

## **MONEY, FINANCES AND CREDIT**

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### **THEORETICAL ASPECTS OF THE STUDY OF THE ECONOMIC SUBSTANCE OF THE RESOURCE BASE OF THE BANK**

The article reviews and summarizes modern interpretation of the economic notion of resource base of commercial banks. Author's understanding of the category of «resource base of the bank». Analyzed the value of the resource base of the banking institutions on the impact on the banking system and the national economy as a whole.

**Keywords:** banks, resource base, bank resources, resource potential of the bank.

**Statement of the problem.** In the financial and credit sector of economy of Ukraine principal place owned banking system that provides a flow of resources across sectors which significantly affects the economic development of the country.

Today the problem of scarcity of financial resources has become particularly urgent, important is the formation of banks' resource base and increase its volume, improve its structure and improving its management tactics.

Formed properly and sufficient in terms of banks' resource base is an indicator of future profitability, maintain adequate levels of liquidity and confidence on the part of market relations. Extensions enables resource base to meet current needs and the needs of investment-related businesses in financial resources. However, during the financial crisis in Ukraine was the problem formulation and the use of bank resources. Accelerated growth of production led to a strong demand for commercial loans, which in turn requires rapid growth of bank resources. Addressing this issue requires improving the resource base of the formation, and thus necessitates his research.

**Analysis of recent research.** Issues nature of the resource base of banks were opened by both domestic and foreign economists. Significant contribution made by Ukrainian authors such as: Alekseienco M., A. Baranowski, A. Vasyu-

renko, A. Dzyublyuk, G. Dougan, L. Prymostka, M. Savluk etc. Research resources bank paid a lot of attention and foreign scholars, namely Ashauer G., D.J. Carlson, D. Mc-Naughton, D.T. Koch, Mr. Rose.

**The study** is a synthesis of theoretical approaches to determining the nature of the concepts of "resource base bank", "banking resources" and the formation of the basis of their own interpretation of this concept.

**The main material of the study.** Resource base of banks – is the foundation of any bank, so understanding the economic substance of bank resources, the problems associated with their formation and use effective for the intended purpose, it is extremely important for domestic banks in post-crisis recovery.

Resource base of the bank – is a complex concept that includes a system of indicators that reflect the presence, location and use of financial resources.

To investigate the effect of the resource base of the bank should be to analyze related concepts such as "banking resources" and "resource potential of the bank".

In studies of national scientists term "resource bank" is interpreted as a combination of equity and liabilities of the bank, which they use to conduct active operations. In some works under the obligation of banks to understand resources or just involved some elements

of borrowing by banks. However, there is no integrated system components that form the resources of the bank, which affects the assessment of their structure.

In economic encyclopedia contains a definition of “banking resources – a set of resources that are available to and used by banks for lending and other transactions” [7, p. 110].

Foreign scientists term “resource bank” do not use, because such a thing is not seen as an object of self- study. They interpret “bank resources” through passive operation, the essence of which is to attract depositors, lending to other banks, issuing own debt securities and other transactions made as a result of increasing the resources of the bank.

Some scientific studies under the “resource base” is meant the funds involved in the liabilities of commercial banks. In fact, there is identification of the concepts of “resource base” and “bank resources”.

Despite the many studies on banking activities in scientific works no unambiguous interpretation of the term “financial resources of the bank”. Especially seen contradictory opinions between Ukrainian and Western economists.

The term “financial resources of the bank” in the scientific works of Western scholars is not applicable. Yes, Edwin G. Dolan, Colin D. Campbell and Rosemary J. Campbell, analyzing the sources of funds of the banking institutions feel the need to take into account the liabilities of banks that displays deposits, borrowings and equity bank [8].

Identical to analyze the scientific work “Kommercheskye banks” sponsored by E. Gill R. Cotter and E. Reed, which states that to understand the basics of banking primarily to consider Article bank balance. The main sources of funds are as integral liabilities, particularly emphasized the issues related to the management of passive operations of commercial banks [9].

