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MODERN APPROACHES TO THE MENTION AND PECULIARITIES OF BANKING COMPETITION IN THE FINANCIAL SERVICES MARKET

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СУЧАСНІ ПІДХОДИ ДО СУТНОСТІ ТА ОСОБЛИВОСТЕЙ БАНКІВСЬКОЇ КОНКУРЕНЦІЇ НА РИНКУ ФІНАНСОВИХ ПОСЛУГ

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СОВРЕМЕННЫЕ ПОДХОДЫ К СУЩНОСТИ И ОСОБЕННОСТЯМ БАНКОВСКОЙ КОНКУРЕНЦИИ НА РЫНКЕ ФИНАНСОВЫХ УСЛУГ

Within the article, modern approaches to the interpretation of defining the essence of the concept of "banking competition" was provided and the author's definition of the above category was proposed. In addition, a comparative analysis of banks and their main competitors in the financial services market, which are non-bank financial (insurance companies, credit unions, pawnshops, leasing companies, pension funds, etc.) and non-financial institutions (post offices, construction companies, etc.) were conducted. On the basis of scientific sources peculiarities of banking competition in the present conditions were determined.

Key words: competition; banking competition; commercial bank; non-bank institution.

У межах статті розглянуто сучасні підходи до тлумачення сутності поняття «банківська конкуренція» та запропоновано авторське визначення вищевказаної категорії. Крім того, проведено порівняльний аналіз банків та їх основних конкурентів на ринку фінансових послуг, якими виступають небанківські фінансові (страхові компанії, кредитні спілки, ломбарди, лізингові компанії, пенсійні фонди та ін.) та нефінансові установи (поштові відділення, будівельні компанії та ін.). На підставі дослідження наукових джерел визначено особливості банківської конкуренції в умовах сьогодення.

Ключові слова: суперництво; конкуренція; банківська конкуренція; комерційний банк; небанківська установа.

В рамках статті рассмотрены современные подходы к толкованию сущности понятия «банковская конкуренция» и предложено авторское определение вышеуказанной категории. Кроме того, проведен сравнительный анализ банков и их основных конкурентов на рынке финансовых услуг, которыми выступают небанковские финансовые (страховые компании, кредитные союзы, ломбарды, лизинговые компании, пенсионные фонды и др.) и нефинансовые учреждения (почтовые отделения, строительные компании и др.). На основании исследования научных источников определены особенности банковской конкуренции в сегодняшних условиях.

Ключевые слова: соперничество; конкуренция; банковская конкуренция; коммерческий банк; небанковская организация.

Statement of the problem. In the context of globalization and liberalization of the financial sector there is a tendency of increasing competition between economic entities. The particular relevance of this problem is for banking institutions, due to their leading positions in the financial services market. Therefore, for banks to develop special methods and means of preserving their place in the market or conquering its new segments, there is a need for further research on the essence and features of banking competition.

The analysis of the recent publications and research. The main theoretical aspects of banking competition are reflected in the scientific works of Yu. I. Korobov, S. M. Boiko, O. V. Dubovyk, A. V. Nikitin, G. O. Samoylov, A. G. Bachalov etc. Certain aspects of competitive relations in the banking sector are considered in the scientific works of such scientists as: M. E. Liuzniak, D. A. Mizgulin, L. I. Fedulova, I. P. Voloshchuk, O. V. Vasiurenko and others.

Selection of previously unsettled parts of the general problem. Paying tribute to the works of these and other scientists, it should be noted that in the economic science is still debating the concept of "Bank competition" and not enough attention is paid to the complex analysis system of competitive relations in the financial services market.

The aim of the article is to study theoretical approaches to the definition of the essence of banking competition and identify its features in modern conditions of development of financial services market.

Ground of scientific results. A kind of competition in a market economy is banking competition. That is why most of the fundamental principles formulated by the authors of the works devoted to the competitive struggle in commodity relations can be transferred to the study of the essence of banking competition [3, p. 14]. In the domestic banking system, competitive relations are primarily regulated by the Law of Ukraine “On banks and banking activity” (article 53, 55, 56) of 7 December 2000 №2121-III [9], but the focus is not on competition itself, but on the bank’s client.

