

**Ministry of Education and Science of Ukraine**  
**Ukrainian-American Concordia University**  
*Department of International Economic Relations, Business & Management*

MASTER'S QUALIFICATION WORK

**Development of the pricing policy of the company**  
**(on the basis of JSC UKRSIBBANK)**

Master's student of  
Field of Study 07 – Management  
and Administration  
Specialty 073 – Management  
Specialization – Business Administration

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## **DEVELOPMENT OF THE PRICING POLICY OF THE COMPANY (on the basis of JSC UKRSIBBANK)**

The paper examines the choosing the pricing policies in the financial market for banking system. The main goal for each bank is to increase earnings over the long term. To gain market share and surpass rivals, the job of optimizing sales growth may be carried out in a particular present environment. The work contains the theoretical and practical parts. The theoretical part analyses the pricing policies methods with its peculiarities, risks, advantages, disadvantages and strategies. The practical part of the research is devoted to the investigation of JSC UKRSIBBANK performance assessing the financial aspect and the competitive pricing policies. Credit and deposit rates were used as the major ground for proposing the ways of how to improve the pricing policy of the bank. The result showed that JSC UKRSIBBANK is advised to upgrade the deposit policies to increase the profitability of the bank. Using the ANOVA test the outcomes revealed that each increase in percent of deposit rate would bring the bank higher amount of income. This model is reliable since the  $R^2$  (93%) is fairly close to 100% and can be expanded and exceeded with other independent variables which would make it more detailed and valid for future investigations.

*Key words:* pricing methods, strategies, bank functions, BNP Paribas, JSC UKRSIBBANK, corporate clients, credits and deposits, SWOT analysis, competitiveness, economic and technical parameters, ROI, ANOVA test.

*Яна Калмикова*

## **РОЗРОБКА ЦІНОВОЇ ПОЛІТИКИ КОМПАНІЇ (на прикладі АТ "УКРСИББАНК")**

У роботі розглядається вибір цінової політики на ринках для банківської системи. Основною метою кожного банку є збільшення прибутку в довгостроковій перспективі. Для завоювання частки ринку та випередження конкурентів, в конкретних умовах, що склалися, може постати завдання оптимізації зростання продажів. Робота складається з теоретичної та практичної частин. У теоретичній частині проаналізовано методи цінової політики з її особливостями, ризиками, перевагами, недоліками та стратегіями. Практична частина роботи присвячена дослідженню діяльності АТ "УКРСИББАНК", оцінці фінансового аспекту та конкурентної цінової політики. Кредитні та депозитні ставки були використані як основне підґрунтя для пропозиції шляхів вдосконалення цінової політики банку. Результат показав, що для АТ "УКРСИББАНК" пропозицією є вдосконалення депозитної політики для збільшення прибутковості банку. За допомогою тесту ANOVA було виявлено, що кожне збільшення відсоткової ставки за депозитами принесе банку більший дохід. Ця модель є надійною, оскільки  $R^2$  (93%) досить близька до 100% і може бути розширена і покращена іншими незалежними змінними, що зробить її більш чіткою і достовірною для майбутніх досліджень.

*Ключові слова:* методи ціноутворення, стратегії, функції банку, BNP Paribas, АТ "УКРСИББАНК", корпоративні клієнти, кредити та депозити, SWOT-аналіз, конкурентоспроможність, економічні та технічні параметри, ROI, ANOVA-тест.

**PHEE-institute «Ukrainian-American Concordia University»**

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**Head of Department L. Zharova**

“ ”  202\_\_

**TASK**

FOR MASTER QUALIFICATION WORK

**Yana Kalmykova**

1. Topic of the work

**Development of the pricing policy of the company  
(on the basis of JSC UKRSIBBANK)**

Supervisor of the work

Associate professor, Dr. Nataly Amalyan

Which approved by Order of University from “14” September 2022 № 14-09/2022-6c

2. Deadline for master’s qualification work submission “02” February 2023

3. Data-out to the master’s qualification work

Materials received during the internship in JSC UKRSIBBANK

4. Contents of the explanatory note (list of issues to be developed) There are three main tasks for the thesis:







- to provide general characteristic of pricing policies in the financial market;
- to analyze pricing policy of JSC UKRSIBBANK and its competitiveness;
- to detect threats to JSC UKRSIBBANK pricing policy and develop suggestions to improve pricing policy strategy of the bank.

5. List of graphic material (with exact indication of any mandatory drawings):

Main goals of pricing policies, Reasons for adjusting/adapting the price, Factors affecting pricing product, Types and characteristics of pricing policies, Types of price risks, Types of cost-based pricing, The procedure for calculating the price according to the method of

calculating the value of the goods for the consumer, Steps to analyze competitive pricing, Schematic representation of the ownership structure of JSC UKRSIBBANK, Control system in UKRSIBBANK, Net interest income, net fee and commission income and profit of UKRSIBBANK, Countries of BNP Paribas presence and others.

