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Research Article

**THE MAIN DIRECTIONS OF DEVELOPMENT THE BANKING
AND FINANCIAL MANAGEMENT SYSTEM: THEORY AND
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Lyudmila Piterskaya²**¹Stavropol State Agrarian University, Stavropol, Russia, ²Kuban State Agrarian University,
Krasnodar, Russia**Article Received:** December 2018**Accepted:** February 2019**Published:** March 2019**Abstract:**

Banking management is a system of management impact carried out by certain organizational structures that ensure the timeliness and continuity of the movement of credit resources to achieve certain macro and microeconomic goals. This article discusses the problem of effective management of banking management, reflects its essence and functions.

One of the reasons for the revocation of banking licenses is market bankruptcy, which is associated with the conduct of inefficient banking management. In connection with these, the presence in the commercial bank of effective banking management is the main condition and guarantee of sustainable development and efficient operation of the banking institution.

Thus, effective banking management will ensure the achievement of high performance indicators of banking activities, as well as being the basis for its development. It is worth noting that the lack of effective banking management will not allow the bank to achieve its goals, even if the necessary funds are available.

Key words: *banking management, financial management, banking, bank, credit organization, banking.*

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INTRODUCTION:

The development of the banking system and the enhancement of its role are associated with the development of the economy, the economic independence of the subjects and the diversity of forms of ownership. Banking business is one of the specific types of business, since banks operate to a greater extent on the basis of borrowed funds, whose share in total cash of banks is 80-85%, share of own funds of banks in total cash are 20-15 % The Bank is a financial and credit organization that performs various types of operations with cash and securities and provides financial services to the government, legal entities and individuals [1].

In carrying out its activities, a commercial bank may face certain types of risks, in which a commercial bank may suffer direct and indirect losses as a result of certain deficiencies in the management, control, system errors, and incorrect decisions [2].

Identifying the risks that may arise in the activities of a banking institution and their management is currently an important issue that needs to be addressed by a commercial bank. In this regard, the bank's manager is tasked with minimizing risks and ensuring a sufficient level of income to save depositors' funds and maintain efficient bank operations [3].

Banking management is a system of management impact carried out by certain organizational structures that ensure the timeliness and continuity of the movement of credit resources to achieve certain macro and microeconomic goals. The microeconomic objectives of banking management include ensuring the sustainable development of a commercial bank, as well as ensuring the safety and profitability of the bank's financial resources. The macroeconomic objectives of banking management include the stabilization of the national monetary unit, the efficiency of using the monetary and material resources of the economy as a whole [4].

Effective banking management will allow the banking institution to withstand the negative factors arising at the micro and macroeconomic level, which may lead to its bankruptcy, and also allow it to adapt negative factors to the goals set by the bank. In this regard, the presence in the banking institution of effective banking management is one of the basic conditions and guarantees for the sustainable and effective development of the bank [5].

MATERIALS AND METHODS:

One of the types of banking management is financial management. Financial management is the management of cash flows, as well as their formation and distribution in accordance with the objectives and goals of the banking institution.

The object of financial management in a commercial bank are the processes associated with the study of financial operations of the bank and cash flow management. The subject of financial management in a bank is the development and use of systems and methods for rational planning and implementation of financial operations of a commercial bank related to the placement and attraction of funds.

Financial management performs the following functions:

- management of assets and liabilities of a commercial bank;
- manages its own capital and borrowed funds of a commercial bank;
- managing liquidity of a commercial bank;
- bank risk and loan portfolio management;
- implementation of the organization of intrabank control.

The Bank, like any other commercial organization, has the goal of obtaining and maximizing profits, which will ensure sustainable reliable operation and development of the bank. However, it is worth noting that the activities of the bank are subject to various types of risks that can lead to unprofitable activities of a banking institution in the absence of a risk limiting system. In this regard, banks, in determining the strategy of their activities, should form a system of measures that will make a profit, and also take into account the possibility of preventing losses of the bank in carrying out its activities. The solution of such a problem as the optimization of the ratio of profit and risk in the implementation of the bank's activities depends on the use of effective banking management techniques.

Bank management performs the following functions:

1. The planning function, which is to develop an implementation strategy;
2. The function of the organization, which is the implementation of the distribution of tasks;
3. The function of motivation is to provide a psychological impact on the employees of a commercial bank in order to achieve the desired results;
4. The function of control is to assess the actions performed and the correctness of the chosen strategy;
5. The function of coordination is to interact with the structural units of a commercial bank and coordinate their actions.

The low level of financial management of a commercial bank is due to the following reasons:

- insufficiently developed system of financial monitoring of the activities of a commercial bank;
- lack of own development strategy and management of a commercial bank;
- lack of interrelation between the stages of decision making;
- the risk management and control system does not always correspond to the level of risks assumed by a commercial bank;
- weak development of horizontal structural links between units of a commercial bank;
- non-implementation of system analysis, diagnostics and forecasting of commercial bank activities.