Research of scientific and methodological approaches to the definition of the concept of “banking competition” indicates its complexity and ambiguity, and allows us to assert that there is no common understanding of the content of this category (Table 1).

Table 1

Interpretation of the concept of “banking competition”

Author	Elements of the definition of the concept of “banking competition”		
	content	subjects	object
O. V. Dubovyk, S. M. Boiko M. A. Vozniuk T. D. Hirchenko [4, c. 171]	struggle, during which excellent competitive advantages of own institution and its products are created	economic entities	attracting the most attractive consumer segments
A. V. Nikitin, H. P. Bortnikov, A. V. Fedorchenko [6, c. 97]	economic rivalry	commercial banks and other lending institutions	acquiring and retaining customers on the most favorable conditions of realization of financial products
D. A. Mizgulin [4, c. 12]	competition	banking institutions	general conditions for providing banking services
Yu. I. Korobov [2, c. 9]	dynamic process of rivalry	subjects of the banking market	strong market position
G. O. Samoylov, A. G. Bachalov [11, c. 29]	dynamic process of rivalry	commercial banks, credit institutions and other financial organizations	strong position in the market of loans and banking services also in the alternative new markets of substitute services
L. I. Fedulova, I. P. Voloshchuk [12, c. 24]	dynamic process of rivalry	subjects of the banking market	achieving the same goal
A. E. Przhanova [7, c. 6]	dynamic process of rivalry	commercial banks and other lending institutions	establishment of prices and volume of offer for banking services; formation of prices and volume of demand for credit resources; providing a reliable position in the market of loans and banking services
O. V. Vasiurenko, N. P. Pohorelenko [1, c. 22]	desire	banks	using of resources of contractors operating in one market segment

Source: created by authors.

After analyzing the data of Table 1, we can make the following conclusions: firstly, all the interpretation of the definition of “banking competition” defines it as a process; secondly, in most of the above definitions, it is emphasized that banking competition takes place not only between banks but also other financial and credit institutions; thirdly, when defining banking competition, attention is focused on rivalry (struggle).

Summing up the aforesaid, in the context of banking competition we suggest to understand as dynamic process of rivalry of banks among themselves and with other non-bank financial and non-financial institutions in the course of which they seek to ensure strong position in the financial services market by satisfying the economic needs of clients.

Each of the participants in the banking competition in the process of realization identical products has its own competitive advantages (Table 2).

Table 2

Comparative characteristics of banks and their main competitors

Alternative structures	Name of products/services	Advantages of banks	Advantages of non-bank institutions
Non-bank financial institutions			
Insurance companies	raising funds; investing; lending to individuals; asset management	1) availability of Deposit Guarantee Fund; 2) a wide range of deposit programs; 3) a borrower may be any individual who meets the requirements of a separate credit program, while in life insurance companies only citizens-insurers are potential borrowers	1) flexible financial schemes; 2) an individual approach to each client
Credit unions	raising funds; consumer lending; issuing guarantees/sureties; asset management	1) availability of Deposit Guarantee Fund; 2) the possibility of lending for significant amounts; 3) a wide range of credit programs; 4) an extensive network of banking institutions	1) high deposit rates; 2) simplified lending procedure
Pawn shops	consumer lending	1) the possibility of lending for significant amounts; 2) the opportunity to receive a blank loan; 3) lower cost of credit operations	1) simplified lending procedure; 2) rapid clearance of loans; 3) less risky activity; 4) flexible work schedule
Leasing companies	business financing	1) lower cost of credit	1) flexible financial schemes
Pension funds	raising funds; transactions in the stock market	1) availability of Deposit Guarantee Fund; 2) investments diversification	1) flexible financial schemes; 2) tax privileges; 3) reliability
Financial companies	consumer lending	1) transparency; 2) greater trust	1) simplified lending procedure
Investment funds	mediation in investments; asset management	1) stable income during the deposit period; 2) the presence of significant resources	1) professional level; 2) investments diversification; 3) higher income
Factoring companies	factoring; issuing guarantees/sureties	1) a wide range of additional related services	1) simplified procedure
Trust companies	trust services	there are no competitive advantages	1) narrow specialization; 2) the presence of skilled workers
Non-bank non-financial institutions			
Post offices	money transfers; payment of utility bills	1) simplicity; 2) automatic payment of your utility bills: water, gas and other services	1) reliability and trust; 2) an extensive branch network; 3) an attractive pricing policy
Construction companies	raising funds; investment	1) reliability	1) lower cost; 2) flexible financial schemes

Source: summarized by authors based on sources [3, c. 19–20; 6, c. 102–103].

