified for this decline in strategic planning approaches. First, the inability to quickly and flexibly respond to changes in the external environment in terms of strategic planning. Secondly, almost all methods and tools of strategic planning had shortcomings that negatively affected their implementation and practical use in business, and therefore later they lost their relevance. Thirdly, since the 1970s, a number of studies conducted by Western scientists could not prove the effectiveness of classical strategic planning, because they did not find a connection between the existence of plans and the financial results of companies *(Mintzberg, 2008).* And, finally, in the 1980s, the importance of the human factor, intangible and intellectual assets, corporate values, and corporate culture increased in the theory and practice of business life, with which impersonal methods of strategic planning came into conflict *(Prodius, 2014).*

So, under the influence of these and other factors, strategic planning took its place among other management functions, and the new management paradigm became strategic management, or, according to the definition of a number of scientists, "strategic market management", which is characterized by its own methods and approaches (Table 1.1).

*Table 1.1*

**The main stages of development of the key characteristics of the planning concept**

| Criterion | Budgeting | Long-term planning | Strategic planning | Strategic market management |
|---|---|---|---|---|
| **Period of use** | since the 1900s | since the 1950s | since the 1970s | since the 1990s |
| **Main areas of attention** | Deviation control and complexity management | Predicting growth and dealing with complexity | Change of strategic direction and capabilities depending on the external environment | Overcoming challenges/threats/opportunities based on own resources and capabilities |
| **The main position** | The future is a repetition of the past | The future is a continuation of past development trends | New trends and disruptions can be predicted and adapted to | Cyclical planning should be complemented by operational management and proactive response methods |
| **Basic methods** | Normative | Extrapolation | Strategic analysis | Strategic analysis and modeling of business processes |
| **Nature** | Cyclic | | | Cyclic scheduling with real-time adjustments |

*Source: developed by the author (Dligach, 2012).*

The main difference between strategic market management and strategic planning was the assertion of the need for real-time planning to overcome problems associated with strategic surprises in the form of unexpected threats and opportunities that arise during accelerating market turbulence and deteriorating predictability. Despite this fact, strategic decisions must be made very quickly, regardless of the planning cycle *(Aaker, 2007).* At the same time, strategic market management has a preliminary, future-oriented character, i.e. "proactive", as opposed to "reactive", which was most characteristic of classical strategic planning. According to D. Aaker, given in the table. 1.1 management systems did not replace the previous ones but developed and supplemented them. Therefore, in his opinion, strategic market management encompasses four management systems: 1) budgeting, 2) forecasting (characteristic of long-term planning), 3) elements of strategic planning; 4) tools for making strategic decisions in real-time. Therefore, in strategic market management, the periodic planning process is supplemented by methods that allow the organization to maintain a high speed of strategic response regardless of the planning cycle.

M. Meskon, M. Albert, and F. Khedoury, who claim that strategic planning is a set of actions and decisions carried out by management and leading to the development of strategies designed to help the organization achieve your goals, hold a similar opinion about the role and place of strategic planning. At the same time, they consider strategic management as a process that includes both the development of strategic decisions and their implementation. Therefore, without using the advantages of strategic planning, organizations will be deprived of a clear way of assessing the purpose and direction of the corporate enterprise *(Meskon, 1997).*

It should be noted that some scholars advocate the exact opposite position on this issue, arguing that the fact that strategic planning is the main process of strategic management is wrong because it contradicts the modern understanding of strategic management according to the resource concept. Among their main differences, V. Katkalo names rationality in the creation of strategies and a certain mechanistic nature of strategic planning, which is reflected in the general desire to find optimal "organizational" correspondence, "reactivity" and "proactivity" of basic concepts *(Katkalo, 2003).*

However, despite these differences, the elements of strategic planning still remain an integral part of strategic management, along with budgeting, the use of extrapolation to assess relatively stable factors, and tools necessary for adapting strategic decisions. In our opinion, at least three arguments can be made in favor of such a strategic planning position:

First, strategic planning and strategic management have common properties that many researchers point to, including adaptability, goal-orienteers, multi-purpose nature, and matching of goals and resources.

Secondly, as the analysis of scientific sources shows, strategic planning and strategic management have an almost similar structures of processes. Thus, the majority of scientists who are supporters of strategic planning support the classic approach to the structure of its process, which includes the definition of strategic guidelines (missions and goals), strategic analysis (analysis of external and internal factors), development of strategic alternatives, strategy selection, implementation, strategy management. Therefore, we can conclude that the structure of the strategic management process almost repeats the structure of the strategic planning process, which, in fact, confirms the possibility of considering the strategic planning process as a component of a broader strategic management process.

Moreover, the third argument in favor of such an approach to determining the place of strategic planning is that strategic management has very close goals and objectives with modern strategic planning, in contrast to their classical understanding, namely, the formation of competitive advantages of the organization, which is reflected in the definitions of the mentioned concepts individual scientists. Thus, according to the extended interpretation, strategic management of an organization is such that it relies on human potential as the foundation of the organization, orients production activities to consumer requests, flexibly reacts and implements timely changes in the organization that meet the challenge from the environment and allow to achieve competitive advantages, which together, it makes it possible to survive in the long term, while achieving one's own goals. Therefore, the task of strategic management according to this definition is to achieve competitive advantages that ensure the continued existence, development, and achievement of goals.

At the same time, for a long time, the main task of classical strategic planning was the achievement of the organization's goals, which in a certain way distinguished it from strategic management. However, almost all schools of strategic planning paid attention to the need to form sustainable competitive advantages and considered it, to some extent, the main content and task of strategies. Under modern conditions of increased competition, acceleration of the life cycle of goods, and globalization of business, the task of ensuring competitive advantages is becoming more and more important for ensuring the effectiveness of strategic planning. This is confirmed by the approaches of modern authors to the interpretation of the concept of "strategy", which is developed in the process of strategic planning (Table 1.2).

*Table 1.2*

**Approaches of modern authors to the definition of the concept of "strategy"**

| | |
|---|---|
| M. Armstrong | Strategy is a perspective in the process of determining key strategic issues and success factors. |
| G. Mintzberg | Strategy is a way of determining the economic and non-economic benefits that their organization plans to provide to the main interested groups. At the same time, all strategies in the field of business are aimed at obtaining competitive advantages. |
| G. Hamel , G. Prahalad | Strategy is a way of developing the organization's competitive advantages. |

*Source: compiled by the author*

Therefore, the analysis of theoretical approaches to strategic management allows us to conclude that structural strategic planning is a part of strategic management and meaningfully covers the stages of strategic analysis (external and internal environment), setting goals and the actual formulation of the strategy, the implementation and control of which will take place in within the limits of strategic management (Fig. 1.2).


Fig. 1.2. Place and structure of strategic planning in strategic management

Source: (Bowman, 1997).

Therefore, based on the above, it is necessary to interpret strategic planning as a process of developing a strategy aimed at identifying and ensuring sustainable competitive advantages of a banking institution within the general process of strategic management to achieve the general goals of the bank. In turn, it is recommended to consider the strategy of the banking institution as a priority direction for the future development of the banking institution based on the formation and maintenance of sustainable competitive advantages.

## 1.2. Methodical approaches to the formation of the development strategy of an international company.

An essential feature of the modern world economy is the existence of fierce competition, which is caused by the constant struggle of the sales market. Therefore, for a commercial enterprise that wants to start its activities on the international market, the first priority is to enter this market as successfully as possible. Such markets, as a rule, are already filled with similar goods and services, they are quite unstable and it is very difficult to secure your positions on them. The company faces the problem of consistency and profitability of actions related to expansion into a new market, and here the choice and justification of a strategy that will best contribute to an unhindered exit and consolidation of positions on the foreign market becomes relevant. It should also be noted that the justification of the strategy of entering the foreign market has a number of important features, such as taking into account the legislation, international standards, religion and traditions of those markets, corporations and countries in which the company plans to start its activities.

The last decades of business development around the world have been marked by a number of trends that have greatly complicated the conditions for conducting business, increasing profitability and further development. As a result, companies around the world are increasingly faced with unpredictable environments, strategies that fail to provide them with effective competitive advantages, planning systems that do not cover the full spectrum of change, and many other consequences that are becoming increasingly difficult to overcome.Also, the COVID-19 epidemic, Russia's military invasion of Ukraine, the introduction of sanctions against aggressor countries, etc., significantly affected the state of doing business.

Under the influence of these factors, obtaining a competitive advantage in the exploitation of external business conditions became impossible precisely because of the wide availability of resources. A special role in this context is played by the general availability of information about the availability, quality and cost of all other resources, which makes it difficult or impossible for enterprises to form competitive advantages. Moreover, the analysis of the external environment, the activities of competitors, especially the forecasting of its changes, are becoming increasingly difficult and ineffective. Accordingly, approaches to determining the formation of the company's strategy, the content and tasks of the strategy, ensuring business competitiveness need to be revised and reconsidered.

Just recently, the role of forming the company's strategy in its new form as part of strategic management, aimed at the formation of the most sustainable competitive advantages, which should be reflected in the strategy developed and implemented within the framework of strategic management, has significantly increased. After all, the key to solving such tasks as increasing the profitability and profitability of certain types of business, increasing market share, and attracting customers in a highly competitive environment are competitive advantages, the definition and maintenance of which is the basis of any strategy.

The listed trends lead to two most important changes in the process of forming the company's strategy.The first change is related to the frequency of the planning cycle and the time horizon, the second - to the redistribution of roles and areas of responsibility within the planning process. If in the 1980s and 1990s, the standard planning cycles for large corporations and financial groups were 3-5-year cycles, today such planning cycles have come to be considered too long and have been partially replaced by annual cycles. As J. Sampler points out, even annual planning cycles do not allow to fully monitor the current pace of changes. In this regard, many companies are moving to an annual planning cycle with semi-annual or even quarterly reviews of plans (File, 2002).

One of the methods that make it possible to reduce the frequency of planning cycles is a certain decentralization of responsibility and strategic decision-making, which is, in fact, the second block of changes in the process of forming the company's strategy. These changes are manifested in the provision of greater autonomy and responsibility for decision-making to all levels of business management. In this case, the strategy consists of one general desired direction and the marginal parameters of deviation from it, within which managers can act independently. With this approach, the process of developing a strategy becomes continuous, and areas of responsibility are distributed throughout the banking institution.

Now let's consider at what level of management and, accordingly, the formation of the company's strategy, the process of forming the company's strategy and solving its key tasks takes place. Conceptually, the formation of a company's strategy can occur at several levels of the company, depending on its size, structure, degree of business diversification, belonging to a corporation or financial group, etc. Thus, a large diversified company develops its strategies on two or even three levels; a company formed on the basis of one business line - on two levels. A small institution may rely on only one general strategy. At the same time, the content of these strategies and the level of management responsible for their planning can vary significantly.

As the analysis of scientific sources shows, today there are three main approaches to understanding the levels of company strategy formation. In the classic model I.Ansoff's process of strategy development is presented as a cascade of decisions covering three levels of strategy formulation and implementation - corporate, business unit and functional (Ansoff, 1989), which correspond to their goals, strategies and programs

As G. Mintzberg notes, the starting point is a clear outline of the company's general organizational goals, which allows, firstly, to develop a whole system of sub-goals, and secondly, to generate a cascade of strategies in the "top to bottom" direction. And this, in turn, gives rise to hierarchies of operational programs and budgets, which determine the actions of the organization aimed at achieving the set goals (Mintzberg, 2008). He believes that such a situation is dictated by practical purposefulness, because, according to his observations, most companies, instead of a single set of tasks and strategies, develop a hierarchical system of interconnected strategies, detailing each of its levels (general corporate strategy, individual strategies for all divisions of the enterprise, as well as strategies for each market or product).

A slightly different position is advocated by American researchers S. Hofer and D. Shendel, who also distinguish three main types of strategy - corporate, business and functional, but attribute the latter to operational management (Hofer, 1986). The same approach is followed by domestic scientists, in particular V. Bagatskyi, A. Zub, S. Sobol, and Z. Shershnyova.

However, there is another approach to understanding the internal content of the stages of the company's strategy formation, which is most consistent with the latest trends in the development of the theory of strategic management, namely the approach proposed by A. Thomson and A. J. Strickland.According to this approach, not three, but four levels of strategies are distinguished in view of the division of functional strategy into functional and operational strategy (Strickland, 33). The detailed content of each of these levels is disclosed in the table. 1.3.

*Таблиця 1.3.*

**Priority tasks of strategic planning depending on the level of strategy formation**

| Strategy level | Priority tasks |
|---|---|
| **Corporate** | • Building a portfolio of business units |
| | • Finding synergy between business units and turning it into a competitive advantage |
| | • Allocation of resources between business units |
| | • Review, verification and unification of strategic proposals of individual business units |

| | |
|---|---|
| **Business** | • Development of approaches aimed at obtaining a competitive advantage |
| | • Appropriate response to changes in external business conditions |
| | • Review and check of functional strategic plans |
| **Functional** | • Setting goals to support business strategy in key functional areas (e.g., sales, HR, marketing, IT) |
| | • Verification, revision and unification of plans formulated by operational managers |
| **Operating** | • Development of special approaches and programs aimed at supporting functional and business strategy |
| | • Creating a reserve for achieving basic goals and objectives |

*Source: compiled by the author.*

According to A. Thomson and A. Strickland, managers responsible for strategy development at each level should develop their action plan to fulfill the outlined goals, which should then be assembled into a single strategy in the process of reviewing and checking the compliance and effectiveness of its components. According to their position, the strategy formulation process will be successful only if three key conditions are met: first, there must be a high level of agreement between internal and external factors; secondly, the strategy should provide a sustainable competitive advantage; thirdly, the strategy predicts and increases the level of execution of plans.

So, the performed analysis of various approaches to the hierarchical structure of the company's strategy formation makes it possible to draw the following conclusions:

First, in the process of forming the company's strategy, managers of all levels should be involved, including the operational one, which ensures, on the one hand, the comprehensive, comprehensive and transparent nature of this process, and on the other, a high level of involvement and interest of managers, their information and responsibility for the effectiveness of both planning and further implementation of the developed strategies.

Secondly, in order to achieve maximum efficiency, all actions, decisions and measures at different stages and levels within the framework of the strategic formulation process must be coordinated, agreed among themselves and subject to a common goal and a common chosen direction of development.And, thirdly, with the complication of the external environment, the globalization of competition, the acceleration of changes and crisis phenomena, the formation of competitive advantages of the organization, which was previously considered by all researchers as a key priority of only business strategy, is gradually becoming the subject of corporate strategy, even for large diversified corporations. In our opinion, this is related to the increasing importance of the mentioned task against the background of globalization of business and competition, acceleration of changes in the competitive environment, etc. and, in fact, fully corresponds to the evolutionary changes in strategic planning discussed earlier.

Therefore, the identification and creation of competitive advantages, their sources and methods of their formation and implementation are the essential content of the formation of the company's strategy at all levels of the hierarchy of the company's strategies, which varies in scale, object, degree of detail, etc. At the same time, as the analysis of approaches to the hierarchy of the company's strategy formation showed, all of them provide for the compliance of various types of strategies and strategic planning to different levels of management - general corporate, business unit level, functional, or operational.

Depending on the specifics of the company's strategy formation process, various models of the company's strategy formation are distinguished. In particular, Ukrainian researcher Z. Shershnyova suggests considering planning models depending on the focus of the strategy on certain factors or on the characteristics of the enterprise (Fig. 1.3).

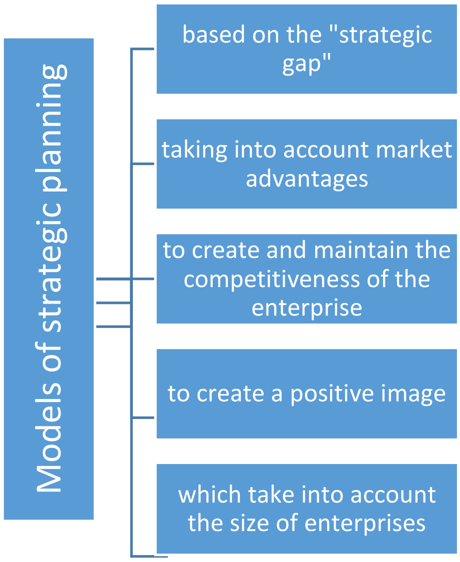


Fig. 1.3. Models of strategic planning depending on the world school of strategic
Source: (Shershnyova, 2004)

At the same time, H. Mintzberg, who, according to the Financial Times, is among the ten leading experts in the world who made the most significant contribution to the development of management, singles out such models of company strategy formation depending on the world school of strategic planning (Fig. 1.4).

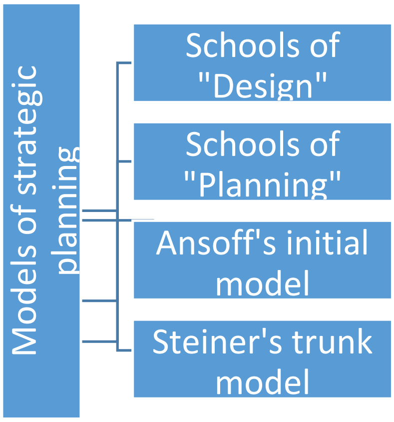


Fig. 1.4. Models of strategic planning depending on the world school of strategic planning
Source: (Mintzberg, 2008)

The main differences between these models lie in the approach to the degree of formalization of planning, the role of the company manager, the degree of formalization and creativity in the process of forming the company's strategy, etc.

In her research, T. Frolova pays attention to the current problems of developing corporate strategies of companies (Frolova, 2012). According to her statement: "competitive (business, business) strategies are subordinated to the corporate one, indicate ways to achieve the chosen direction in each strategic business unit and represent a plan for gaining strong long-term competitive positions (advantages). These strategies are also called business strategies or competitiveness strategies. T. Frolova notes that: "Strategy development and selection is a complex, creative process that cannot be squeezed into the framework of ready-made templates and sets of recommendations. This process cannot be standardized like the creation of technical products. Only a non-standard, creative strategy allows you to achieve market leadership. Therefore, in multi-business companies (multi-profile, diversified, producing various types of products), a five-level strategy is used, which includes: corporate strategy, strategies of business units, competitive (business, business) strategies, functional strategies, operational strategies. Depending on the nature of the company's development, the following types of corporate strategies are considered: growth strategies, stabilization strategies, and protection strategies. This approach makes it possible to flexibly use certain possibilities of individual strategies and corresponds to the real conditions of their application."