In order to further assess the financial stability of PJSC “SBERBANK OF RUSSIA”, it seems necessary to find out what the financial stability of the bank being evaluated is compared to other commercial banks in order to know not only the

internal state of the bank, but also its position in the financial market. This analysis should be carried out with the help of foreign methods CAMEL (S).

RESULTS AND DISCUSSION:

For the practical implementation of the chosen methodology, it is initially necessary to select additional objects of study. The banks that are the main competitors of PJSC “Sberbank of Russia” can act as them. Ranking will be from 2015 to 2017. Sberbank of Russia, Rosselkhozbank JSC, Alfa-Bank JSC and Bank-Moscow OJSC were chosen as banks. According to the results of the assessment of the financial stability of the Bank PJSC “Sberbank of Russia”, it can be concluded that the bank is financially stable. During the entire period of the study, the quality of the bank’s assets was rated 1, which indicates the excellent quality of assets and credit management practices.

Table 1: Assessment the financial stability of JSC "Gazprombank" by the method of CAMEL (S)

Indicators	Value of indicators			2017 by % to 2015	Rating		
	2015	2016	2017		2015	2016	2017
Capital adequacy	13,7	13,4	12,1	88,3	1	1	1
Asset quality	3,2	2,9	2,2	68,8	1	1	1
Yield	1,1	1	0,8	72,7	1	1	2
Liquidity	20,1	18,5	18	89,6	1	1	1
Market risk sensitivity	×	×	×	×	1	1	1
Quality management	×	×	×	×	1	1	1
The final assessment of the bank	×	×	×	×	1	1	1

The quality of profitability and liquidity are also at a fairly high level, which indicates a higher than sufficient level of income for the development of operations, maintaining an adequate level of capital and a developed system of liabilities management.

Table 2: Assessment the financial stability of JSC "Rosselkhozbank" by the method of CAMEL (S)

Indicators	Value of indicators			2017 by % to 2015	Rating		
	2015	2016	2017		2015	2016	2017
Capital adequacy	14,7	16	13	88,4	1	1	1
Asset quality	1,0	0,9	1,1	110	1	1	1
Yield	0,01	0,02	-0,17	-1700	5	5	5
Liquidity	9,8	9,7	10,4	106,1	1	1	1
Market risk sensitivity	×	×	×	×	2	2	2
Quality management	×	×	×	×	2	2	2
The final assessment of the bank	×	×	×	×	2	2	2

According to the analysis of the Bank of JSC “Rosselkhozbank”, it can be noted that the bank is in critical condition with respect to the level of profitability, which has been assigned the lowest rating of 5 according to the CAMEL (S) methodology. This suggests that the organization incurs losses that pose a threat to its existence. This situation could be

due to the inability to predict or control the movement of resources and operating expenses, an erroneous business strategy, poor control, or lack of control over other risks. The current situation requires the immediate improvement of the bank’s expenditure management policy

Table 3: Assessment the financial stability of Alfa-Bank JSC using the CAMEL (S) methodology

Indicators	Value of indicators				2017 by % to 2015	Rating		
	2015	2016	2017			2015	2016	2017
Capital adequacy	12,6	12,2	11,1	88,1		1	1	1
Asset quality	1,0	1,1	1,1	110		1	1	1
Yield	0,7	0,8	0,9	128,6		3	2	2
Liquidity	9,9	8,6	12,5	126,3		1	1	1
Market risk sensitivity	×	×	×	×		2	1	1
Quality management	×	×	×	×		2	1	1
The final assessment of the bank	×	×	×	×		2	1	1

Based on the results of Table 3, Bank Alfa-Bank JSC has a sufficient level of capital and asset quality, but there are noticeable problems in the level of profitability. The yield ratings 3 and 2 confirm the unstable profitability of the bank and the insufficiency of the existing income for the full implementation of banking operations. This fact entails a decrease in sensitivity to market risk and a

mismatch between risk management practices and bank parameters. Consequently, the bank needs the ability of managers to identify, monitor and control the bank's susceptibility to market risk, the degree of complexity and nature of its operations, and also to develop appropriate market risk management policies that are necessary to improve the bank's rating.