British scientists Polfreman D. and F. Ford category “financial resources of the bank” is not used, but also focus on passive operations of banks. Liabilities analyzed by major groups balance sheet of the bank as a source of funds that the bank uses in the course of its activities. These economists are two main sources of resources: money owners (shareholders) and investors [10].

American scientist P. Rose considers liabilities and equity of the bank as the total funds from appropriate sources that provide the necessary bank buying power to purchase assets. Thus P. Rose liabilities to bank credits only deposits that belong to different users, and deposit borrowing money and capital markets, equity capital it considers long-term funds invested by the owners of the bank.

Domestic scholars (A. Moroz, M. Savluk) states that “the resources of banks – a collection of resources that they have available and used for active operations” [3, p. 30].

M. Alekseienco in the book “Capital Bank” notes that bank resources – a set of financial resources and expressed in monetary tangible, intangible and financial assets held by the bank and can be used by them for active operations and services” [1, p. 31].

J. Dougan said that “banking resources” – a bank accumulated free cash businesses under the ownership of commitments, or debt for the next placed on the market for profit” [5, c. 4]. This definition emphasizes the accumulation of commercial banks resources businesses, but at the same time is not taken into account is an important component of bank resources as equity banking institution.

Precious resources can be viewed in two dimensions, micro (individual bank resources) and macro (resources of the banking system as a whole).

Resources of a single banking institution – this means that the bank uses in the course of their activities on a commercial basis and in accordance with the requirements of regulatory authorities. That bank resources in microeconomic terms are accumulated bank funds by issuing equity securities derived on the basis of credit relations with other economic entities and funds intra origin, namely the performance of the bank, which are used in the placement of the identified areas for bank profit, maintaining adequate liquidity level, strengthening the material and technical base of the banking institutions and so on.

Looking at the macroeconomic perspective, under Resource understand – a set of economic relations concerning the formation, distribution and use of the entire banking system. If more, it is all banking resources of the country, used to

meet the needs of households, the financing of public needs, such as the budget deficit, investment activity, both for banks and for other subjects of economic relations. Precious resources at the same time is an important determinant of economic growth in the country and economic restructuring.

Scientists, economists V. Kolesnikov and L. Krolivetska under the category of “banking resources” understand the equity of the bank involved and borrowed funds available to the bank and used in active operations, allocation of funds mobilized to produce adequate profits.

By S. Pawluk agrees with this interpretation, but adds to the fact that commercial banks are not only engaged in active operations, but also provide a wide range of services, from receiving commission income. The profitability of the bank shall be sufficient for the formation of reserves, dividends to shareholders and the bank.

Taking into account the developments of economists and legal framework, S. Koval offered the following definition: “the financial resources of commercial banks – a collection of their own, attracted and borrowed money from his possession and used in the process of banking activity” [11, p. 115].

Most approaches to the interpretation of the categories of “banking resources” and “resources of commercial bank” is their identification, which in our opinion is quite correct. However, some scholars such as A. Epifanov, H. Maslak, J. Sala consider these concepts differ in economic content. “Resources Bank” they understood as “a set of resources that are available to the bank and use it for credit, investment and other active operations”, and in determining the category of “banking resources” they believe that “specialization should follow a particular banking institution”. That is, these economists argue that the term “commercial bank resources” broader than “bank resources”.

Regarding “resource potential bank”, we can mention that it is not covered in the economic literature, domestic and foreign authors. Vasyurenko A. and I. Fedosyk the term “resource potential bank” understand “the totality of all financial assets of the bank from its immediate disposal, and tools that could be potentially involved banking institu-

tion as a result of effective full-blown banking or pryroscheni or lost in the case of active operations” [2]. The authors distinguish the current resource potential, the bank presented resources, and overall resource potential, which consists of the actual financial resources and potential financial resources bank [2].