O.Stavytskyi, in his seminal work, drew attention to the problem of effective functioning of enterprises in conditions of global economic and political instability (O. Stavytskyi, 2011). Having considered various concepts of strategic management, he came to the following conclusions: "that enterprises that have a strategy and implement strategic management always have the opportunity to behave consistently and systematically in their business, in particular and in the market dynamic competitive environment as a whole, which increases the probability of their achievement of the set goal". Other authors (D. Kozorog, G. Nyameshchuk, 2021) come to similar, valid conclusions: "the lack of strategy generally reduces the probability of survival, since strategy is the basis of practice on the world stage, coordination of individual spheres and adaptation to the external environment."

So, summarizing the research of domestic and foreign scientists, we can come to the conclusion that strategic management and planning are extremely necessary for the successful foreign economic activity of companies, and depending on the dependence on markets, goods and services, the company's management chooses management and development strategies.

## 1.3. Organizational and information support for the formation of the development strategy of an international company.

The organizational and information support of strategic planning in a business organization is based on its organizational structure and relationships between different levels and participants of strategic planning. The generalized organizational structure of a business organization involves a fairly clear separation of the highest level of management, the presence of the first level of the executive level of management, while the rest of the organizational structure consists of a number of various departments and departments, without a clear grouping or hierarchy based on functional affiliation, which makes it impossible to assign them to any some level of strategic planning *(Lyuty, 2008).*

The above makes it possible to conclude that the traditional organizational structure does not sufficiently reflect the hierarchy of management levels necessary for the implementation of an effective hierarchical structure of strategic planning. In addition, as the practice of European countries shows, in conditions of increased turbulence in the external environment and the introduction of relevant changes in the process of strategic planning, the classic organizational structure proves its limited effectiveness. First, such a structure does not provide the possibility of decentralization of strategic decision-making, flexible response to changes in strategy in real-time to changes and demands of the external environment, and, finally, does not provide the necessary level of business profitability in modern conditions *(Hofer, 1986).* By decentralization, we understand in this case the transfer of responsibility and ability to make decisions from higher to lower levels of management. Secondly, it restrains the improvement of the efficiency of individual divisions, because it does not create a single basis and standards for its evaluation and planning.

These problems can be solved if each unit is considered not as an organizational unit (department, department, management) according to the organizational structure, but as a separate center of responsibility for the implementation of its part of the strategy and the result of its implementation. Despite the fact that in the writings of some researchers, the "responsibility center" is presented mostly as an accounting term related mainly to budgeting and control over the implementation of budgets, it can also be considered as a segment or sphere of activity within which the manager's responsibility for a certain direction is established activities and activity indicators that he controls *(Grebeshkova, 2012).* These centers should be an integral part of the general network of responsibility in the company and act based on the standards of personal responsibility of their managers for the achievement of defined strategic tasks and goals. At the same time, any manager can be responsible only for that part of expenses or income that he can control. That is, each manager assumes responsibility only for those areas of activity that he is able to influence. Therefore, at a certain hierarchical level, he will be responsible only for the appropriate level of output. In other words, the implementation of responsibility centers involves the flow and integration of information necessary for the management of income, expenses, profits, and funds, which, in turn, is a necessary prerequisite for the effective functioning of management control. In such a system, each management level becomes responsible for its income and expenses, and managers at all levels are responsible for the deviation of the achieved results from the planned goals.

Such centers of responsibility may vary in size, scope, and management levels. Based on their participation in achieving strategic goals and achieving financial results, they are divided into profit centers and cost centers. As profit centers, it is appropriate to consider all divisions that directly sell products to customers and independently receive income that ensures their financial result (profit). This means that profit centers are responsible for both cost management and revenue management and, of course, for obtaining a financial result. Thus, the responsibility of profit centers involves responsibility for expenses incurred, the profit received, and the rate of return on invested capital *(Kukreja, 2013).* Profit centers are formed within business lines, so the profitability of the latter depends on the profitability of the profit centers included in it.

Accordingly, a business line is a cluster, which usually consists of smaller profit centers, but can sometimes include separate expense centers. That is, each business segment is a center of higher-level profit creation and consists of a number of smaller profit centers grouped by one feature. This level of business line management actually represents the second level of the strategic planning hierarchy, which corresponds to the level of strategic business units at enterprises.

Therefore, at the first and second levels of the corporation's management - the level of the supervisory board, board, and advisers - a corporate strategy is formed and approved, which answers the question of the scale and list of business lines, their interrelationships, and factors - competitive advantages that will become the basis of this connection.

On the basis of this general strategy, at the second level of management of responsibility centers, the formulation of business strategies should take place, the main focus of which is aimed at determining and ensuring competitive advantages in a specific market segment to ensure maximum profitability of the business line. At this level, during strategic planning, as a rule, ways and means of acting in a competitive environment within one's industry are determined in order to achieve success. That is, each of these centers develops its own business strategy, which corresponds to the basic provisions of the general corporate strategy and is its integral component, on the one hand, and serves as the basis for the implementation of the next stage of strategic planning, namely the development of functional strategies, on the other.

A key principle of the strategic planning hierarchy, which ensures the independence and impartiality of the development of strategic decisions at the functional level for each business line, is that managers who are responsible for the development and implementation of business strategies and the heads of cost centers should be at the same level corporate governance with a similar degree of responsibility and participation in the process of strategic planning and management. At the same time, they take part in strategic planning at different levels, that is, they develop strategies of different levels: business and functional.

To assess the achievement of activity goals within the framework of strategic planning, as a rule, a system of financial indicators of the enterprise is used, in particular, operating profit, the volume of sales, economic added value, etc.

However, this approach has a number of limitations. First, most financial indicators have a historical or retrospective analysis, provide an opportunity to evaluate the results of activities that took place in the past, and do not allow for the quick influence of these processes *(Kaplan, 2004)*, and therefore reduce the flexibility and activity of strategic planning. Secondly, the use of only financial indicators in the planning and further evaluation of the implementation of the strategy does not provide an opportunity to evaluate the effectiveness of the use of intangible assets, namely: information, abilities, skills, competencies, relationships, etc. However, these assets play an increasingly important role compared to investments in tangible assets and raising capital in achieving the goals of a banking institution and in creating and maintaining competitive advantages. Thirdly, the application of the vast majority of financial indicators is a mandatory and integral process in the activity of each bank, regardless of the adopted strategy of the banking institution, and the evaluation of the strategy based only on them is incorrect. And finally, most financial indicators are the result of the work of the banking institution as a whole, which makes it difficult to assess and control strategic planning and strategy implementation at different levels and directions of strategic planning and, accordingly, the cascading of these indicators by levels of strategic planning and management: corporate, business directions, functional level and operational. After all, the implementation of the strategy and the achievement of the set goals require the involvement of all divisions in the planning and evaluation of the achievement of goals, a close relationship between business and functional divisions, on the one hand, and strategy, on the other.

These limitations can be overcome with the help of balanced Business indicators Score Card. According to the definition contained in the dictionary of official terms of the Chartered Institute of Management Accountants in the United States (The Chartered Institute of Management Accountants): "the system of balanced indicators is an approach necessary to provide the company's management with information that helps in formulating the strategic policy and goals of the organization. This approach emphasizes the fact that the user must be objectively and impartially provided with information aimed at all significant areas of the organization's activities. The information provided should include both financial and non-financial elements and take into account the company's profitability, customer satisfaction, internal efficiency, and innovation."

This system was proposed by scientists R. Kaplan and D. Norton, who suggested evaluating business goals and measuring their achievement from the standpoint of not only financial indicators, which they assigned to the strategic block "Finance", but also three more that also characterize the implementation of the strategy: "Clients", "Internal business processes", "Development and Training". Therefore, in order to take into account in the system of planned strategic indicators the goals of the cost centers, along with the indicators of the management system based on the economic added value, we will use the indicators belonging to these strategic directions.

The "Finance" component includes initiatives and tasks for growth, increasing profitability, and risk management from the point of view of shareholders, the "Clients" component includes indicators of the strategy of creating consumer value and differentiation from the perspective of the client. The internal component of "Processes" involves setting goals of strategic priority business processes that ensure an increase in consumer value and contribute to the growth of economic added value; component "Learning and growth" - setting priorities to create an atmosphere conducive to strategic organizational change, innovation and growth. Accordingly, key performance indicators according to the BSC system should answer the four most important questions listed in the table. 1.5).

*Table 1.5*

**The content of the main criteria for evaluating the achievement of goals in the process of strategic planning**

| A component of strategy | The key question | Strategic direction | Indicators |
|---|---|---|---|
| Finances | What financial indicators need to be achieved | Growth in shareholder value, profitability | Economic value added, marginal revenue, return on assets, operating profit |
| Customers | How the banking institution is evaluated by clients | Value creation and differentiation from the customer's point of view | Index of satisfaction, loyalty, attractiveness |
| Processes | What process improvements need to be implemented to implement the strategy | Development of priority business processes that contribute to the growth of consumer value and economic added value | Shortening individual processes, increasing the speed of decision-making |
| Training and development of personnel | How will staff development take place to achieve goals | Setting priorities to create an environment conducive to change, initiative and development | Employee engagement index, number of trainings |

*Source: compiled by the author*

Therefore, the system of balanced indicators involves the establishment and evaluation of both financial and non-financial indicators that contribute to the achievement of future results. In addition, it allows you to reveal the factors and indicators of value creation due to investments in customers, and personnel, improving the quality of service, as well as to evaluate the effectiveness of the use of intangible assets in the processes of implementing the strategy and achieving the set goals. So, in fact, this system can be used both as an information system for providing strategic planning and as a mechanism for developing a strategy and evaluating the process of achieving set goals through the establishment of key indicators that correspond to the goals of the strategy according to four main projections.

Based on the analysis of scientific literature, four main stages of implementation of strategic planning in business companies can be distinguished (Fig. 1.5). The first stage requires 1-3 years, and differs from the traditional planning "from what has been achieved". In the second stage, the process of strategic planning is connected with the analysis and adjustment of the strategic plan according to already developed procedures. Systematic research of the market, competitors, new products and services, and internal corporate structure, which was ignored at the first stage, is implemented. Top management begins to move to the level of quarterly and more frequent verification of strategic plans in connection with the plans of specific departments.

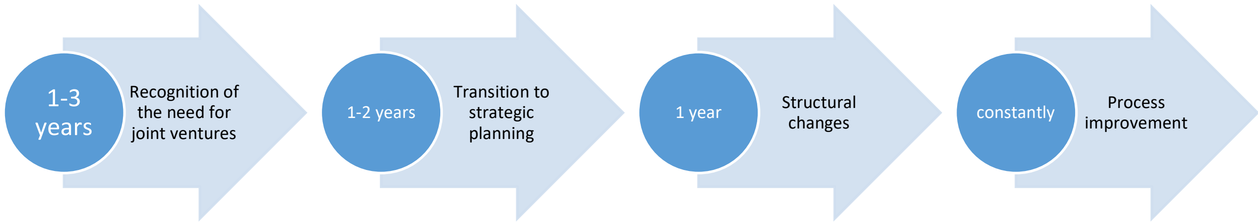


Fig. 1.5. The main stages of implementation of strategic planning in business companies

Source: (Mintzberg, 2008).

The system of intra-organizational planning, which includes the development of a strategic plan for the company as a whole, moves to the level of strategic plans of individual divisions, their budgets, and their systematic control and analysis. The higher level of management is gaining experience in combining strategic and operational planning; costs are increasing for training personnel to work in a team and to control changes. The success factors of this stage are the strengthening of accountability and the evaluation system, the development of the remuneration system through the implementation of team motivation systems, the implementation of planning and budgeting at the level of departments, the development of communications with employees at all levels, which ensures equal awareness of all levels of management and understanding of the strategic goals of the company and their structural subdivisions. This stage lasts 1-2 years, and its results are new management procedures, increased profitability, the creation of new products and services, and penetration into new market niches and customer segments.

In the third stage, which lasts about a year, progress in achieving the company's strategic goals becomes obvious. Corporate, business, and functional planning is fully integrated into a vertical system, and a budgeting system built on the same principles is added to it. The peculiarities of this stage are that it becomes more difficult to work, because new priorities require the introduction of new technologies, the creation of new products, and entering new markets due to the development of competitive new competitive advantages. In addition, more and more authority is delegated from the top down, and staff will have more and more opportunities to work independently. This, on the one hand, requires further training of personnel, and on the other hand, the development and implementation of new control procedures. The main task of this stage is to maintain the taken pace, which serves as a basis for the next fourth stage, which is a logical continuation of the previous three.

Now, changes and their management are perceived as normal work in the company. Working in teams becomes a natural form of management organization. At this stage, an in-depth analysis of the company's external environment and internal state will be conducted in order to forecast the company's development for a longer perspective than one year, which will be reflected in the revision of the company's mission and vision in clearer and more specific terms.

# CHAPTER 2. ANALYSIS OF DEVELOPMENT STRATEGIES OF INTERNATIONAL COMPANIES IN THE BANKING SECTOR IN UKRAINE.

## 2.1. Formation of goals for the development of international financial groups.

The existence of banks of foreign banking groups in national economies today is one of the manifestations of financial globalization. The number and share of banks with foreign capital in the assets of the banking systems of recipient countries continue to grow. At the same time, the trend of expansion of foreign banking capital is followed, primarily from developed countries to the markets of developing countries. Ukraine is one of them. Banks with foreign capital have considerable influence on the domestic banking system and cause a complex of qualitative changes in it.

The consequences of the presence of a significant share of banks with foreign capital in the domestic market are quite ambiguous: on the one hand, they contribute to the financial development of the country, and on the other hand, they hide certain threats. It is necessary to pay attention to the presence of both positive and negative consequences of the presence of foreign capital in the banking system of Ukraine. On the one hand, banks with foreign capital provide a number of positive aspects: they contribute to the faster and more efficient implementation of advanced methods of banking, increase the quality-of-service provision and expand their range *(Paulhart,2009),* reduce the possibility of money laundering; give impetus to the development of competition; increase the qualification level of bank employees.

The inflow of bank capital from abroad also contributes to the saturation of the national economy with cheap and more accessible credit resources, increases the stability of sources of income that are less sensitive to internal crises *(Smovzhenko,2008),* increases investment flows aimed at financing domestic projects *(Bitzenis, 2004)* because the presence of banks with foreign capital increases the confidence of foreign investors in the real sector of the economy of the host countries. However, banks with foreign capital, thanks to their competitive advantages, are able to follow the strategy of "collecting the cream".

At the same time, the disadvantages of the entry of foreign capital include an increase in currency risk due to the growth of lending in foreign currency, the risk of increasing conflicts between transnational and national interests, as well as the threat of market oligopolization by foreign banks *(Prykaziuk, 2020).*

In our work, we will first consider the mechanism of goal formation for classical international companies. Then let's move on to identifying the specifics of the banking sector.

In order to compete in the modern world market, companies must be able to quickly use any favorable opportunities for doing business in any part of the globe, as well as promptly respond to changes occurring both internally and externally market. Such a situation requires a clear definition of the corporate mission, a vision of ways to achieve this mission, as well as a clear understanding of the methods of competitive struggle. Determining competitive positions requires a careful assessment of a company's strengths and weaknesses compared to its competitors, forecasting likely political, economic, and social changes among existing and potential consumers, as well as analyzing the impact of new technologies on business practices.

In order to solve all the listed problems, managers of international companies use methods and techniques of strategic planning. Strategic planning, as a rule, falls under the competence of senior officials who perform their duties at the headquarters of the company, as well as senior managers who manage the work of domestic and foreign subsidiaries. Most large companies have full-time planning specialists who provide technical support to top managers in the strategy development process.

However, in reality, the development of an international strategy is a much more complicated process than the formation of a strategy for the company's activities in the domestic market. Managers developing strategy for a domestic company is dealing with one national government, one currency, one accounting system, one political and legal system, and usually one language and one relatively homogeneous culture. In contrast, managers whose responsibilities include developing a strategy for an international company have to deal with many governments, many currencies, many accounting systems, many political systems, many legal systems, and a wide variety of languages and cultures. Among other things, the responsibilities of the management staff of international companies include coordinating the implementation of strategy in divisions located in many countries of the world, as well as monitoring and managing the activities of these enterprises. This process is complicated by the fact that each country has its own time zone, cultural context and economic conditions for doing business. However, the management of companies, as a rule, considers all these difficulties as an acceptable price for additional favorable business opportunities that accompany the global expansion of companies. In fact, international companies have the opportunity to use three sources of competitive advantage that are not available to companies operating only in their own country.

Increasing efficiency due to globalization. International companies, in particular, can take advantage of location savings due to the optimal location of production facilities in different countries of the world, which ensures either a low level of production and sales costs or an opportunity to improve the quality of customer service. International companies also have the opportunity to reduce production costs through the economies of scale gained by developing businesses that serve markets in multiple countries.

Multinational flexibility. There are many differences between the political, economic, legal and cultural conditions of doing business in different countries of the world. Moreover, these conditions are constantly changing: new laws are adopted, new governments are elected, changes are made to economic policies and new competitors enter the national market (or leave it), etc. Therefore, international companies inevitably face the problem of adapting to numerous changes in business conditions. Domestic companies operate in the context of a single internal economic environment, so they have to respond to changes occurring only in this environment. On the contrary, the adaptation of international companies to changes in business conditions in one country can occur at the expense of measures taken in the markets of other countries.

The development of international strategies is not a one-dimensional process. As a rule, international strategic management is divided into two stages: strategy formulation and strategy implementation. In a simplified form, these two stages can be characterized as follows: strategy formation comes down to making decisions about what the company should do, and strategy implementation mean the practical implementation of planned actions. At the stage of strategy formation in the company, goals are identified and strategic plans for achieving these goals are developed. In the process of developing an international strategy, the company's managers make an informed decision about which markets the company should enter (or which markets it should leave), as well as how to ensure the company's competitiveness in each of these markets. At the strategy implementation stage, the company develops tactics for achieving the goals set for the company in the process of strategy formation.