Table 4: Assessment the financial stability of Bank of Moscow JSC using the CAMEL (S) methodology

Indicators	Value of indicators				2017 by % to 2015	Rating		
	2015	2016	2017			2015	2016	2017
Capital adequacy	14,0	13,1	10,4	74,3		1	1	1
Asset quality	0,8	0,9	0,9	113		1	1	1
Yield	0,2	0,6	-0,7	-350		5	3	5
Liquidity	28,7	20,9	24,3	84,7		1	1	1
Market risk sensitivity	×	×	×	×		2	2	2
Quality management	×	×	×	×		2	2	2
The final assessment of the bank	×	×	×	×		2	2	2

According to the table, the profitability of the Bank of JSC "Bank of Moscow" is in critical condition in 2015 and 2017, this indicates poor credit risk management, which resulted in credit losses and additional costs for the formation of reserves. A possible result of a low level of market risk management may be losses from changes in interest rates, as well as unplanned expenses and unforeseen circumstances. The unsatisfactory state of profitability is a reflection of the imperfect quality of bank management, poor control over the risks of a credit institution, which requires mandatory improvement of the quality of management by improving the practical activities of lower and senior managers and developing a more effective strategy for managing market risk and the organization as a whole.

Ineffective management of a commercial bank's activities by the risks arising in the course of its operation may lead a bank institution to bankruptcy. In this regard, when developing a strategy for its activities, the bank needs to create a system of measures aimed at making a profit with minimal losses. In many ways, the effective ratio of profit and risk depends on the use of effective methods of banking management. Due to the fact that the management system in commercial banks is diverse, the criteria for its assessment are: compliance with the banking legislation of the Russian Federation, intrabank standards, and the regulatory acts of the Central Bank of the Russian Federation.

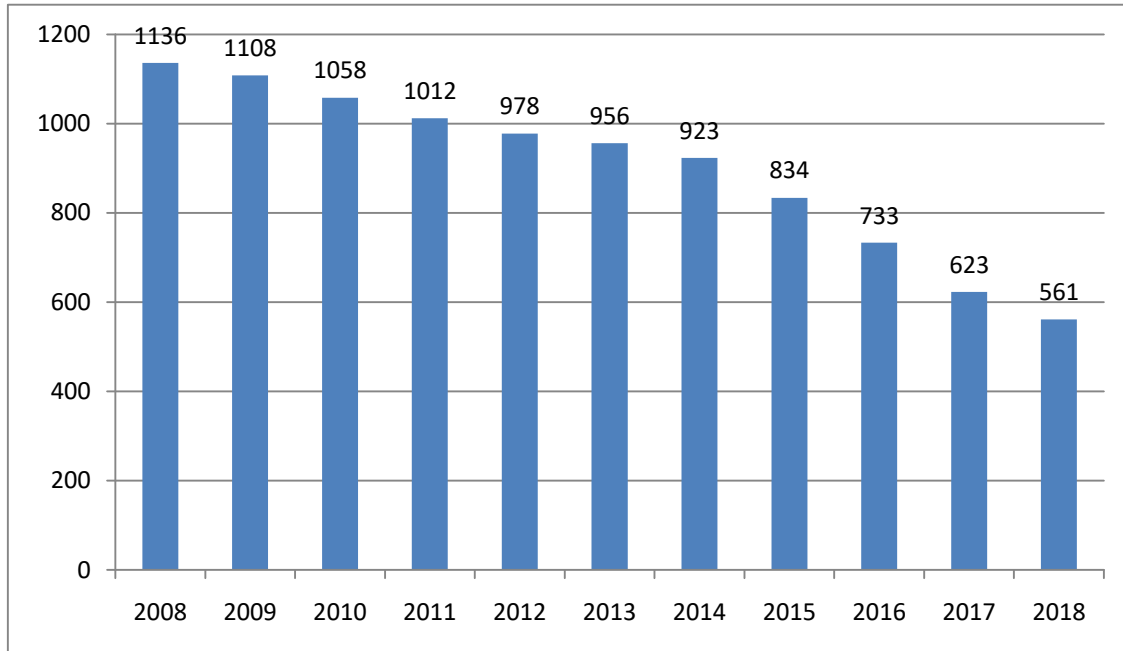


Figure 1: Dynamics the total number of operating banks in the Russian Federation for 2008-2018

According to the data presented above, it can be concluded that during the study period there was a decrease in the number of operating banks in the Russian Federation, so in 2018 compared to 2008, the number of banks decreased by 50.6%, which in absolute terms was 575. This reduction in the number of banks institutions associated with the current economic situation, which is complicated by the geopolitical situation, the crisis, as well as external sanctions. These changes in the banking system have an impact on the functioning of the economy as a whole.

CONCLUSIONS:

Reasons for revoking banking licenses include:

- failure of banking institutions to comply with legislation;
- market bankruptcy;
- new requirements for the structure of equity and capital adequacy.

One of the reasons for the revocation of banking licenses is market bankruptcy, which is associated with the conduct of inefficient banking management. In connection with these, the presence in the commercial bank of effective banking management is the main condition and guarantee of sustainable development and efficient operation of the banking institution.

Thus, effective banking management will ensure the achievement of high performance indicators of banking activities, as well as being the basis for its

development. It is worth noting that the lack of effective banking management will not allow the bank to achieve its goals, even if the necessary funds are available.

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