In view of the above, it is expedient to consider such a thing as a “financial strength of the bank”. Financial strength is an integral resource potential of the banking institution. It refers to a set of financial resources and competencies available to the bank and used it to ensure that in the future an appropriate level of financial stability, solvency, liquidity and other indicators of financial condition.

Financial strength is one of the main components of resource potential banking institutions along with material resources, organizational, managerial, technical, and spatial information.

However, the bank financial strength provides a resource base and future financial income. By “prospective financial income” mean – potential for financial resources that can be a result of engaging in active operations in the future.

In view of the above, it can be argued the term “resource potential bank” is much wider compared to the resource base, as the base resource potential of the banking institution itself forms the resource base of the bank, along with other types of resources.

Returning to the resource base is the traditional understanding of it as a set of resources that are circulation banking institution. This interpretation is substantiated by the fact that the funds managed by the bank is the financial basis for its operation.

However, under the category of “resource base” can be understood as a set of resources and that the bank uses to build assets. Therefore, to analyze the resource base can not only conventional wisdom, as a combination of cash that is available to the bank but more commonly, when the category of “resource base of the bank” also include economic and organizational resources (branch network, human resources bank, especially logistics) that have an effect on the development of banking institutions to provide adequate competitiveness for the bank and stimulate additional resources.

V. Kiselev interprets the concept as follows: “resource base of commercial banks – is the total capital that is formed in the policies of the banking institution increases in equity and borrowed funds and used during active operations to meet the social and self-interest” [6, p. 99].

Under the “resource base” is understood as – set derived from the turnover of business entities and income of the population who are mobilized by the bank under the terms of the obligation of property and debt for the next placement among businesses and individuals who require banking resources in order to obtain return [4, p. 112].

M. Alyekseyenko believes that the concept of “resource base” the most suitable for the development of strategic frameworks formation of bank resources, while the term “bank resources” reflects funds actually already in the possession of banks. Primarily, this means that the term “resource base” describes the ability of banks to attract money market funds that are involved or not yet involved in the banking and monetary circulation, which lays the foundation for the expansion of banking. Resource base depends on the one hand, the scale of the money market, particularly in supply of money, and the other – on the funding needs of the state, the share of money in circulation beyond the banks [1, p. 28].

In our opinion “resource base of the bank” is identical to the concept of banking resources. According to the resource base include: equity and borrowed funds involved. On the interpretation of the authors on the fact that the resource base should be classified as those resources that are mobilized in the future, we do not quite agree, because we believe that the category of “resource base of the bank” are useful in the analysis and characterization of resources available to the banking institution for a fixed period of time.

As you know, the banking practice of commercial banks’ share their own, attracted and borrowed funds. Own funds or capital – it costs that are directly owned by the bank. They consist of the authorized capital of the bank and retained earnings, perform mainly a protective function and have a relatively small percentage of total bank capital. Most of the resources are attracted and borrowed funds.

Much better understand the nature of the resource base of the bank by making possible the analysis of the sources of its formation, the structure.

The formation of the resource base of commercial banks affects their role in the financial system:

- As intermediaries in the money market;
- As subjects of economic relations that operate at a high level of financial risk;
- As businesses that operate on a commercial basis for profit.

Given this, banks engaged in shaping their resource base as follows:

1. Shape equity for economic independence and performance of the bank’s financial obligations.
2. To carry out the mobilization of temporarily free funds and transform them into assets. That attract funds from individuals and legal entities, placed them on his behalf, on its own terms and its own risk, open bank accounts and serve.
3. To carry out borrowing money by issuing and selling debt securities receive funds in the form of a loan from the Bank and other commercial banks.

The result of our studies and generalizations about understanding the relationship of the concepts of “resource base of the bank”, “banking resources”, “financial capacity”, “resource potential bank” shown in Pic. 1.

Formation of banks resources is influenced by certain factors – economic, financial (level monetization of economy, especially tax policy, increase of foreign investment in the country, the activities of non – finance and credit intermediaries, government loans, market conditions, economic growth, etc). At the micro level, the entity significantly affect the total cash flow of the bank, the profit, the financial resources and more.