The plan development mechanism is a set of measures that determine the specific goals, content and development of the international activities of the subjects of the global economy. The strategic planning process begins with defining the corporation's mission. Defining the mission consists in working out a wide range of conditions, plans for achieving goals and implementing a strategy, developing well-balanced company goals, approaches, guidelines and a vision of prospects.

Most often, the main component of the mission is a product or service, market share, the geography of production location, basic technology, thoughts about survival and philosophy (basic beliefs, value orientations, philosophical priorities, which are addressed in the implementation of management and decision-making), self-concept (assessment of strengths and weak corporations in competition, opinions about the public image). The document on the mission of the corporation should reflect the expectations of consumers, that is, be as accessible as possible to understand the goals.

The process of goals is quite complex and responsible. It involves a certain sequence of stages: selection of a fundamentally possible list of goals and their ranking according to the criterion of importance; narrowing down the list to a shorter list of realistic goals that can be provided with resources; selection of one goal and its formulation; selection of sub-goals and construction of a "decision tree", etc.

Foreign corporations that use strategic planning pay great attention to improving methods of analysis, forecasting and processing of source information. One of the new methods in strategic planning is the method of portfolio analysis. Its essence consists in collecting and summarizing a large amount of information reflecting the corporation's market position, market development trends and main competitors. Based on the collected and carefully processed information, a set of options for the development of the corporation and a portfolio of strategies are formed, their effectiveness and implementation possibilities are evaluated, and the best option is selected. The value of portfolio analysis lies in the fact that it provides an overall picture of the current state of the corporation, the likely future development of the market, as well as the fact that it provides a sufficient amount of information for making informed decisions.

The following models are used to implement strategies depending on specific conditions: intra-company management in a calm external environment; management in the conditions of a dynamic market, the transformation of scientific and technical progress into a constantly operating factor of development; a model that is adapted to spontaneous, suddenly emerging threats and opportunities in the external environment.

Today, the choice of a corporate strategy model is becoming more and more important in the face of growing competition. The development of an effective strategy of advantages in the market should be preceded by a thorough analysis of the competitiveness of the corporation, an assessment of external and internal factors. Such an assessment can be carried out by means of an analysis of strengths and weaknesses, and the identification of market opportunities and threats (SWOT analysis). At the same time, the opportunity is considered an external condition that represents a significant prospect for improving the corporation's position relative to competitors, and the threat is considered an external condition that causes the corporation's market position to be undermined.

At the same time, the study of the company's internal environment and data on its strengths and weaknesses complement the characteristics of external opportunities and threats. Thus, data on the strengths of the corporation characterize its potential to increase competitiveness. It is about the high competence of the staff, appropriate financial resources, competitive skills, proper image among buyers, recognition in the market, professional organization of advertising, low cost, etc. Weaknesses of a corporation are internal characteristics that deprive it of its potential for strategic advantages over competitors. These include a lack of a clear strategic direction, limited capacity, low profitability, insufficiently qualified personnel, imperfect strategy for the introduction of new products, too narrow specialization, weak distribution network, etc.

The central point of the strategic analysis is the determination of the place of each strategic business area on the matrix "volume of demand - market share compared to the share of the main competitor. One indicator - the growth of demand, determines the prospects of the corporation's development. This indicator in the matrix sets the vertical value of the vertical scale. The value of the horizontal scale is the ratio of the market share owned by the corporation to the market share owned by its main competitor. For each economic zone, an estimate of future growth rates and market share is determined, and these data are entered into the corresponding cells of the matrix. As a result, we get a matrix of four quadrants.

The management of corporations also has its peculiarities in conditions of strategic surprises, that is, in situations when problems arise suddenly, often contrary to all forecasts, as well as past experience. In such situations, managers must urgently develop and implement compensatory measures to eliminate work interruptions, threats or direct losses and restore the normal operation of the corporation.

To increase the efficiency and effectiveness of the management staff of corporations, it is advisable to develop a set of actions and emergency measures in case of strategic surprises. These measures should provide for a special network of connections, the distribution of rights and responsibilities of senior managers, the creation of operational groups of managers to control and maintain the moral climate in the team, the establishment of a normal work rhythm, the development and implementation of emergency measures related to the exit from difficult situations

The international activity strategy consists of a) a strategy for determining the sources of support; b) strategies for placing international production; c) sales strategies of manufactured products.

The strategy of determining the sources of supply assumes that the company, before focusing on the world markets of raw materials and materials, should make maximum use of local resources for its production. Advantages of using national resources: low transport costs; one currency; absence of customs formalities; the same social and cultural conditions. It is also necessary to take into account the influence of external factors: reduction of production costs; improvement of the quality of goods; security lines; stock level; exchange rate fluctuations.

The main risks associated with an external source of security: are lengthening of security lines; customs costs; difficulties of freight forwarding of materials; political and social problems; the difficulty of assessing the quality of work of foreign suppliers; system of international settlements; shortages and claims for supplied raw materials and materials.

International production is the creation and operation of economic entities on the territory and outside the country of their main owner. The content of the strategy for placing international production consists in determining the optimal option for placing economic entities within the framework of the world economy.

Tasks of the export strategy: obtaining profit from economic activity; formation of sources of preservation of production volumes; mitigation of the problem of unprofitable capacities in the domestic market; expanding the possibilities of solving sales problems by regulating the pace of sales of goods in various world markets.

Military actions on the territory of Ukraine, the political and economic instability of the domestic economy, and inconsistency of the financial policy of the country's government have a negative impact on the level of public trust in the banking system, which leads to a decrease in the financial results of the activities of domestic banks against the background of the strengthening of the role of banks with foreign capital. This is confirmed by bank rating data. Thus, according to the rating compiled by the insurance magazine "Forinsurer" as of January 2023, of the 15 most reliable banks, 11 are banks with foreign capital and only 4 banks with capital of Ukrainian origin: state-owned "Privatbank", "Oschadbank", "Ukreximbank", "Ukrgasbank" and private FUIB. According to the same magazine, a similar situation was typical for banks in 2017-2022. A similar picture is demonstrated by the results of the rating of Ukrainian banks' vital activities for 2017, presented by the journalistic business portal "Mind", which analyzed the financial stability, payment discipline and risks of the owner’s banks operating in Ukraine. As before, the most reliable of them is banking institutions with foreign capital. The leaders of the Mind rating of the viability of banks operating in Ukraine were the Austrian Raiffeisen Bank Aval, the French Credit Agricole Bank, the American Citibank, the French UkrSybbank and the Polish Kredobank. The presence of foreign capital in the banking system of Ukraine, along with its advantages, can pose a security threat not only to banking but also to the entire financial sector of the country. Thus, among the indicators of economic security defined by the "Methodical recommendations for calculating the level of economic security of Ukraine" and approved by the Ministry of Economy, there is the indicator "The share of foreign capital in the authorized capital of banks", the optimal value of which should be 20-25%. Instead, a value in the range of 26-30% is considered satisfactory.

In our opinion, the acceleration of the rate of growth of foreign investments is a consequence of the strengthening of globalization processes and the greater involvement of Ukraine in the world community. The government's policy regarding the implementation of Ukraine's integration into the European Union led to the liberalization of the movement of European capital in the banking system. Therefore, the domestic banking system is significantly affected by the high level of presence of banks with foreign capital in it, to which the additional forces of the National Bank of Ukraine (NBU) and other state bodies in the field of banking regulation and control should be directed in order to prevent the threat of obtaining monopoly power in banking the sphere of foreign banks, preventing the possible displacement of the domestic banking sector from the market, as well as weakening the dependence of the Ukrainian economy on foreign capital. We note that the effectiveness of attracting foreign banking capital in Ukraine depends on the correct and effective mechanism of admission of banks with foreign capital to the domestic market of banking services. All this requires additional research, thorough analysis and the development of effective and efficient proposals and recommendations for the protection of the domestic banking sector in the conditions of attracting foreign capital.

## 2.2. Analysis of the state of the business environment for the activities of an international financial company.

Already in the middle of 2022, the banking sector, with the support of the NBU, adapted to work under martial law. The work of bank branches in liberated and free regions has resumed almost in full. The volume of client funds in banks continued to grow, primarily hryvnia funds of the population and business deposits in foreign currency, thanks to which the level of liquidity remained high, despite the war. This period was marked by an increase in hryvnia deposit rates. Net assets approached the pre-war level primarily due to funds in other banks and investments in NBU certificates of deposit.

The loan portfolio grew due to corporate lending primarily by state banks, mainly with the support of state programs. Household demand for loans in wartime conditions continued to decline. Banks have started recognizing non-performing loans of the corporate segment, while the level of coverage of the working portfolio with reserves is increasing in the retail sector. The formation of reserves led to losses in the sector, which, however, remained operationally profitable. Credit risk will continue to be key for financial institutions, its implementation will lead to a decrease in their capital. During martial law, the NBU will not apply sanctions to banks for violating capital and liquidity requirements, and after it ends, it will provide sufficient time for the normalization of financial indicators

In 2022, the number of operating banks was 68 financial institutions and decreased by one bank. During the reporting period, the net assets of state-owned banks grew at the highest rates – their share in the net assets of the system increased by 2.2 percent. p. for the II quarter, up to 50.1%. Accordingly, this indicates an increase in the concentration of the sector

This is what the banking system looked like (by assets) at the beginning of 2022 (Fig. 2.1). The area of the rectangles corresponds to the bank's market share by net assets. According to this criterion, state banks are in the first place, foreign banks are in second place. The group of private domestic banks (except a few medium-sized financial institutions) consists of players with a small market share and, compared to the more concentrated previous ones, it looks quite fragmented.

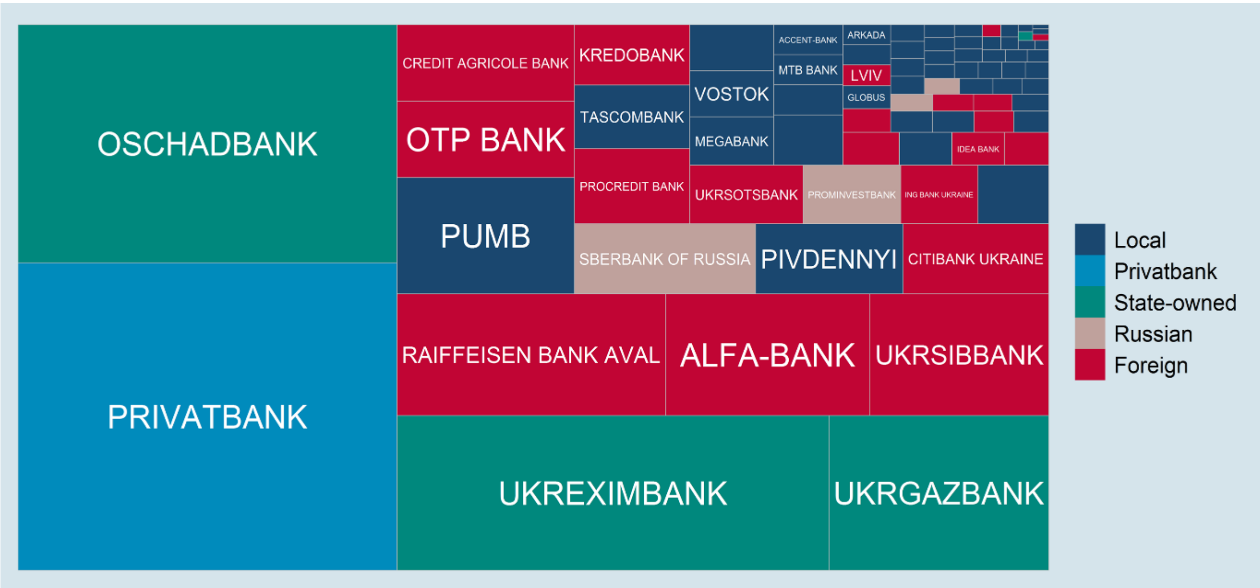


Fig. 2.1. The share of the bank in the banking system of Ukraine, 2022

In general, the net assets of solvent banks increased by 3.3% during the quarter, mainly the volume of funds in accounts with other banks and NBU certificates of deposit increased. The dynamics of the corporate loan portfolio was uneven: net hryvnia loans to economic entities increased by 5.3% during the quarter, while foreign currency loans decreased by 7.2% in dollar terms. The growth of hryvnia crediting occurred only at the expense of state banks - about +30% for the quarter, in other groups of financial institutions a reduction in the net portfolio was observed. Annually, the net corporate loan portfolio grew by 27.6% in hryvnias and by 1.8% in foreign currencies (in dollar terms). Private corporations were the most active in raising loans for sowing. The net retail credit portfolio decreased by 11.1% in the II quarter, equally across all bank groups, both due to a decrease in lending volumes and due to an increase in reserves. During the martial law, loans were provided only for the current needs of customers, but in the mortgage segment and for the purchase of cars, lending was almost non-existent.

The liabilities of solvent banks for the II quarter increased by 2.8% and exceeded the indicators of the end of 2021. The funds of individuals, businesses and the budget increased, and they continue to be the main source of funding for banks. At the end of June, their share in liabilities was 88.1%. The share of funds borrowed from the NBU decreased to an annual minimum of 4.8% due to the gradual repayment of refinancing loans by banks. The gross external debt of banks also decreased.

The number of hryvnia funds of individuals increased by 6.4% for the quarter and 25.8% YTY. Growth was provided by demand funds, while time funds in hryvnia decreased by 3% for the quarter. The increase in hryvnia deposits of individuals was ensured by state banks with growth rates of 13.2% for the quarter. Foreign currency assets of individuals decreased by 3.5% (in US dollar equivalent) during the quarter.

Funds of economic entities in national currency for the II quarter increased by 4.3% in all groups of banks. An increase in funds was observed primarily at the beginning of the quarter, then this trend stopped, and in June they even slightly decreased. The volume of foreign exchange funds of the business in the dollar equivalent increased significantly during the quarter - by 14.4%, recovering to the level observed before the full-scale aggression of Russia. During the II quarter, the general level of dollarization did not change significantly. The share of foreign currency deposits of businesses increased slightly, while the specific weight of foreign currency funds of individuals decreased.

At the beginning of the II quarter, available liquidity and a high supply of clients' funds allowed banks to reduce the cost of deposits of individuals. However, in the second half of May, the inflow of public funds to banks temporarily slowed down. At the beginning of June, the NBU sharply increased the discount rate to 25% per annum to curb inflation and increase the attractiveness of hryvnia instruments compared to foreign currencies. This changed the trend: banks began to gradually raise rates following the discount rate.

At the same time, banks reduced operating costs, in particular, wage costs during April-May. Revenue growth and cost savings enabled the vast majority of institutions to maintain operating profitability. The number of operationally unprofitable banks decreased to 12 institutions in June compared to 22 in March.

The rating of the most reliable banks of Ukraine in 2022 was compiled based on official statistics of Ukrainian banks provided by the NBU with the participation of banking market experts.

When compiling the rating of the largest Ukrainian banks (Table 2.1), the ability of the bank to return deposits without delay if it has financial problems or problems with repaying loans and increasing customer debt, as well as the level of support from shareholders and the state, was taken into account.

An important role is played by the owner factor from the point of view of replenishment of capital and liquid resources, which is the basis of stability in stressful conditions. Not a single bank owned by the state or international financial holdings has been declared insolvent.

Table 2.1.

**TOP-15 reliability of Ukrainian and foreign banks: December 2022**

| No | Name | Owner |
|---|---|---|
| **1** | Raiffeisen Bank Aval | Raiffeisen Bank , Austria |
| **2** | Credit Agricol Bank | Credit Agricole , France |
| **3** | Ukrsibbank | BNP Paribas Group , France |
| **4** | PrivatBank | state |
| **5** | OshadBank | state |
| **6** | Ukreximbank | state |
| **7** | Credobank | PKO Bank Polska |
| **8** | Ukrgasbank | state |
| **9** | OTP Bank | OTP Bank , Hungary |
| **10** | ProCredit Bank | ProCredit Bank , Germany |
| **11** | CITIbank Ukraine | Citigroup , USA |
| **12** | ING Bank Ukraine | ING Group , Netherlands |

| | | |
|---|---|---|
| **13** | Pravex bank | Intesa Sanpaolo , Italy |
| **14** | PUMB | SCM Finance / Rinat Akhmetov, Ukraine |
| **15** | Universal Bank | Bailican , Cyprus |

The reliability of a bank should be understood as the ability of a financial institution to resist adverse factors, but reliability and probability of default are different concepts. A bank that has a high level of reliability may face a strong impact of negative and unpredictable factors that can lead to its bankruptcy, while a bank with a satisfactory rating will continue to operate because, as a result of a combination of circumstances, it will avoid the negative impact of such factors. Political risks must also be taken into account.

The banking sector of Ukraine passed the first months of the war with moderate losses thanks to the timely actions of the National Bank and banks to ensure the smooth operation of financial institutions.

After the start of a full-scale war with Russia in Ukraine, the demand for credit resources from the population decreased. Lending to corporations was supported by improved government programs. Despite the war risks, the level of liquidity is consistently high. The volume of clients' funds in banks increased mainly due to hryvnia funds of the population on demand. The volume of funds of corporations decreased during the war, mostly in foreign currency.

In the third quarter of 2022, the banking sector of Ukraine adapted to crisis conditions. Banks supported the operation of the network and resumed the activities of branches in the liberated regions.

The liquidity of the system grew due to the further inflow of clients' funds. For the first time since the beginning of the full-scale war, time deposits in hryvnia began to increase, and time deposits in the foreign currency resumed growth for the first time since the corona crisis.

The loan portfolio generally decreased, only in state banks the volume of corporate loans increased with the support of state programs. As expected, the share of non-performing loans increased, most noticeably in the retail segment.

The June increase in the NBU's discount rate stimulated banks to raise interest rates on both individual and business deposits during the third quarter. Along with the cost of borrowing, the interest rates on loans also went up.