After analyzing the data of Table 1, it should be noted that the most acute competition between banks and non-bank institutions is observed in the field of lending and savings. In this case, the main advantages of non-bank institutions are flexible financial schemes and simplified procedures for conducting operations. Despite this, leading positions remain for banks. Banks are the only financial institutions in Ukraine that are able to carry out large-scale financing the economy unlike the non-banking financial sector that does not have such a resource base. In addition, the bank is a financial institution that provides the widest range of

financial services. Others are specialized agencies that perform only a limited range of financial services, depending on their legal status and the availability of licenses [3, c. 18]. Secondly, banks are distinguished from other financial institutions by the protection level of clients' interests, that is ensured through Deposit Guarantee Fund.

Today, cooperation between banks and non-bank financial institutions is the most popular. In this cooperation bank and financial company (often insurance) enter into a partnership agreement on joint agent sales of their services (for example, the financial group OTP Group). The basis of activity of JSC "OTP Bank" is the provision of standard banking services (cash and settlement services; lending; deposit and current accounts; plastic cards; online services). However, within the framework of cooperation with the asset management company "OTP Capital", which controls 7 public investment funds, 2 venture funds and an open-ended non-state pension fund "OTP Pension", the bank also provides investment services. The leasing services of JSC "OTP Bank" are conducted in close cooperation with the leasing company "OTP Leasing", where the main field of activity is provision of long-term financial and operational leasing. The company is actively cooperating with both large and medium corporate business. "OTP Leasing" is financing: leasing of commercial vehicles; leasing of machinery and equipment; leasing of used cars; leaseback.

We consider it expedient to identify the following features of banking competition:

1. Banking competition, like most modern economic processes, tends to globalization. As a result, banks in developed countries aspire to foreign expansion in the form of participation in the capital of foreign banks, through direct and portfolio investments, opening branches etc.

2. Liberalization of state regulation of banking activity. It is traced the removal of restrictions on the implementation of individual financial transactions by banks, eliminating barriers of foreign banks penetration on the domestic financial market.

3. The tendency towards universalization of banking activity. As of 01.09.2017, 88 banks operate in Ukraine [7] and only 2 of them are specialized, namely savings. In accordance with the Resolution of the National Bank of Ukraine "On Approval of the Instruction on the Procedure for Regulating Bank Activities in Ukraine" of 28 August 2001 № 368 [10] the bank shall acquire the status of specialized savings bank if more than 50 percent of its liabilities represent household deposits (regardless of the type of assets). In particular, these are state-owned banks such as PJSC "Oschadbank" and PJSC "PrivatBank". Thus, most banking institutions are universal and carry out a wide range of banking operations and services.

4. Increasing the level of concentration of banking business, which, on the one hand, contributes to the growth of the efficiency and power of the banking market, and on the other hand, may lead to the formation of an oligopoly or a monopoly.

5. The latest banking technologies are actively implemented in the banking system. This technologies have a "strategic effect" on the growth of the client base, reducing the cost of banking operations with the optimal level of operational risk and operating costs.

These features, both collectively and individually, have a significant impact on the intensification of competition in the banking sector. And this, in turn, stimulates the use of various tools to increase the competitiveness of individual banks.

Conclusions and suggestions. The critical analysis of approaches of scientists to the definition of the concept "banking competition" allows to consider it as a dynamic process of rivalry of banks among themselves and with other non-bank financial and non-financial institutions in the course of which they seek to ensure strong position in the financial services market by satisfying the economic needs of clients. The globalization processes, the processes of liberalization of state regulation of banking activities, and also the inclusion in the economic competition of non-bank financial and non-financial institutions whose main activity is not related to the implementation of banking operations has a significant impact on the quality of the data of competitive relations.

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