Of great importance in the formation of banks’ resources play a savings of households also accumulate under the influence of financial factors, demographic, political and social.

Today, the formation of banks’ resources is a priority for economic growth. The banking sector must have a sufficient amount of resources for operations related to the current credit needs of businesses and to encourage investment, cre-

ation of necessary reserves and liquidity support. Sufficient amount of resources the bank significantly affects the interest rates on active and passive operations.

On the basis of analysis of different approaches, both domestic and foreign scholars, the interpretation of the term “resource base of the bank” under it mean: the aggregate of all financial resources at the disposal of the banking institutions, and are used to attract resources in the domestic and international financial markets for profit, maintaining a positive image and a high level of competitiveness, enlargement of active operations and increase capacity to mobilize financial resources in the future.

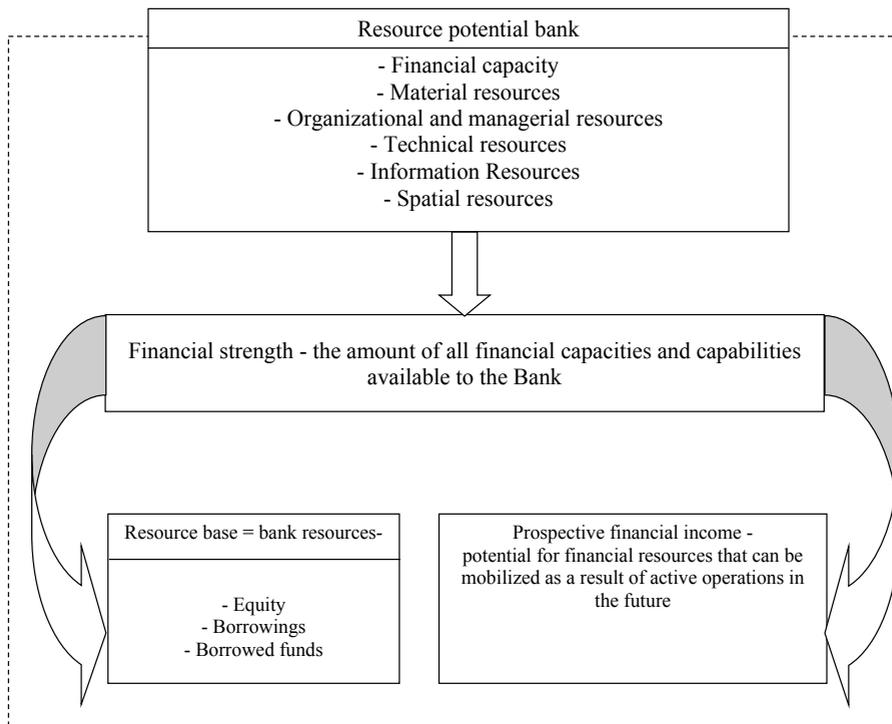
**Conclusions.** Thus, in the economic literature there is no single definition of the resource base, however, the interpretation of scientists are very similar. The term “resource base of the bank” mean: the aggregate of all financial resources at the disposal of the banking institutions, and which used to attract resources for the

domestic and international financial markets for profit, maintaining a positive image and a high level of competitiveness, enlargement of active operations and increase the capacity to mobilize financial resources in the future.

Given the above, we can conclude that the role of the resource base of banks is significant because it affects the performance of banks, the level of market competitiveness of banks and the banking system of the country as a whole.

Because banks funded all industries, organized mediation, is the sale of securities and real estate asset management. Therefore, the efficiency of commercial banks depends essentially on the stability and growth of the national economy.

The growth of banks’ resources will strengthen Ukraine’s banking system as a whole and is a prerequisite for the transition of the national economy development level of countries with developed market economies.



**Pic. 1. The relationship of the concepts of “resource base of the bank”, “banking resources”, “financial capacity”, “resource potential of the bank”**

Source: Developed by the author

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