The number of hryvnia funds of individuals increased by 2.7%, mainly due to the growth of balances in accounts in state banks. The volume of foreign currency retail deposits almost did not change. The increase in deposit rates contributed to the recovery of the growth of time funds of the population, their volume increased by 2.2% for the first time since the beginning of the war. The NBU's permission to buy foreign currency to open term currency deposits contributed to their growth by 5.9% in dollar terms.

Funds of business entities in hryvnia increased by 3.7% over the quarter, in foreign currency - decreased by almost 2% in dollar terms. Clients' funds dominate the banks' liabilities, their share is 86.8%.

Dollar deposits decreased in price as much as possible by 0.35 pp. for terms over a year, their average yield is 1.24% per annum. Terms up to a year lost less, but their profitability is also lower - less than 1%.

Average rates on deposits in euros do not even reach 1%. Deposits with a term of up to six months offer the maximum average return - 0.76% per annum. In 2022, rates for deposits in euros fell as much as possible for a term of more than a year (by 0.42 percentage points to 0.59% per annum).

The cost of foreign currency deposits and loans continues to be at low levels. Thanks to the strengthening of the hryvnia, the level of dollarization of deposits decreased to 40.7%.

Table 2.2.

**TOP-10 rating of the largest banks: deposits of individuals**

| No | Bank | Total deposits of natural persons, thousand UAH | of them in foreign currency |
|---|---|---|---|
| 1 | PrivatBank | 290 030 221 | 71 290 846 |
| 2 | OSHAD BANK | 128,798,695 | 37,338,642 |
| 3 | Raiffeisen Bank | 53,717,596 | 16,613,267 |
| 4 | SENS BANK | 46,258,820 | 21,944,496 |
| 5 | UNIVERSAL BANK | 44,659,365 | 14,136,963 |
| 6 | UKRSIBBANK | 41 811 022 | 19,623,482 |
| 7 | PUMB | 38,611,078 | 12,221,028 |

| | | | |
|---|---|---|---|
| 8 | Ukreksimbank | 27,827,359 | 17,782,249 |
| 9 | UKRGASBANK | 26,070,950 | 11,925,906 |
| 10 | OTP BANK | 25,829,615 | 13,531,459 |

The growth of corporate sector deposits increased by 22.8% (or UAH 93.2 billion), to UAH 501.5 billion. Deposits of the corporate sector increased both in national currency (by 18.6%, or UAH 50.5 billion) and in foreign currency (by 31.3%, or UAH 42.7 billion).

Table 2.3.

**TOP-10 rating of the largest banks: deposits of legal entities**

| No | Bank | Deposits of legal entities , thousand, UAH. |
|---|---|---|
| 1 | UKRGASBANK | 108,312,973 |
| 2 | PrivatBank | 70,446,043 |
| 3 | Ukreksimbank | 60,992,565 |
| 4 | OshadBank | 58,566,989 |
| 5 | Raiffeisen Bank Aval | 53,097,387 |
| 6 | UKRSIBBANK | 33,928,460 |
| 7 | PUMB | 32,238,857 |
| 8 | CREDIT AGRICOLE BANK | 31,319,822 |
| 9 | OTP BANK | 25,790,847 |
| 10 | CITIBANK | 25,581,535 |

The banking sector remained operationally profitable, despite the war, thanks in particular to cost cutting. Components of operating income are slowly recovering. Losses from the realization of credit risk will continue to grow. Financial institutions gradually recognize credit losses and reflect the impact of negative events - loss of income, destruction of assets and collateral, deterioration of borrowers' solvency - on the quality of the portfolio.

The National Bank encourages banks to assess credit losses in a timely manner, to fully reflect the impact of negative events on the quality of assets and, if possible, to carry out balanced restructurings that will contribute to the normalization of borrowers' debt burden and increase the stability of the banking sector.

After conducting NBU stress tests, it turned out that Ukrainian banks need a capital increase of more than UAH 100 billion. The level of problem loans in the banking system exceeded 50%. Banks faced an exchange rate problem - they are forced to return fixed currency deposits, while the solvency of customers for foreign currency loans is rapidly decreasing. As a result, banks are forced to raise rates for foreign currency loans, on the interbank market, or to raise funds from parent institutions.

The hryvnia loan portfolio grew due to corporate lending by state banks, mainly with the support of state programs. The demand for loans from the population decreased in wartime conditions.

Banks' net assets increased by 7.5% in the third quarter and exceeded the pre-war level. The volumes of deposit certificates of the NBU were mainly increasing. At the same time, there was a reduction in the net loan portfolio: in hryvnia primarily due to additional provisioning, in foreign currency - to a greater extent due to the repayment of loans. Net hryvnia corporate loans for the quarter decreased by 2.2%, currency loans - by 10.0% in dollar terms. Only state banks increased hryvnia business lending - by 4.3% for the quarter. The net retail credit portfolio decreased by 13.8% in the 3rd quarter both due to a decrease in lending volumes and due to an increase in reserves.

Banks are gradually recognizing credit losses as a result of the war. The specific weight of non-performing loans increased by 3.9 percent over the quarter. p., from the beginning of the full-scale invasion in 7.0 c. p. – up to 33.6%. The share of non-performing loans to individuals increased most noticeably. Loans are recognized as non-performing mainly due to late payment.

Table 2.4.

**TOP-10 rating of the largest banks: loans to individuals**

| No | Bank | Loans to individuals, thousand UAH |
|---|---|---|
| 1 | PrivatBank | 73,596,983 |
| 2 | SENS BANK | 34,031,442 |
| 3 | UNIVERSAL BANK | 25,322,664 |
| 4 | PUMB | 22,257,611 |
| 5 | OshadBank | 17,744,422 |
| 6 | OTP BANK | 10,817,211 |
| 7 | Alfa Bank | 9,954,506 |
| 8 | Raiffeisen Bank | 9,751,018 |

| | | |
|---|---|---|
| 9 | Idea Bank | 8,947,628 |
| 10 | KREDOBANK | 8,382,126 |

The banking sector earned UAH 12 billion in profit in the 3rd quarter. This profit made it possible to compensate for the losses of the first half of the year, so the financial result for 9 months is positive - UAH 7.4 billion.

Table 2.5.

**TOP-10 rating of the largest banks: loans to legal entities**

| No | Bank | Loans to legal entities , thousand UAH |
|---|---|---|
| 1 | PrivatBank | 184 010 558 |
| 2 | Ukreksimbank | 109 148 179 |
| 3 | OshadBank | 95 478 213 |
| 4 | Raiffeisen Bank | 63,884,064 |
| 5 | UKRGASBANK | 52,955,713 |
| 6 | SENS BANK | 39,609,192 |
| 7 | PUMB | 38,093,892 |
| 8 | OTP BANK | 35,522,988 |
| 9 | CREDIT AGRICOLE BANK | 32,533,050 |
| 10 | PROCREDIT BANK | 24,249,164 |

The reason for the profitability was the maintenance of high operational efficiency. Banks' interest income continued to grow, commission income is gradually recovering, positive results from currency and securities revaluations significantly increased the overall financial result. The ratio of operating expenses to operating income (CIR) in the 3rd quarter was 36.5% compared to 44.6% in the corresponding period last year.

At the same time, financial institutions are forced to make significant deductions to reserves for losses caused by the war. In the 3rd quarter, deductions to reserves for loans amounted to UAH 33.5 billion and for securities - UAH 7.1 billion. Recognition of the true quality of assets will continue, so reserves will continue to grow.

Despite significant write-offs, the sector posted a quarterly profit after a loss-making first half. This was facilitated by the preservation of operational efficiency.

In October, State PrivatBank topped the list of 48 profitable banks with a net profit of UAH 3.934 billion, securing the profit of the entire banking system this month. According to the data published by the National Bank of Ukraine on its website, banks with foreign capital Ukrsibbank - 518.1 million UAH and Citibank - 398.1 million UAH, which were also among the leaders in September, follow. Rounding out the top five is Universal Bank (monobank) – UAH 384.5 million and another bank with foreign capital – OTP Bank – UAH 224.7 million.

PrivatBank managed to achieve such a significant profit, despite the additional formation of UAH 1.11 billion in reserves, but its assets in October immediately increased by UAH 18.04 billion.

Other profit-leading banks also significantly increased their assets in October: Ukrsibbank and OTP – by UAH 5.67 billion and UAH 5.58 billion, respectively, Citi – by UAH 3.73 billion, mono – by UAH 2.82 billion, then as the volumes of reserve formation in them ranged from UAH 1.9 million in City to UAH 282.5 million in Ukrsibbank.

Three other state banks were among the leaders in losses in October: Oschadbank – UAH 1.62 billion, Ukreksimbank – UAH 472.2 million, and Ukrgasbank – UAH 293.9 million.

Oschadbank showed such a loss with additional reserves of UAH 0.9 billion. and an increase in assets by UAH 2.1 billion, while Ukreksimbank’s reserves even decreased by UAH 0.5 billion due to an immediate increase in assets by UAH 21.43 billion.

Among the banks that ended October with significant losses, once again Idea Bank - UAH 223.9 million compared to UAH 190.3 million in September (an increase in reserves by UAH 461.6 million), as well as Pravex Bank - UAH 162.8 million (Increase in reserves by UAH 105.4 million).

According to the results of 10 months of this year, PrivatBank remains the most profitable - UAH 17.76 billion.

It is closely followed by Oschadbank - UAH 2.71 billion, Ukrsibbank - UAH 2.62 billion, Raiffeisen Bank - UAH 2.51 billion and Citibank - UAH 1.9 billion, followed by mono - UAH 1.26 billion, Oschadbank - UAH 1.09 billion, Pivdenny

Bank - UAH 0.46 billion and Ibox Bank - UAH 0.4 billion. The largest losses for January-October were shown by Ukreximbank - UAH 8.38 billion, Alfa-Bank - UAH 4.22 billion, Ukrgasbank - UAH 3.65 billion. ProCredit Bank - UAH 1.46 billion and Idea Bank - UAH 0.45 billion complete the five unprofitable banks.

In total, for 10 months of this year, 46 banks operate with a net profit, while 21 - with a net loss.

Banks' net assets increased by 7.5% in the third quarter and exceeded the pre-war level. The volumes of deposit certificates of the NBU were mainly increasing. The level of liquidity remained high, despite the war. The volume of client funds in banks increased primarily due to hryvnia funds of the population and business deposits in foreign currency. The formation of reserves led to the growth of losses in the banking sector.

Assets of the banking sector increased by 5% to 1.56 trillion. hryvnias, compared to the same period last year. Assets of working banks decreased by 1.8%. At the same time, the total assets of banks (not adjusted for reserves of active operations) amounted to UAH 2 trillion.

Banks' incomes increased by 10.6% compared to the same period last year to UAH 88.608 billion, in particular, interest income - by 18.9% to UAH 61.142 billion, while commission decreased by 8.9% to UAH 24.465 billion.

Bank expenses increased by 53% to UAH 96.034 billion, in particular, interest expenses - by 4.9%, to UAH 17.735 billion, commission expenses - by 12.8%, to UAH 11.3 billion, and expenses from deductions to reserves - by 6 8 times to UAH 32.725 billion.

Table 2.6.

**Largest banks by assets**

| No | Bank | Acts you, thousand UAH. |
|---|---|---|
| 1 | PrivatBank | 572 448 057 |
| 2 | Oshadbank | 271 908 631 |
| 3 | Ukreksimbank | 237 277 674 |
| 4 | UKRGASBANK | 167,751,760 |
| 5 | Raiffeisen Bank Aval | 108 513 066 |

In general, the formation of reserves for expected losses became the main reason for the deterioration of the financial result. A number of banks have recognized the deterioration of asset quality due to borrowers' financial difficulties.

Regarding the prospects and trends in the banking system of Ukraine, we note that the continuation of the war exacerbates most of the risks. The biggest - credit risk - is already being realized and losses from it will increase in the future. Financial institutions gradually recognize credit losses and reflect the impact of adverse events on asset quality. Since July, the NBU renewed the requirements for credit risk assessment and, in particular, for calculating the number of days overdue for loans. Banks need to assess credit losses in a timely manner and fully reflect the impact of negative events on asset quality. At the same time, banks can carry out a balanced restructuring of loans, which will contribute to the normalization of the debt burden of borrowers and increase the stability of the banking sector. Limited demand for loans, especially from households, deteriorating portfolio quality and increased deductions to reserves increase profitability risks. Banks need to adapt their business models to current conditions and maintain operational profitability. After the stabilization of macroeconomic conditions, the NBU will assess the quality of assets, establish the required level of capital for institutions and analyze their ability to normalize financial indicators in the foreseeable future. Based on the results of the stability assessment, a sufficient period will be determined for banks to restore their capital.

### 2.3. Characteristics of the financial and economic condition and strategy of further development of OTP Bank.

OTP Bank is one of the largest Ukrainian banks with 100% foreign capital, a recognized leader of the country's financial sector, a member of the European financial group operating in 11 countries. It has been successfully operating on the domestic market for over 20 years, has a solid reputation as a socially responsible, reliable and stable financial institution that offers corporate and private clients financial services of European quality. According to the recognition of a number of leading publications, it regularly ranks among the three most stable banking institutions of Ukraine, has the highest long-term credit rating according to the National rating scale from the Credit-rating agency, even during the period of martial law.

Today, JSC "OTP BANK" is the core of the financial group, which includes the companies of the OTP group in Ukraine: AMC "OTP Capital", "OTP Leasing", the Open Pension Fund "OTP Pension" and the Non-State Pension Fund "FreeFly". The bank has been present on the Ukrainian market since 1998.

1949 - OTP Bank Plc was founded in Hungary. as the State Savings Bank (National Savings Bank), which immediately started lending and placing deposits, gradually adding to the list of its services, expanding its client base and increasing its market share.

1990 – The State Savings Bank was transformed into a Public Joint-Stock Company with a share capital of HUF 23 billion, and the institution was renamed the National Savings and Commercial Bank with the brand name OTP Bank Plc.

1995 – the process of privatization of the bank began, as a result of which the state's share in the bank's capital was reduced to one preferred ("golden") share (which was later, in 1997, according to Hungarian legislation, transferred to the category of ordinary shares), and the shareholders of OTP Bank Plc. became private and institutional investors. After privatization, the active international expansion of OTP Bank began, which made a number of successful acquisitions in the banking markets of Central and Eastern European countries, in particular:

2001 – the first successful acquisition of a subsidiary bank in Slovakia - OTP Banka Slovensko;

2003 – acquired a bank in Bulgaria – DSK Bank;

2004 – acquired a bank in Romania – OTP Bank Romania;

2005 – bank in Croatia – OTP banka Hrvatska;

2006 – successful transactions for the acquisition of subsidiary banks in Serbia (OTP banka Srbija), Montenegro (Cernogorska komercijalna banka), Russia (OJSC

OTP Bank) and Ukraine (JSC OTP Bank).

2006 – OTP Bank Plc in Ukraine. acquired one of the leaders of the domestic financial sector - JSC Raiffeisen bank Ukraine. At the time of the acquisition, the bank served more than 100,000 clients, providing a full range of banking services to both corporate and private clients, as well as representatives of small and medium-sized businesses. After completion of the acquisition procedure in November 2006, OTP Bank Plc. became a 100% owner of Raiffeisen bank Ukraine, which, accordingly, was renamed OTP Bank (JSC "OTP Bank").

Today, the international group OTR Group, as a key player in the market of Hungary and Central and Eastern Europe, offers high-quality financial solutions to meet the needs of customers in 11 countries, which are served through bank branches and branches of subsidiary companies, ATMs and sales points, a developed partner network and means of electronic banking.

Key moments in the history of the bank in Ukraine:

- ✓ March 1998 - AKB "Raiffeisen bank Ukraine" was founded;
- ✓ 2001 - the Bank entered the 10 largest banks of Ukraine;
- ✓ 2006 - The bank was renamed OTP Bank.

One hundred percent owner of the bank is Hungarian OTP Bank Plc. - the largest bank among financial institutions in Hungary, the leader of the Hungarian banking market with a market share of almost 25%.

Apart from Hungary, OTP Bank Plc. is present in ten more CEE countries (Ukraine, Albania, Bulgaria, Moldova, Romania, Croatia, Serbia, Slovenia, Russia and Montenegro), providing for the needs of customers served in more than 1,500 banking institutions.

OTP Group operates in 11 countries, where more than 40,000 employees serve more than 16 million customers every day.

OTP Group is one of the most reliable financial institutions in the markets of Central and Eastern Europe, which focuses on service and satisfies all the needs of private and corporate clients in financial services thanks to a universal business model.

Founded in 1949 as a state savings bank, today OTP Group unites large subsidiary structures in the field of insurance, real estate, factoring, leasing, asset management, investment and pension funds. Through its subsidiary structures, the Group operates in the markets of 11 countries — Hungary, Ukraine, Albania, Bulgaria, Moldova, Romania, Croatia, Montenegro, Slovenia and some others, and strengthens its leadership position year after year.

OTP Group 's strategic goal is to become the most successful universal banking group in Central and Southern Europe. In addition to openness to innovation, the secret of OTP Group 's success is that 70 years of experience and a customer base of almost 16 million help it to understand and satisfy the needs of its customers.

The shareholders of OTP Group are Hungarian investors (32.39%), foreign companies and private individuals, international organizations (66.85%), OTP Group employees (0.69%) and government organizations (0.07%). Today, 100% owner of the Ukrainian OTP Bank is the Hungarian OTP Bank Plc. – the largest financial institution in Hungary and the market leader with a share of almost 28% of total assets (as of the end of the 3rd quarter of 2021).

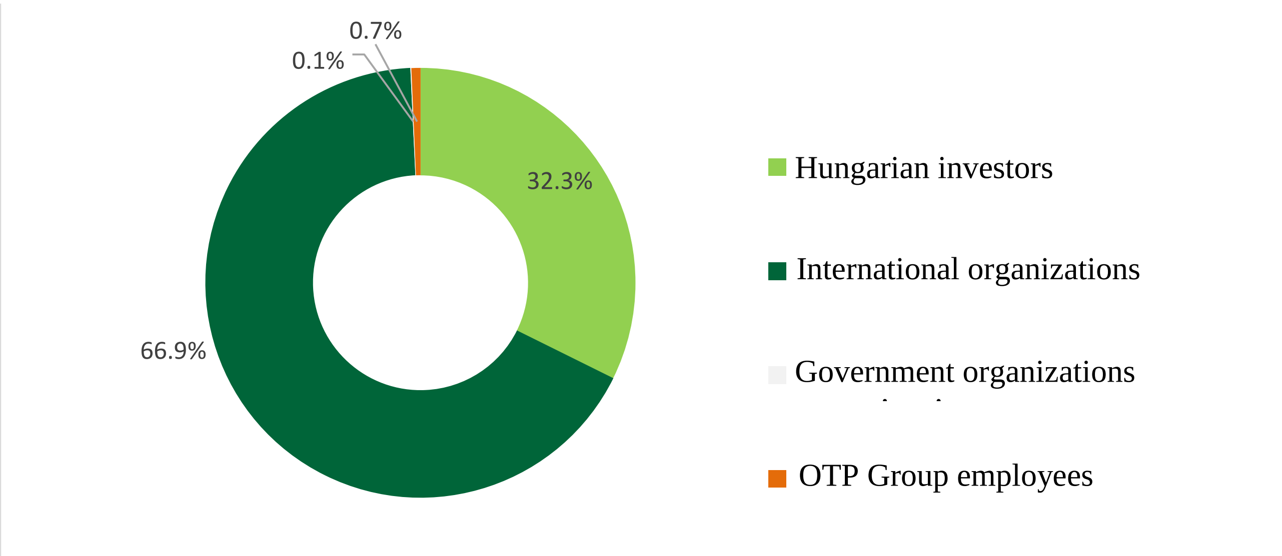


Fig. 2.2. Ownership structure of the banking group

In 2021, the assets of OTP Bank continued to grow significantly and reached the level of UAH 69.8 billion, which is 18.5% more than at the beginning of the year and UAH 7.6 billion more than was foreseen in the 2021 plan. The return on assets improved to the level of 4.26% in annual terms.

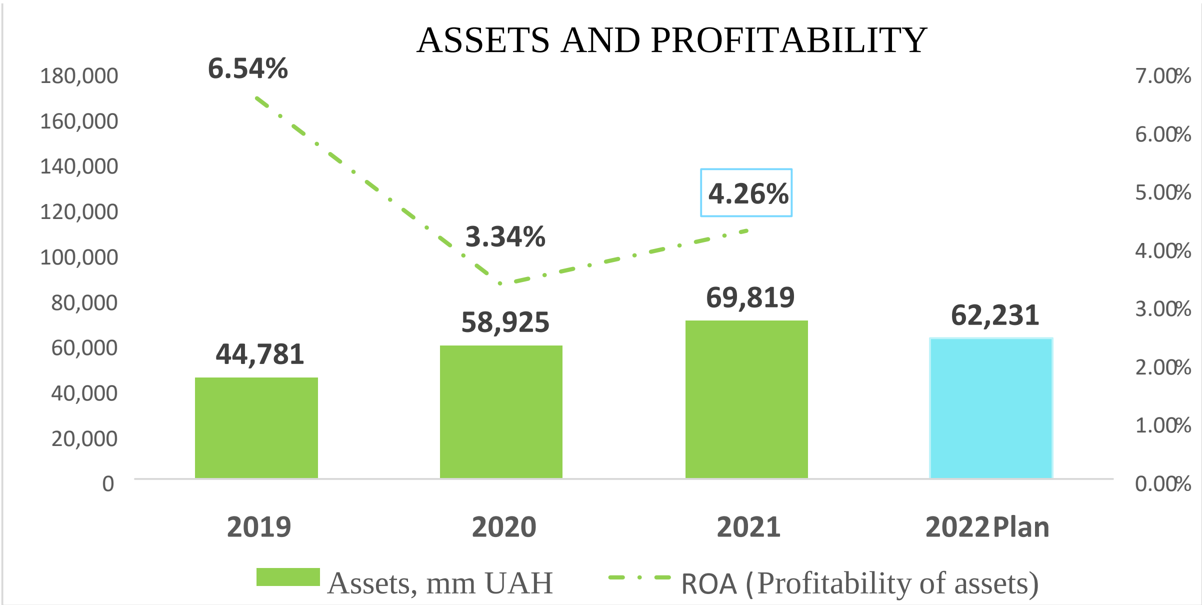


Figure 2.3. Assets and profitability of OTP Bank for 2019-2021

The increase in the level of profitability was significantly influenced by the growth of net interest income as a result of the growth of loan portfolios of both legal entities and individuals. Expenses for the formation of reserves were lower than in 2020, which also had a positive effect on the Bank's financial results. The bank continued to improve the quality of the loan portfolio (the share of loans at the 3rd stage decreased by 5.2 percentage points) and continued the balanced policy of credit risk management.

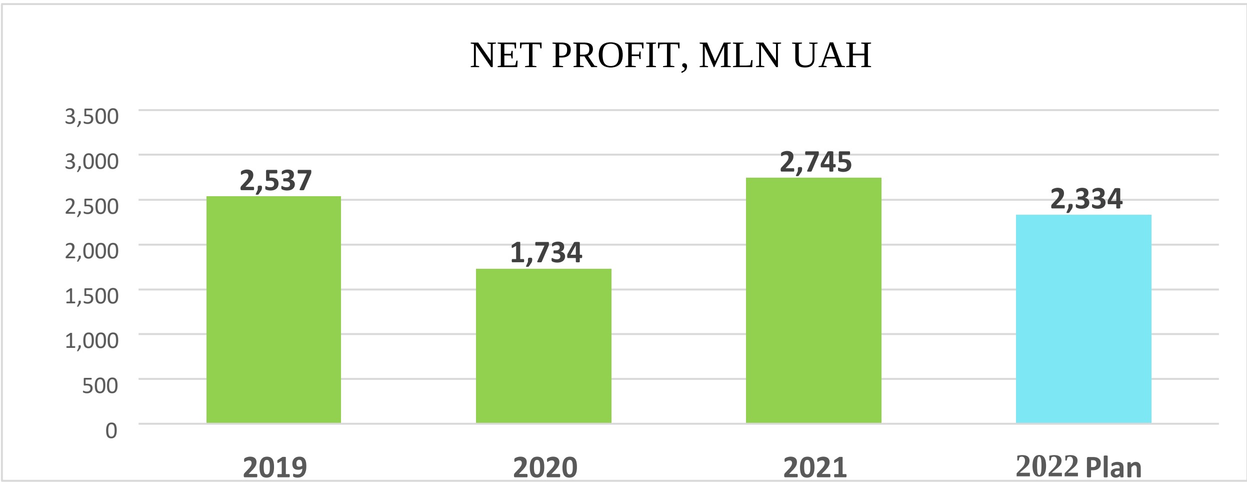


Figure 2.4. Net profit of OTP Bank for 2019-2021

During 2021, the working loan portfolio increased by 48.7% and reached UAH 4 billion. This growth was caused by an increase in the loan portfolio of legal entities in the national currency as a result of a significant increase in sales in the segment of large corporate business, a decrease in interest rates and participation in the financing program in the segment of small and medium-sized businesses (5-7-9%).

In general, the strategic goals in 2021 were achieved, and in some areas, such as lending to legal entities, they were even significantly exceeded. The bank's strategy envisages further diversified growth of loan portfolios in all product business areas. Consolidation on the mortgage lending market and further expansion of investment lending to legal entities will allow to form long-term relationships with clients and ensure further growth of the bank's assets and profits. In retail lending, the focus will remain on cash loans and credit cards. The bank's strategic goal is to constantly improve internal processes and improve the customer experience of using its products and services.

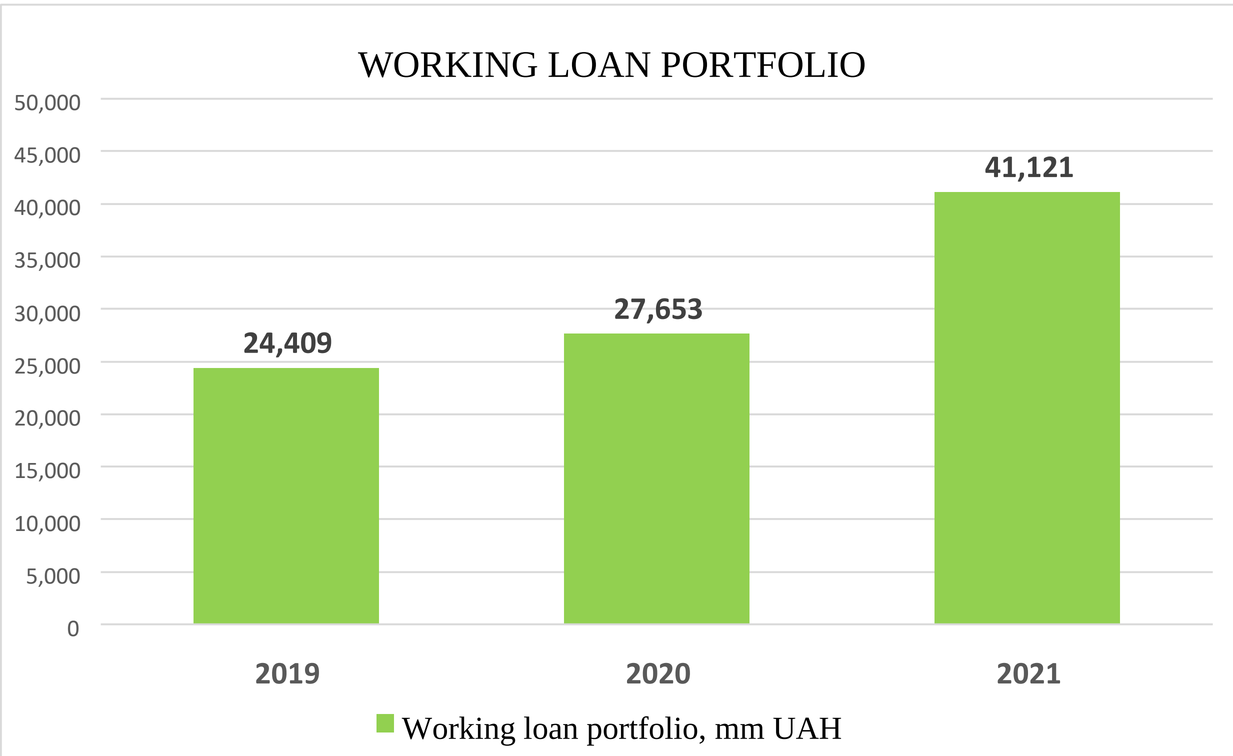


Figure 2.5. Working loan portfolio of OTP Bank for 2019-2021

The introduction of quarantine restrictions led to a decrease in the business activity of clients, which negatively affected the bank's commission income in 2021. The revision of interchange rates led to a relatively small increase in commission income from bank cards, while the number and volume of transactions increased significantly compared to 2020.

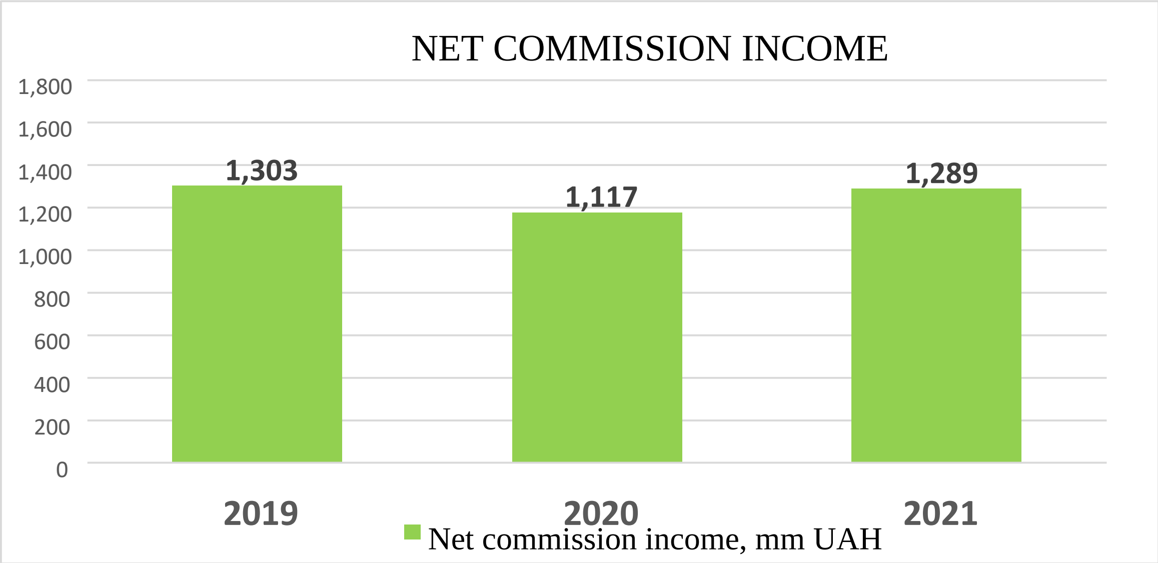


Figure 2.6. Net commission income of OTP Bank for 2019-2021

Thanks to the increase in trust in OTP Bank, the attractiveness of deposit products and loyalty programs, in 2021 the funds of legal entities and individuals increased by 19.3% and reached a record level of UAH 57.0 billion.

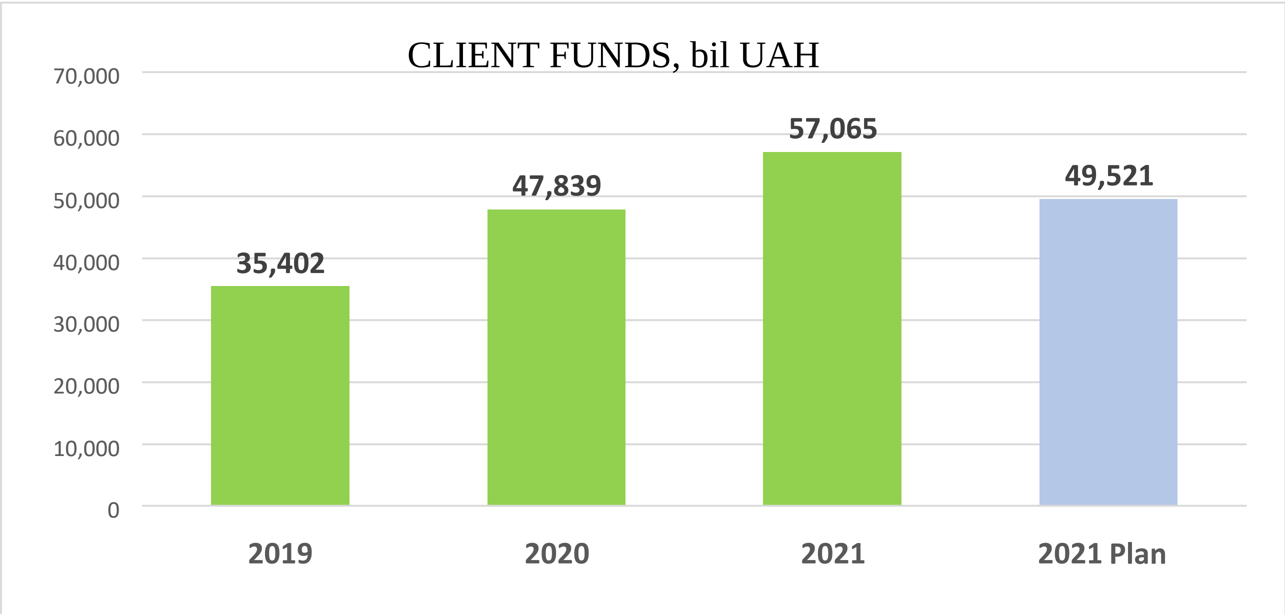


Fig. 2.7. The dynamics of changes in client funds during 2019-2021

Capital growth through the capitalization of profits during recent years allows the bank to be ready for any stressful situations. The payment of dividends in 2020, the significant growth of the loan portfolio and the introduction of stricter requirements for the calculation of risks in the calculation of regulatory capital led to a decrease in the capital adequacy standard. At the same time, as of the end of 2021, the capital adequacy standard was exceeded almost twice (for the standard value of 10%).

The main goal of entering the Ukrainian financial market for OTP Bank was to expand the client base in order to increase profits. Since OTP Bank became the former Raiffeisen bank Ukraine, which was already the leader of the Ukrainian market, it was quite easy to win favor.

Analyzing the standards and financial indicators of OTP Bank in recent years, it can be said that the set goals are being fulfilled in full.

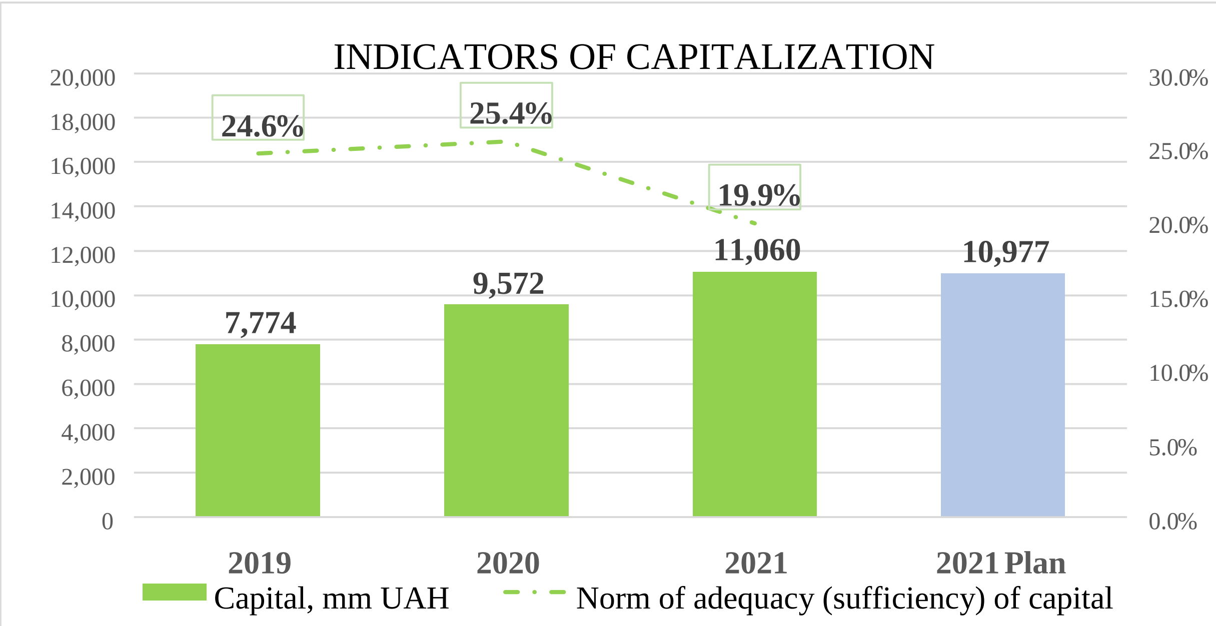


Fig. 2.8. Indicators of capitalization of OTP Bank for 2019-2021

At the end of the year, the Bank entered the TOP-10 (9th place) of the largest banks of Ukraine in terms of net assets and took 8th place in terms of net profit. The market share of net assets at the end of 2021 reached 3.40% (against 3.23% a year earlier). At the same time, both the assets and the financial result exceeded the planned indicators, respectively.

In general, the strategic goals in 2021 were achieved, and in some areas, such as lending to legal entities, they were even significantly exceeded. The bank's strategy envisages further diversified growth of loan portfolios in all product business areas. Consolidation on the mortgage lending market and further expansion of investment lending to legal entities will provide an opportunity to form long-term relationships with clients and ensure further growth of the bank's assets and profits. In retail lending, the focus will remain on cash loans and credit cards. The bank's strategic goal is to constantly improve internal processes and improve the customer experience of using its products and services.

For OTP Bank in Ukraine, the year 2021 was also very successful in terms of key business indicators, in particular, the loan portfolio of legal entities and individuals grew significantly. According to the results of the year, OTP Bank occupies a leading position in the majority of bank ratings compiled by independent research institutions and influential business publications of Ukraine.

Opening up new horizons and opportunities, OTP Bank implemented many implementations in 2021, however, one of the most striking was the launch of a service for purchasing shares of global companies on international stock exchanges for Private clients banking. Thus, OTP Bank became the first among all Ukrainian banks to act as a broker and start buying securities from the Dow index Jones S&P500. In just a few months, hundreds of deals worth several million dollars were made. This fully corresponds to the ambitious goal of OTP Group, which plans to become one of the three leaders in investment banking in the Central and Eastern Europe region within the next three years.

Despite the pandemic and the difficult geopolitical situation, OTP Bank in Ukraine continued to support micro, small and medium-sized Ukrainian businesses, provide financing for large corporate enterprises and actively work under state programs.

OTP Group highly appreciates the results demonstrated by OTP Bank in Ukraine in 2021 and is optimistic about its further development and growth. Looking at previous crises in Ukraine - financial in 2008-2009 or military in 2014-2015, we believe that when peace returns to Ukraine, OTP Bank in Ukraine will become even more successful and will be at the forefront of an even stronger and prosperous state that we will see in the future.

# CHAPTER 3. WAYS TO IMPROVE THE EFFECTIVENESS OF DEVELOPMENT STRATEGY OF "OTP BANK"

## 3.1. Diagnosis of sources of competitive advantages in the formation of a development strategy.

The most important condition for the development of a successful strategy is the bank's knowledge of the sources of its sustainable competitive advantages, or their sources — key competencies that enable the best use of its resources, focusing on what it does best; create barriers on the way of competitors entering the market, use the strengths of suppliers, reduce risks, shorten the cycle of development and introduction of new goods (services) to the markets *(Gurkov, 2004).*

A certain limitation of the application of this approach to strategic planning remains the problem of identifying key competencies as sources of a certain competitive advantage of the bank among all competencies that are basic and necessary for all banking institutions. Undoubtedly, the definition of key competencies should be carried out based on their key characteristics, namely, their uniqueness, impossibility or difficulty of copying them by competitors and the ability to create maximum (compared to other competencies) consumer value for consumers. But since key competencies are intangible and intangible for consumers, they are reflected in individual attributes of the banking service product, and their contribution to consumer value can be assessed through the assessment of the importance and value of these attributes by consumers themselves.

Therefore, the sources of competitive advantages of a banking institution can be determined as a result of evaluating the consumer value created by the banking institution and the shares of this value provided by various business processes, as well as identifying the degree of uniqueness of each of them compared to competitors. This complex task can be divided into several smaller ones.

At the first stage of identifying the key competencies of a banking institution, it is proposed to decompose the value of a banking service product and determine its main attributes that coincide as much as possible with those by which consumers evaluate certain banks and their products and services.

In the second stage, the potential value of the identified attributes for consumers will be evaluated and those that provide the maximum value will be selected.

The next step after that will be to assess the uniqueness of the identified potentially most valuable attributes in the banking sector of Ukraine in general, which can be achieved by assessing the perceived presence of these attributes in the banking service products of one or another bank.

However, the perceived presence and, accordingly, the uniqueness of the attribute may not coincide with the actual presence or uniqueness, so we will further assess the actual presence of the attribute in the banks under study. At the same time, those attributes that are most valuable to consumers and are less available in competing banks or are unique in general, are the result of key competencies that can become a source of sustainable competitive advantage. The result of such an analysis should be the identification of a key competence, which can be the basis of an effective strategy for the development of a banking institution, the implementation of which will ensure the formation of a sustainable competitive advantage. Moreover, this, in turn, will provide an opportunity to formulate the main directions of the banking institution's development strategy.

Therefore, it is advisable to propose a five-stage methodology for determining the key competencies of a banking institution in the process of strategic planning (Fig 3.1.).

- Decomposition of consumer value of banking services into individual attributes
- Assessment of the perceived importance of attributes
- Assessment of the perceived uniqueness of attributes
- Analysis of the presence of attributes in banking service products
- Conclusions on the sources of sustainable competitive advantages

Fig. 3.1. The sequence of diagnosis of sources of sustainable competitive advantages

*Source: compiled by the author*

So, at the first stage, for the decomposition of the consumer value of the banking service product, we will select the attributes by which we will evaluate its consumer value and its components. To solve this problem, we will use the factors of consumer choice of the bank according to the studies of the international research company "GFK Ukraine" of the retail market of financial services, namely: "Trust in the bank", "Favorable service conditions", "Favorable tariffs", "High quality of service" and "Convenient office location". Obviously, "Beneficial rates" belong to the basic attributes of a banking product, so they may vary depending on the product, the features of its purchase and use. ("A product that satisfies a need"). In turn, "Beneficial other service conditions", "High quality of service" and "Convenient office location" are service attributes and can be combined in the "Service conditions" cluster.

At the same time, the "Trust" factor is a complex category belonging to the general corporate level. In order to evaluate the consumer value formed by this attribute as part of a banking service product, let's break it down into second-level parameters, or attributes that will help identify the processes and resources involved in creating relevant shares of consumer value for consumers of banking products.

It should be noted that today in many countries the index of consumer confidence is determined. The European Commission calculates the harmonized index of business confidence (EMU Industry Confidence) and consumer confidence index (EMU Consumer Confidence) based on data for 12 countries. Another international trust index calculated for most countries of the world is the Edelman Trust Barometer. In addition, many countries have their own methods and confidence indices: in France, these studies are conducted by the French Institute of Statistics, in Germany - by the ZEW research institute.

However, these confidence indices represent a general assessment of the attitude and expectations of consumers regarding the economic situation in the country (region). An exception is the Edelman Confidence Barometer, which since 2000 has been evaluating the confidence index in certain sectors of the economy, particularly in the financial services sector. So, to assess the consumer value of the "Trust" attribute in a banking service product, we will use the Edelman Trust Barometer method, according to which trust in a banking institution is formed from 16 attributes, which, in turn, form five clusters: "Customer Orientation", "Reliability”, "Products and Service", " Focus " and "Operational Excellence".

As a result, for evaluating the consumer value of a banking product, we get seven attributes with the corresponding characteristics of the second level: "Attractive conditions", "Products that satisfy needs", "Innovativeness", "Competence", "Reliability", "Customer orientation", "Purposefulness". The first two essentially belong to the attributes of the basic level, the second two - to the service level, and the last three - to the corporate level (Table 3.1).

*Table 3.1*

**Distribution of banking service product attributes on three levels**

| **Attribute level** | **Attributes of the banking product** |
|---|---|
| Base | "Attractive terms of service provision", "Products that satisfy needs" |
| Service | "Competence", "Innovation" |
| Corporate | "Customer orientation", "Reliability", "Purposefulness" |

*Source: compiled by the author*

In order to assess the share of consumer value created by each of these attributes, we will conduct an assessment of the perceived importance of each of them in the banking sector as a whole and in individual banks from the perspective of consumers by conducting a qualitative study of consumer attitudes and behavior. To determine the key competencies that could become the basis of a corporate or business strategy of a banking institution, it is necessary to first identify potential sources of such competencies. As already mentioned, key competencies must meet two main requirements: firstly, to create the largest share of consumer value of the banking product, and secondly, to be unique or difficult to replicate in the market. Therefore, in order to identify potential sources of such competencies, we will solve the following tasks.

First, we will analyze the analysis of the consumer value of the banking product and its components by researching the level of perceived importance by consumers of the previously defined attributes of the banking service product that participate in creating value at its corporate, service and basic levels in general in the banking sector of Ukraine.

Table 3.2.

**Characteristics of the sample of individuals - users of banking services**

| No | Place | Share of respondents |
|---|---|---|
| 1 | Kyiv | 50% |
| 2 | Lviv | 19% |
| 3 | Odesa | 16% |
| 4 | Dnipropetrovsk | 10% |
| 5 | Kharkiv | 3% |
| 6 | Cherkasy | 2% |
| **No** | **Sex** | **Share of respondents** |
| 1 | Men | 58.80% |
| 2 | Women | 41.20% |
| **No** | **Age** | **Share of respondents** |
| 1 | 25-35 years old | 58% |
| 2 | 36-45 years old | 25% |
| 3 | 46-55 years old | 17% |
| **No** | **Material condition** | **Share of respondents** |
| 1 | have money for food | 27% |
| 2 | can allow the purchase of durable goods | 47.30% |
| 3 | can afford any purchase, except for an apartment or a house | 29.60% |
| 4 | can allow any purchases | 2.30% |
| **No** | **Professional status** | **Share of respondents** |
| 1 | Salaried workers | 84.80% |
| 2 | Business owners/co-owners | 4.2% |
| 3 | Private entrepreneurs | 8.40% |
| 4 | Unemployed | 1.90% |
| 5 | Pensioners | 0.70% |

*Source: compiled by the author based on the data of GFK Ukraine*

Secondly, we will analyze the perceived presence of the specified attributes of the banking service product in the banking sector of Ukraine, as well as separately in "OTP Bank" and banks that he considers either competitors from the point of view of positioning, or examples, namely, banks with foreign capital operating on the Ukrainian market. This will enable us to identify the potential core competencies of a banking institution as having the most importance and the least presence in the banking sector, as well as to calculate the consumer utility of each attribute and the consumer value of banking service products of individual banking institutions.

To assess the level of importance and perceived availability of the identified attributes of the banking service product "OTP Bank" a qualitative study was conducted among Ukrainian consumers of banking products using computer-aided telephone interviews (CTA) of 1,500 respondents, representative of Ukrainian cities with a population of 100,000 and above, who are clients of various banks. The parameters of the sample by age, gender, professional and financial status are given in Table 3.2. Field surveys were conducted with the help of interviewers and the technical base of the research company "GFK Ukraine ".

At the first stage of the research, respondents assessed the perceived importance of individual attributes of three levels (corporate, basic and service) of the banking service product and their characteristics (Fig. 3. 2.).

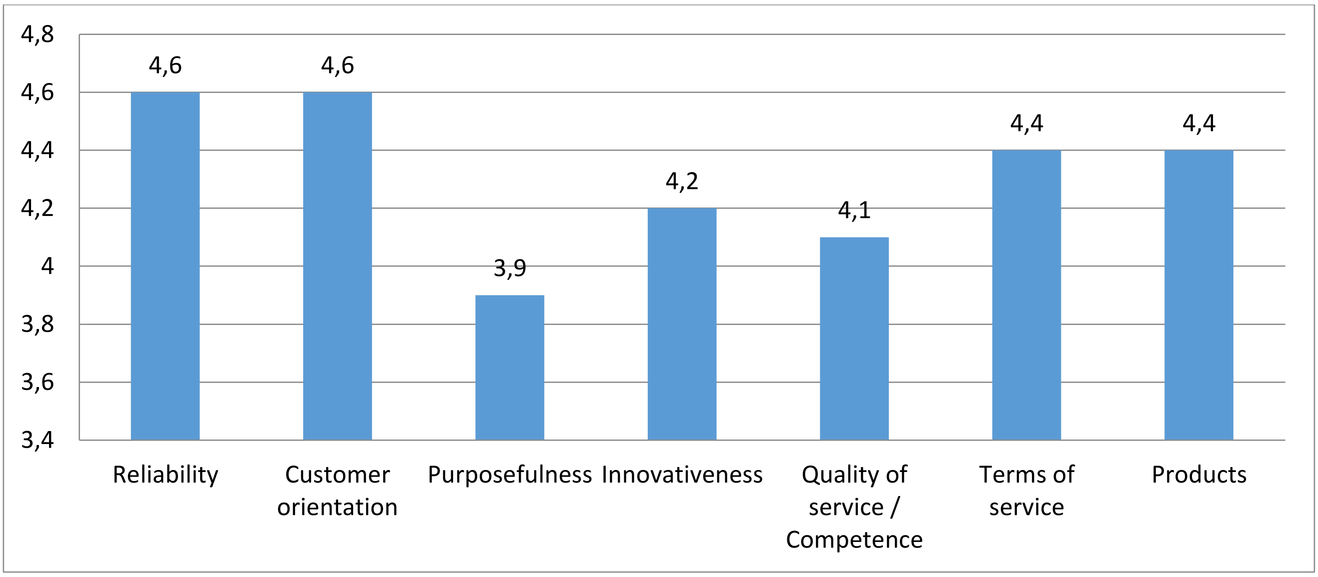


Fig. 3.2. Perceived importance of service product attributes

*Source: compiled by the author based on the data of GFK Ukraine*

At the second stage, the perceived presence or conformity of the specified attributes to five banks with foreign capital was assessed: " Credit Agricole " ( Credit Agricole , France), Raiffeisen Bank Aval ( Raiffeisen Int ., Austria), UkrSybbank (BNP Paribas , France), OTP Bank (OTP Group , Hungary) and Piraeus Bank (Greece), which made it possible to assess the uniqueness or, on the contrary, the spread of attributes among these banks.

The degree of importance of each attribute was assessed on a Likert scale from 1 (“not at all important”) to 5 (“very important”); the degree of presence or compliance is from 1 ("does not meet at all") to 5 ("fully meets"). Therefore, the most important for customers of all banks when perceiving the consumer value of a banking product are attributes of the corporate level - "Reliability" (4.6 points) and "Customer orientation" (4.6 points), i.e., attributes that ultimately form trust. Respondents consider the attributes "Competence", "Innovativeness" and "Purposefulness" somewhat less important. On the contrary, the importance of the attributes of the basic and service level - "Attractive conditions of service provision" and "Products satisfy needs" - received slightly higher marks - 4.4 points each.

Therefore, one of the following attributes - "Reliability" and "Customer orientation" can serve as a reflection of the key competencies of a banking institution, taking into account the peculiarities of the Ukrainian market, and the improvement of relevant business processes and their management can serve as sources of their support. In third place in terms of perceived importance, and therefore contribution to potential consumer value, are the basic and service attributes, that is, the product's ability to satisfy a need and attractive service conditions.

Accordingly, the basis of a banking institution's development strategy can be one of three directions for the formation of sustainable competitive advantages: increasing customer orientation, strengthening reliability with the corresponding improvement of their attributes and corresponding business processes, or improvement of product and service characteristics, which, in turn, may involve a focus on price or non-price competition.

However, in order to decide whether the bank's top characteristics corresponding to the specified attributes of the banking service product can become a source of sustainable competitive advantage and, accordingly, the basis of the future strategy of the banking institution, it is necessary to assess the degree of uniqueness of these attributes in the market in general and, in particular, among banks that can be considered the closest competitors. For this purpose, at the second stage of the survey, respondents were asked to assess the presence of the specified attributes in the entire banking sector and the level of their compliance with individual banking institutions.

It should be noted that in practice this indicator may differ from the actual presence of the specified attributes due to reasons such as insufficient consumer awareness, insufficient understanding, incorrect positioning by the bank, etc. However, it indicates a real assessment by consumers of the image of the bank and its structure through the perceived assessment of its most important components and is of fundamental importance for assessing potential competitive advantages and formulating the future strategy of the banking institution based on them.

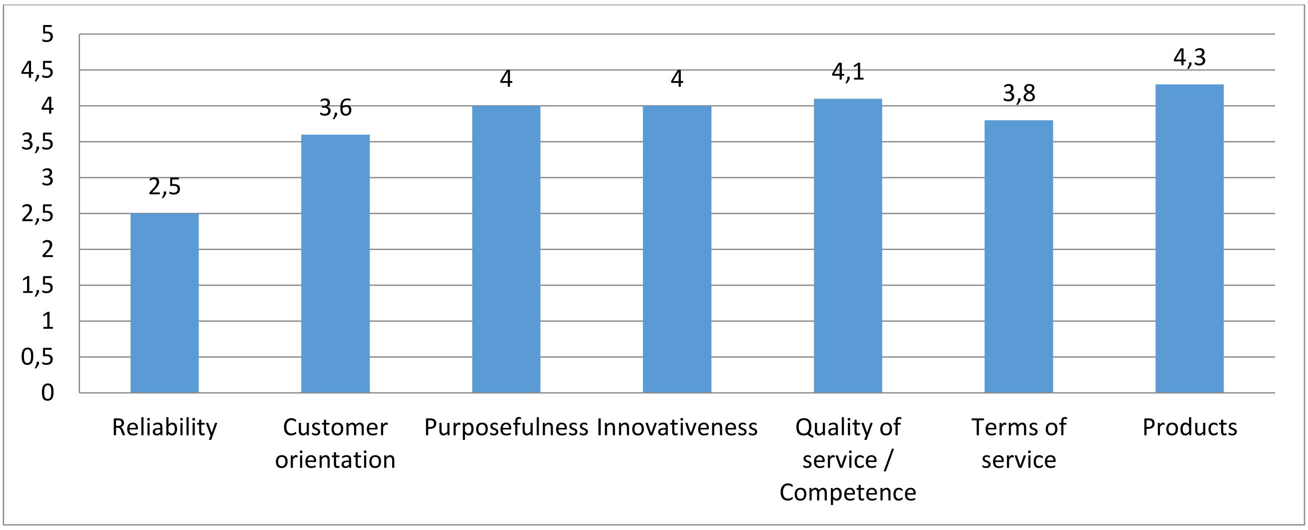


Fig. 3.3. Perceived conformity of certain attributes of the banking service product to the banking sector of Ukraine

*Source: compiled by the author based on the data of GFK Ukraine*

Thus, according to the data obtained during the survey, Ukrainian consumers of banking services consider the attribute "Products that satisfy needs" to be the most appropriate for domestic banking institutions with an average rating of 4.3 points (Fig. 3.3). Somewhat lower, respondents rated the suitability of Ukrainian banks and their products for the attributes "Competence" and "Customer Orientation" (with an average score of 4.1 each). While the least relevant to Ukrainian banks and their products, which is, the rarest, according to Ukrainian consumers, the attribute "Reliability" turned out to be.

The obtained scores also provide an opportunity to assess the gap between the perceived importance of the attribute and its relevance to the bank's service products, which is an indicator of the need for refinement or improvement on the part of the bank of the perceived presence of the attribute. Therefore, we can see (Fig. 3.4.) that at the time of the research, the biggest gaps between importance and relevance had the attributes’ "Reliability" and "Customer Orientation". In addition, a certain gap between importance and relevance existed for the attribute "Attractive conditions of service provision". That is, it is precisely these attributes and the competencies corresponding to them that need improvement and strengthening of their compliance with Ukrainian banks from the point of view of Ukrainian consumers of banking services. At the same time, according to the attributes "Competence", "Products satisfy needs" and "Purposefulness", such gaps do not exist, and therefore there is no urgent need for their improvement.

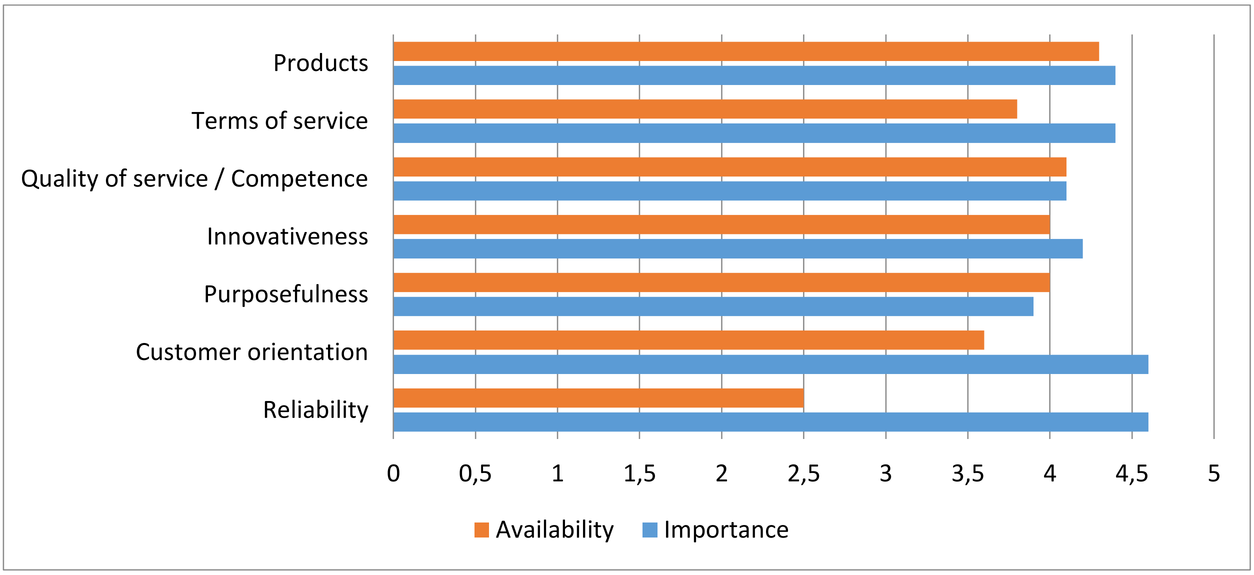


Fig. 3.4. The difference between perceived importance and appropriateness of banking service product attributes

*Source: compiled by the author based on the data of GFK Ukraine*

So, we can say that the attribute "Reliability" is the most unique for Ukrainian banks and their service products in general, which is also the most important of all according to consumers' evaluations. At the same time, three of its four characteristics, namely - "Security/Stability", "Transparent business conduct" and "Bank with long traditions" - are considered the least relevant to the banking sector of Ukraine and, accordingly, show the largest gap with the assessments of their importance, which is a sign of the potential of the strategy, which is based on the relevant characteristics of the banking institution.

Now we will consider the perceived conformity of the specified attributes in the service products of the above-mentioned leading banks with foreign capital operating on the Ukrainian market in 2018–2021.

Despite the different level of business development, market share, equity capital, market presence (number of sales points and own branches), all of them can be considered competitors to some extent. After all, the parent groups of the mentioned banks have different market shares in different markets, and are direct competitors in some of them, very close in terms of position, size and market share. Accordingly, they all use very similar approaches to corporate governance, strategic planning, marketing planning and positioning, quality, personnel and reputation management, pricing and risk and liquidity management, etc., offer similar products and use related technologies.

Regarding consumer perception, according to the results of the survey, the attributes "Products that satisfy needs" (4.32 points), "Customer orientation" (4.12 points) and "Competence" (4,14 points). From the point of view of consumers, such attributes of the banking service product as "Attractive conditions of service provision" and "Reliability" (3.8 points each) correspond the least to these banks.

Table 3.3

**Assessment of the suitability of banking product attributes for banks with foreign capital**

| No. z/p | Attribute | "OTP Bank" | "Raiffeisen Bank Aval" | "UkrSyb bank" | Credit _ Agricol Bank" | Piraeus Bank | Average on the market |
|---|---|---|---|---|---|---|---|
| 1 | Reliability | 3.5 | 4.3 | 4.1 | 3.5 | 3.6 | 3.8 |
| 2 | Customer orientation | 4 | 4.3 | 4.1 | 4.1 | 4.1 | 4.12 |
| 3 | Purposefulness | 3.8 | 4.2 | 4.3 | 4 | 3.9 | 4.04 |
| 4 | Innovativeness | 3.9 | 4.1 | 4.1 | 3.9 | 4 | 4.00 |
| 5 | Competence | 4 | 4.3 | 4.2 | 4.1 | 4.1 | 4.14 |
| 6 | Attractive terms of service provision | 3.7 | 3.8 | 3.8 | 3.8 | 3.9 | 3.80 |
| 7 | Products meet needs | 4.1 | 4.4 | 4.5 | 4.3 | 4.3 | 4.32 |

*Source: compiled by the author based on the data of GFK Ukraine*

The attribute "Products satisfy needs" is perceived by consumers as corresponding more to "UkrSybbank", a little worse it corresponds to the banks "Raiffeisen Bank Aval", "Credit Agricol " and " Piraeus Bank", consumers rated "OTP Bank" last according to this indicator. The attribute "Customer orientation", the compliance of which is perceived by respondents at a high level for banks with foreign capital in general, is more present in "Raiffeisen Bank Aval" (4.3 points). "OTP Bank" (4 points) was awarded the last place according to the presence of the attribute "Customer Orientation" (Table 3.3). A similar situation was observed with the presence of the "Competence" attribute in the indicated banks, which is perceived even at a higher level than "Customer orientation": it is better in "Raiffeisen Bank Aval" and "UkrSybbank" (4.3 and 4.1 points, respectively), the rest of the banks are slightly worse (4-4.1 points).

Therefore, the most unique attributes for these banks from the point of view of consumers are "Reliability" and "Attractive terms of service provision". At the same time, "Reliability" is the most important attribute for consumers of retail banking services, that is, it has the greatest potential consumer value and can serve as a source of formation of a bank's sustainable competitive advantage.

In general, all banks with foreign capital that were studied during the research turned out to be rather weakly differentiated in the perception of consumers in terms of the level of compliance with all attributes and their characteristics: the set of assessments by consumers of the perceived presence of these attributes is almost homogeneous, with the exception of the "Reliability" attribute.

The identified factors indicate that Ukrainian banks do not fully use potential competencies to create significant competitive advantages, which, according to consumers, should currently be formed by the attribute "Reliability". This is, first of all, the stability of the bank, its security, honesty and transparency of the bank. At the same time, "Reliability" is the most unique and important attribute of banking service products from the point of view of Ukrainian consumers, because according to the results of the analysis, it is not effectively used by other market participants.

And this demonstrates a rather high potential of the strategy, which will be aimed at strengthening the reliability of the bank and its evaluation by consumers. In addition, the key benefits that create reliability are complex, involve the use of immeasurable resources, and most of them cannot be duplicated or purchased on the market. In other words, they are not obvious to competitors and are very difficult to reproduce, in contrast to actual product and service characteristics.

### 3.2. Harmonization of the development strategy of OTP Bank and the banking sector of Ukraine

Today, the process of strategic planning in "OTP Bank" takes place according to the "bottom-up" organizational structure, has a three-year horizon with annual revisions and includes several successive stages (Fig. 3.5). At the first stage, the bank's board determines the bank's goals, based on the requirements of the parent company, the external environment and the results of the previous year and the first half of the current year. Determined goals are reported to managers of business lines and functional level. On their basis, functional annual plans and plans and budgets of individual business lines are prepared, analyzed by the financial department, compiled into a single plan and agreed by the bank's board. Based on the annual plans, a new three-year strategy is drawn up or the current one is changed, which is approved at the level of the bank's Supervisory Board.

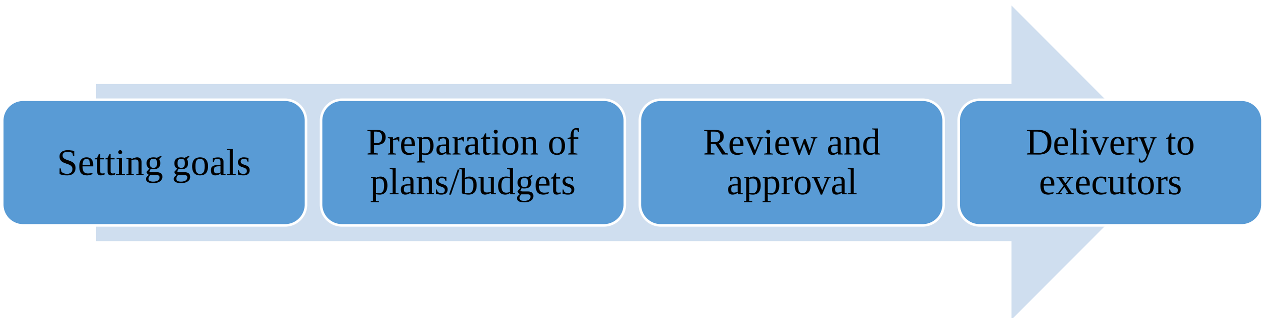


Fig. 3.5. Strategic planning process at OTP Bank

*Source: compiled by the author based on OTP Bank data*

This planning process lasts from September to November, after which the overall annual plan is presented at the bank's general meeting at the end of each current year. At the beginning of the year, detailed budgets are delivered by business lines to the sales network.

With the beginning of the reporting period, the reconciliation of actual and planned indicators with the calculation of deviations of the former from the latter are carried out automatically in the automated banking system Bi 2 on a daily basis before closing the bank's balance sheet and forming daily reports to the National Bank of Ukraine. The analysis of deviations of the actual indicators from the planned indicators is carried out depending on the indicators:

- daily (indicators of currency position, liquidity, average daily balances on clients' accounts, capital adequacy, etc.);
- every week (open credit limits, guarantees, number of issued credit and debit cards, open accounts and service packages;
- monthly (economic added value, net interest margin, cost-to-income ratio);
- quarterly (profit, return on assets, capital).

The results of the analysis of deviations are made public during the weekly, quarterly, semi-annual and annual meetings of the bank's management. According to the results of quarterly and annual activity results, the managers responsible for achieving the planned indicators will receive a material reward (bonuses or premiums). The final results of the bank's activity in the current year are checked by the auditing company and approved by the Supervisory Board of the bank.

It is worth noting that in this form, the result of the planning process at "OTP Bank" is not a strategy aimed at creating competitive advantages of the bank, but a strategic plan and sales plans, which is more in line with the concept of budgeting than strategic management.

First, the planning of activities for the next year in "OTP Bank" is carried out on the basis of the implementation of the plans of the previous year, that is, "from what has been achieved".

Secondly, the formation of the strategy is not accompanied by market research, competitive analysis and is not aimed at the formation of competitive advantages of the bank compared to competitors.

Thirdly, for strategic planning and further evaluation of the implementation of the strategic plan, OTP Bank uses only financial performance indicators that characterize the financial result, the level of income, expenses, increase in assets, profitability of capital and assets, etc. However, the use of only financial indicators as key performance indicators to assess the effectiveness of strategic planning and management is quite limited for strategic planning, especially in the modern context, as previously indicated.

Therefore, in order to formulate a business strategy aimed at strengthening the actual reliability of "OTP Bank", we suggest using the BSC performance indicator system, taking into account the established goals, and determining the appropriate indicators of strategic planning and evaluation of strategy implementation.

Under the strategic component "Finance", we will choose two main strategic directions - increasing the bank's profitability and improving the quality and profitability of its assets. We will evaluate the first direction by two indicators: economic profit, or economic added value, and the coefficient of marginal income, which shows the share of gross income directed to covering fixed costs and ensuring profit.

The second strategic direction – improving the quality of assets – can be assessed using indicators of asset quality and profitability, in particular the share of impaired loans in total assets, the share of loans in total assets, the ratio of coverage of non-performing loans by formed reserves, the share of net interest income in gross income. In our study, we will use three of the specified indicators that can be calculated using financial statement data, namely: the ratio of non-performing loans to formed reserves, the share of net interest income of a retail business in its gross income, and the ratio of net interest income of a retail business to assets.

The key strategic direction for the "Clients" component is to increase the consumer value of banking products due to the perceived reliability and stability of the banking institution and its products - loans and deposits. For planning at the level of a general business strategy, we will use the following indicators of achieving this goal: the bank's market share in the retail deposit market and the bank's market share in the retail credit market, as well as the attractiveness index, which indirectly also indicates the level of perceived reliability and is calculated as the ratio of all those, who find the bank attractive, to those who already use its services.

The planning of the "Internal processes" component is of particular importance for the further implementation of the strategy, since all other components of the strategy are actually the result of the management and implementation of internal processes. In our opinion, the efficiency of these processes in accordance with the chosen strategy can be reflected by the volume of deposits and loans of one branch, which will testify to the quality and speed of the sales process of the indicated products by the network of branches, and to the quality and speed of the processes of development, implementation and administration of products by supporting divisions, as well as the level of general administrative costs per department, which is an indicator of the effectiveness of cost management as a whole. In addition, to assess the quality of internal processes of credit risk management, we will use the amount of reserves formed for asset impairment losses per department.

Tasks and indicators of the strategic component "Personnel and development" at the level of business strategy generally reflect two main areas: personnel motivation and development. Therefore, we will use two indicators to formulate a strategy within the scope of this study - the level of personnel costs and the level of training costs per department. As a result, we will get indicators that at the general corporate level are indicators of the chosen strategy according to the results of our research. Based on the use of these indicators, we can make a strategic map of "OTP Bank" (Table 3.4.).

Table 3.4

**Balanced system of key performance indicators of "OTP Bank"**

| Strategic goals | Strategic direction | Structural indicators |
|---|---|---|
| **Component of the strategy:** Finances | | |
| Increasing business efficiency | Increasing profitability and economic value of the bank | Economic value added to regulatory capital |
| | | The coefficient of marginal income |

| | | |
|---|---|---|
| Increasing the actual reliability and financial stability of the bank | Increasing the return on assets | The ratio of net interest income of the retail business to the assets of the retail segment |
| | Improving the quality of assets | Share of impaired retail business assets/reserves in retail business assets |
| | Improving the quality of cost management | The ratio of non-interest expenses to gross income |
| **Component of the strategy:** Clients | | |
| Increasing the consumer value of the bank's products | Increase in the volume of sales of loans to SMEs | The bank's share in the SME loan market |
| | Increase in sales of retail deposits | Share on the market of individual deposits |
| | Increasing the attractiveness of the bank | Bank attractiveness index among customers |
| | Increasing the profitability of one client | The value of the customer's life cycle |
| **Component of the strategy:** Internal processes | | |
| Operational excellence | Improvement of processes related to the formation of reliability and consumer value of the bank's retail products | Deposit portfolio for 1 branch |
| | | Loan portfolio for 1 branch |
| | | Credit application processing period |
| | | Number of impaired loans/reserves for 1 branch |
| **Component of the strategy:** Development and personnel | | |
| Facilitating innovation, change and development | Increasing motivation, efficiency and involvement of personnel | The share of personnel costs in total costs |
| | | Share of personnel costs for 1 department |

*Source: compiled by the author.*

Measures to achieve these goals should be reflected in the relevant functional and operational strategies aimed at supporting and implementing the business strategy (Fig. 3.6.), each of which sets its own goals and key performance indicators, which, in turn, indicate the degree of implementation strategies and achievement of planned goals.

The described indicators are key to the implementation of the business strategy as a whole. Their assessment can be carried out both by the results of the year and by the results of activities in reporting periods, for example, quarters, for the possibility of more flexible adjustment, provided that systematic deviations from planned indicators or changes in the external environment are detected. At the same time, for the most effective assessment, it is advisable to use not a simple "fulfilled/not fulfilled" assessment, but a graduated one, which, for example, provides for different levels of goal achievement: 101% and above - exceeds expectations; 100% and above - completely meets the task, 75% and above - partially meets, 75% and below - partially does not meet, 50% - does not meet.

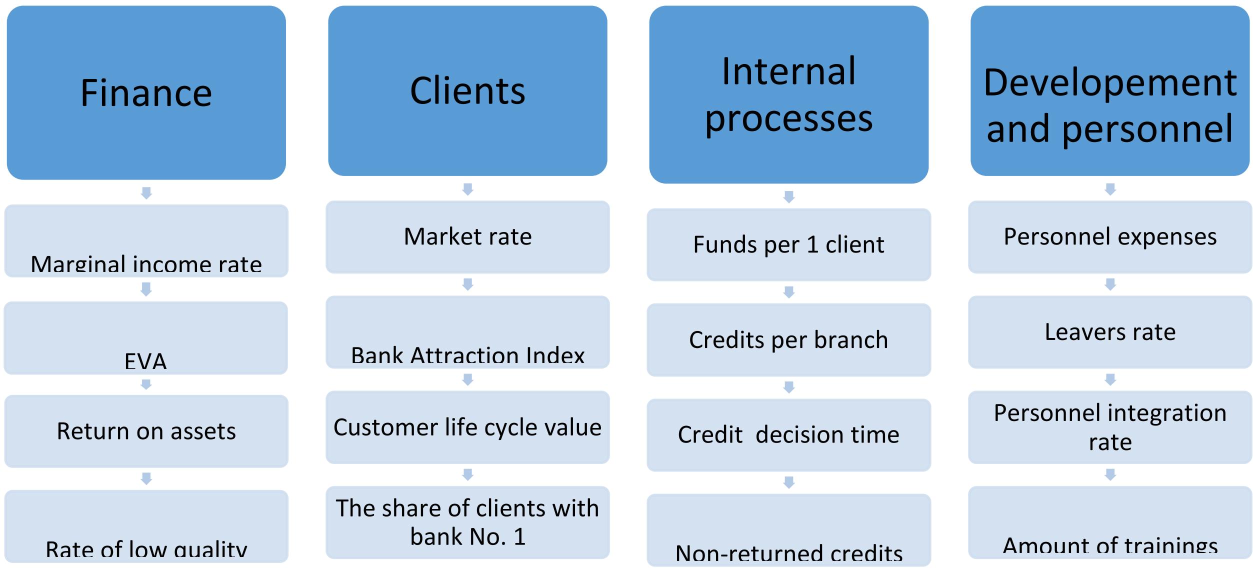


Fig. 3.6. OTP Bank strategic map

*Source: compiled by the author.*

Such an approach not only provides a basis for managerial evaluation and control of strategy implementation and achievement of strategic indicators in the process, but also reveals the reasons and factors of implementation/non-implementation at a certain level, and also ties the measure of performance of the indicator to the personnel motivation system.

The implementation of the indicated system of indicators in an individual bank, "OTP Bank", requires a number of consecutive actions, in particular, agreement and approval of indicators, creation of a regulatory document regarding the implementation, evaluation and implementation of indicators, etc.

Taking into account the specifics of the integration of a separate system of key performance indicators into the existing system of strategic planning, the process of practical implementation is logically divided into three stages: 1) Preparatory, within which a working group will be formed, final requirements will be prepared, a set of internal communications will be introduced regarding work in the new system of key indicators and changes in the bank's strategy planning system as a whole; 2) Actual implementation, during which there will be adaptation, testing and integration of the indicator system, as well as personnel training; 3) At the final stage, a system will be introduced in which consultations and answers to the questions of responsible employees will be provided within three months (the first quarter of the next year).

The distribution of responsibility for the implementation of the system of key performance indicators of "OTP Bank" is given in the table. 3.5.

Table 3.5.

**The matrix of the distribution of powers for the implementation of the system of key indicators in "OTP Bank" ***

| Initiative | Rule | Directors of Departments | Heads of departments | Department of strategic planning |
|---|---|---|---|---|
| Creation of a working group | A | A | C | R |
| Coordination of key indicators | A | A | C | R |
| Development of a system of control, fines and rewards | A | C | I | R |
| Development of a regulatory document | A | A | R | R |
| Calculation of key indicators in terms of planning periods | A | A | R | C |
| Implementation of the indicator system in ABS By-2 | I | R | R | WITH |
| Proof of planned indicators for the relevant units | I | I | I | R |
| Reporting and control over execution | A | A | R | I |

*- *according to the* RACI model , where A - approving, I - informed, C - consulting, R - responsible.
*Source: compiled by the author.*

According to this matrix, the main area of responsibility for the implementation of the system of key performance indicators of "OTP Bank" is divided between the strategic planning department (at the preparatory stage) and the heads of departments, who are responsible for the calculation of planned indicators, their implementation in the ABC system, and then for control according to their implementation and managerial reporting. The roles of the bank's board and directors of departments in the implementation of such a system are mostly approving, however, some managers at the level of directors are responsible for the implementation of indicators in the automated banking system.

From our point of view, the implementation of the system of key performance indicators in the proposed form will eliminate the following limitations of the strategic planning system at OTP Bank:

1. Setting strategic goals based only on financial indicators of activity.
2. Using the net profit indicator to evaluate the bank's strategy, which does not always reflect the real situation and does not take into account many factors of the bank's development.
3. Using only financial indicators to assess the achievement of the bank's strategic goals.

## CONCLUSIONS

In the diploma work, the theoretical and methodological justification of the principles of the formation of the business unit development strategy was carried out. The main theoretical and practical results of the conducted research are as follows:

1. Under the conditions of globalization and the acceleration of the pace of competition, the formation of a development strategy should be considered as a process of developing a strategy aimed at increasing competitive advantages to achieve general corporate goals within the framework of the implementation of the general strategy of an international company.

2. The construction of the hierarchy of the development strategy in accordance with the organizational structure of the business unit does not meet modern requirements, because it does not ensure sufficient decentralization, flexibility and speed of decision-making. In this regard, it is proposed to build a hierarchy of development strategy formation based on the structure of financial responsibility, which includes profit centers, cost centers and the center of general responsibility. Application of such an approach will provide the possibility of decentralization of strategic decision-making, more flexible response to changes in the business environment, and will serve as a platform for evaluating the implementation of the strategy by each of the specified levels.

3. Modern trends and requirements for strategy formation require its simplification and adaptation as an internal process of the bank.Taking into account the peculiarities of strategy formation in the financial services market, its improved scheme is proposed, which actually consists of four consolidated stages: identifying the sources of sustainable competitive advantages of the bank, determining the corresponding goals and scope of activity, designing the value creation chain and assessing the risks that will accompany the implementation of the strategy. The central stage of the process of creating a bank's strategy in the market of retail

financial services is the determination and identification of sources of competitive advantages to achieve the set goals.

4. Despite the steady growth of the importance of competitive advantages in the process of forming the development strategy itself, the method of determining their sources remains uncertain. The article diagnoses the competitive advantages of "OTP Bank" using a qualitative study of consumers of banking services and a competitive analysis by comparing the importance and presence of competitive advantages in banks with foreign capital. This made it possible to discover that in 2021, the potential sources of sustainable competitive advantages of these banks of Ukraine were the characteristics that ensure their reliability and financial stability.

5. The process of identifying risks in the process of forming the bank's activity strategy on the financial services market in the bank's value-oriented business model covers four stages: determining the cost and linking it to key performance indicators; identification of risks accompanying the main cost drivers, determination of risk countermeasures, compilation of the risk register and notification to shareholders.

6.Channels of remote creation of consumer value of banking services, as well as products, sale and use of which are offered through own Internet banking systems, namely: money transfers, deposits, accounts - currently have a very limited demand in Ukraine. At the same time, the level of development of the system of remote engagement and customer service in the Ukrainian market is almost the same in most banks and corresponds to the basic level compared to other countries.

7. The functionality related to both the main banking products and auxiliary ones needs improvement. Based on the practice of developed countries, the main directions for improving remote service channels are the integration of bank accounts with accounts of other payment systems; implementation of convenient systems for managing the client's own budget and development of portals that teach financial awareness; development of technology for group access to a bank account; development of additional services and applications related to Internet banking for all types of mobile devices.

8. The key indicator of the bank's activity strategy in the financial services market is the indicator of the economic added value of the operating segment of the retail business. For its calculation, the algorithm for calculating economic added value through marginal income was used. Strategy formation using this approach provides the bank with a number of universal indicators, each of which can be used at the level of profit centers and cost formation.

9. The master's thesis proposed a refined chain of creation of consumer value by the bank in the market of financial services. Designing such a chain in the process of forming a banking institution's activity strategy will allow for the identification of priority areas of development that will ensure the creation of consumer value, the formation and maintenance of a competitive advantage and the increase of shareholder value, and therefore are key in the banking institution's strategy.

10. The paper describes the process of forming a development strategy in "OTP Bank" and proves that it does not meet the requirements of modern approaches to forming such a strategy based on a number of features. In particular, the use of only financial indicators to assess the achievement of the bank's goals is not sufficient. In this regard, it is proposed to use the system of balanced performance indicators (BPI) for this purpose. SZP is a management system that ensures the planned implementation of the company's strategic plans, their interpretation into the language of operational management and control over the implementation of the strategy based on key performance indicators. With the use of this system, the work proposed a number of key indicators for each SZP projection and developed a strategic map of "OTP Bank" to assess the achievement of goals in the development and implementation of the international company's development strategy.

V. Buriachenko, 2023


# Abstract

The qualifying master's thesis contains 81 pages, 16 tables, 19 figures, and a list of references with 63 titles.

## «MODERN DEVELOPMENT OF BUSINESS STRATEGIES (ON THE BASIS OF OTP BANK)»

The master's thesis defines the theoretical content, role and features of modern strategic development of an international company. An overview of the components of the strategy definition in the financial services market was carried out and the order of organizational and information support for the implementation of the company's strategy was determined. Based on the analysis of the financial and economic condition of "OTP Bank", a diagnosis of the sources of competitive advantages was carried out. Potential directions of harmonization of the strategic development of "OTP Bank" and the banking sector of Ukraine were proposed.

**The object of the study** is the process of strategic planning of the activities of a business organization in the market of financial services.

**The subject of the study** is a set of theoretical, methodological and practical aspects of the implementation of strategic planning of business organizations.

**The aim of the study.** The purpose of the study is to develop applied proposals for improving the strategic planning of business organizations based on a previously conducted study of the theoretical and methodological foundations of strategic planning and economic diagnostics of the activities of "OTP Bank".

**Objectives of the study.** To achieve the set goal, we need to solve the following tasks in our work:

- determine the essential content, role and features of modern development strategies of an international company;
- clarify the theoretical foundations of building a hierarchy of development strategy formation;
- determine the components of the strategy formation process in the financial services market;
- determine the organizational and information support of the development strategy;
- provide a general description of the financial and economic condition of "OTP Bank";
- carry out a diagnosis of the sources of competitive advantages of "OTP Bank" in the process of strategic planning;
- to propose possible ways of harmonizing the development strategy of "OTP Bank " and the banking sector of Ukraine.

**Research methods.** During the writing of the qualifying master's thesis, such methods of scientific research were used as: a dialectical approach to the study of modern strategic planning of business organizations, analysis and synthesis of general concepts, grouping, statistical comparisons, observation, generalization and

graphic representation of data.

**Research information base.** The research used the legislative and regulatory acts of Ukraine, works of leading economists, materials of scientific and practical conferences, seminars and financial reporting indicators of "OTP Bank".

The year of completion of the qualifying master's thesis is 2022-2023.

The year of defense of the qualifying master's thesis is 2023.

*Key words: strategy, development, planning, economy, bank.*

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**Appendix A**

**МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ**
**КИЇВСЬКИЙ НАЦІОНАЛЬНИЙ ЕКОНОМІЧНИЙ УНІВЕРСИТЕТ**
**ІМЕНІ ВАДИМА ГЕТЬМАНА**

**ФАКУЛЬТЕТ МІЖНАРОДНОЇ ЕКОНОМІКИ І МЕНЕДЖМЕНТУ**

# РОЗВИТОК ЕКОНОМІКИ УКРАЇНИ В НОВИХ РЕАЛІЯХ МІЖНАРОДНИХ ВІДНОСИН

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## FEATURES OF THE ACTIVITIES OF FOREIGN BANKING GROUPS IN UKRAINE DURING THE WAR

After the full-scale invasion of the Russian Federation, the activity of the banking sector of Ukraine changed significantly, primarily due to changes in the legislation and regulatory documents of the National Bank. Among the most significant documents regulating the activities of banks during the war was the resolution of the board of the National Bank of Ukraine No. 18 of 24.02.22 [1]. By this resolution, the National Bank closed the foreign exchange market for the period of the war, fixed the exchange rate of the hryvnia to the US dollar as of 02/24/22, provided for the possibility of blank lending to banks by the regulator, without limits on the amount, for a period of 1 year, prohibited or restricted a number of banking operations. In particular, consumer access to services such as receiving cash, purchasing foreign currency, transferring foreign currency abroad, and purchasing securities of foreign issuers was restricted.

The National Bank also limited the withdrawal of cash from customer accounts in the amount of UAH 100,000 per day (not including salary and social payments), except for enterprises and institutions that ensure the implementation of mobilization plans (tasks), the Government and individual permits of the National Bank of Ukraine without accrual and withdrawal of commissions, a moratorium was introduced on cross-border currency payments (except for enterprises and institutions that ensure the implementation of mobilization plans (tasks) and the Government, separate permits of the NBU).

In addition, banks were prohibited from carrying out spending operations on the accounts of residents of the state that carried out armed aggression against Ukraine, and banks and electronic money-issuing banks were prohibited from issuing electronic money, replenishing electronic wallets with electronic money, and distributing electronic money. Also, the National Bank made a decision not to apply measures of influence for violations of: banks – economic regulations, limits of open currency positions and deadlines for submitting statistical reports, banking groups – requirements regarding the adequacy of regulatory capital, economic regulations of liquidity, credit risk, if such violations occurred starting since February 24, 2022 and caused by the negative impact of the military aggression of the Russian Federation against Ukraine [2].

These restrictions are uniform for all banks and affect their operations almost equally. However, the activities of foreign banking groups during the war had a number of features that are less characteristic of banks with Ukrainian capital.

If before the war, the main focus of banks' activities was increasing the volume of credit portfolios, then after the war, banks intensified their activities to increase the resource base. At the same time, as during other crises, many depositors moved their savings to reliable European banks with a transparent structure of ownership and corporate management. Therefore, in March-April, these banks significantly increased their resource base - from UAH 484.9 billion to UAH 524.5 billion, or by 9%. At the same time, client funds in Ukrainian non-state banks, on the contrary, decreased: from UAH 334.6 billion to UAH 323.2 billion. Subsidiary banks of foreign groups managed to increase their resource base at the expense of funds from both legal entities (from UAH 302.3 billion to UAH 326.6 billion) and individuals (from UAH 182.5 billion to UAH 197.3 billion), in contrast to Ukrainian private banks) [3].

Another difference in the activity of foreign banks was the almost complete stop of lending to both retail and corporate clients. The only exception was lending under the state program "Affordable Loans 5-7-9" in connection with a very strict risk policy in accordance with the requirements of international financial groups. Three months after the start of the war, some banks began to resume lending programs, but the most short-term and mostly for retail customers, while corporate lending and lending to new customers began to resume only in the fall. As a result, the total loan portfolio of banks with foreign capital decreased in 8 months from UAH 302.3 billion to UAH 268 billion. This policy also became the reason for the premature formation by foreign banks of reserves for credit operations in volumes.

In addition, compliance with strict standards in risk policy helped foreign banks to keep the level of NPLs at a significantly lower level compared to domestic banks, although they had the largest increase in NPLs. So, if in the group of state banks NPL has increased since the beginning of the year from 27.6% to 32.3% of the loan portfolio, in banks with private capital - from 10.5% to 19.3%, in foreign banks - from 5.9 to 15.3%.

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**Deepanshu Rawat**

## PECULIARITIES OF THE INTERNATIONAL BUSINESS IN THE CONDITION OF A FULL-SCALE INVASION OF THE RUSSIAN FEDERATION INTO UKRAINE

We are very well aware of the fact that currently Ukraine and Russia are at war, the war started on 22 February 2022 and today is 1 November 2022, over 10 months this war is going on. The eight-year-old confrontation between the two countries was dramatically escalated by Russia's invasion of Ukraine in February 2022, and this event marked a pivotal moment in European security history. After six months, a lot of defense and international policy experts have labeled the conflict as a significant strategic blunder by Russian President Vladimir Putin that has jeopardized his decades-long leadership. Most importantly innocent people are losing their lives and suffering because of this war. 2014 saw Russia invade Crimea and start supporting separatists in the southeast of the country in the Donbas region, turning Ukraine into a battlefield. For the first time since World War II, a European state acquired another state's territory when Russia seized Crimea. The Donbas conflict, the worst in Europe since the Balkan Wars of the 1990s, claimed the lives of over 14,000 people between 2014 and 2021. The conflicts singled the end of the United States' unipolar era of world domination and the beginning of a new era of great power rivalry.

Ukraine has a sizeable consumer market, a highly skilled labor force that is also price competitive, and an abundance of natural resources. The administration keeps advancing measures to take advantage of this opportunity. Particularly in the industries of consumer goods, technology, and agriculture, many American businesses have excelled in Ukraine. The second-largest exporter of grains in the world is Ukraine, which is a major player in agriculture. In the fields of IT services and software R&D, Ukraine has long had a talented labor force. The Ukrainian government has intensified its targeted hiring of top IT professionals in Ukraine in recent months. For developing a country there is a crucially needs for its economy to grow because there is a huge requirement of money needed to fight against Russian invasion. And where can this money come from? Most of this money comes from agriculture, tourism, and also international businesses that heavily invest in the country, its people, and its presence globally. Many such companies are currently worried to invest in the country because recently there over 75 missiles were launched in Ukraine and day by day the stains are getting worse between Ukraine and Russia. Whenever companies invest, then a country gets funding, the area around where the companies are staying gets developed, more people get employment, the standard of living will increase, the buying power of people will increase and, in the end, the country's economy will develop.