6. Consultants for parts of the work

| Part of the project | Surname, name, position | Signature, date   |   |
|---------------------|-------------------------|---|---|
|                     |                         | Given   | Accepted  |
| 1                   | Nataly Amalyan          |  |  |
| 2                   | Nataly Amalyan          |  |  |
| 3                   | Nataly Amalyan          |  |  |

7. Date of issue of the assignment

Time Schedule

| №  | The title of the parts of the bachelor's qualification work | Deadlines          | Notes   |
|----|---|--------------------|---------|
| 1. | I chapter   | 14.09-13.10.2022   | on time |
| 2. | II chapter  | 14.10-10.11.2022   | on time |
| 3. | III chapter   | 11.11-24.12.2022   | on time |
| 4. | Introduction, conclusions, summary                          | 25.12 – 01.01.2023 | on time |
| 5. | Pre-defense   | 02.02.2023         | on time |

Student



(signature)

Supervisor



**Conclusions:** The bachelor qualification work was designed according to the requirements: it contains all necessary parts of scientific research with the practical recommendations. The paper was written on the basis of thorough analysis of specific aspects of the operations of JSC UKRSIBBANK (the base of internship), which provided the student with the opportunity to suggest sound recommendations for the enhancement of the pricing policy of the bank and forecast efficiency of the proposed strategy. The main shortage of the paper – insufficient number of independent variables added to the prediction model using the ANOVA test.

Nevertheless, the problems of pricing policy in international market in general, and refinement of the pricing strategy of JSC UKRSIBBANK in particular were highlighted and the practical recommendations were formulated correctly.

Supervisor



(signature)

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## INTRODUCTION

The importance of the study issue is due to the fact that under the circumstances of upgrading and strengthening the banking system and its direction towards faster growth the development of pricing policy is becoming more significant. The daily activities of commercial banks are significantly influenced by developments in the environment of ever-increasing competition in the financial markets. Commercial banks are required to implement a well-thought-out and efficient financial strategy since the rate of change is dynamic. There is a large amount of risk and uncertainty associated with selecting the most logical management choices.

As with any other pricing, the price of banking goods is a statement, in terms of monetary value, of the value that a commodity derives from the usefulness it provides. Pricing is an essential component of the marketing operations that banks engage in; doing so serves both the interests of the bank and those of the customer. Banks have the flexibility to adjust interest rates, the number of commission fees, and tariffs for services in order to maintain a stable competitive environment. Additionally, banks may charge different clients varying prices for their products and services. A significant part of a bank's marketing strategy consists of introducing new goods and services as well as acquiring new clients. If pricing helps banks gain greater cash but has a negative impact on the outcomes for the customer, then either the client is not given sufficient attention or the information is not delivered in a whole.

Without a question, providing superior customer service is the most important responsibility of banks, as this will result in an increase in the number of clients they serve. However, in order to retain customers, a bank's role as a financial intermediary requires striking a balance between maximizing its degree of competitiveness and increasing the profitability of the banking products it provides to customers. Without first conducting research on the banking market that takes into account the specifics of a particular region, the bank runs the risk of suffering a loss in revenue, either as a result of a reduction in the number of customers who use its services due to the lack of competitiveness in its offerings or as a result of a reduction in the profitability of those services as a result of excessively low prices and tariffs.

The master thesis consists of an introduction, three chapters, a conclusion, and a list of references. The thesis has been outlined in the chapters in the following order: theoretical framework of pricing policies implementation, study of JSC UKRSIBBANK and its pricing policy competitiveness on the market, suggesting improvement of the pricing policies strategy of JSC UKRSIBBANK. The first section provides the necessary theoretical framework for essence, mechanics, and risks in pricing policies and ways of coping with them demonstrating the evaluation of basic pricing policies: cost-based, value-based, demand-based, and competition-based, and provides investigating the pricing strategies in international markets. The second section provides a review of the internship experience at JSC UKRSIBBANK and offers an analysis of the bank's environment, organizational structure, and financial and economic indicators while discovering the marketing management strategy and assessing the competitive pricing policies in JSC UKRSIBBANK. The third section gathers all the previous data and analysis in order to provide suggestions on how to reduce threats to UKRSIBBANK's pricing policy by improving the pricing policy strategy and making the forecast analysis of the proposed strategy efficient.

The aim is to study the peculiarities of pricing policy in banking activities and to develop recommendations for optimization of the cost of banking products on the example of JSC UKRSIBBANK.

In order to achieve this goal, the following tasks were accomplished:

- 1) Identifying the essence, mechanics, and risks in pricing policies;
- 2) Evaluation of basic pricing policies: cost-based, value-based, demand-based, competition-based;
- 3) Investigating the pricing strategies in international markets;
- 4) Conducting the analysis of the JSC UKRSIBBANK's environment, organizational structure, financial and economic indicators;
- 5) Discovering the promotion of JSC UKRSIBBANK services in the market;
- 6) Assessing the competitive pricing policies in JSC UKRSIBBANK;
- 7) Investigating breakthrough ways to reduce threats to UKRSIBBANK's pricing policy;



- 8) Making suggestions to improve the pricing policy strategy;
- 9) Forecasting efficiency of the proposed strategy.

The **methodological basis** for this work is internet publications, reports from UKRSIBBANK, personal calculations, and the scientific works of well-known domestic and foreign methodologists: Moroz A. M., Bharath Sivakumar, Bodrov A.A., Sencus V.V., Borad S.B., Chechevitsyna L. N., Chuev I. N., Borovikov G. S., Ovcharenko S. A., Dubonosova A., Dziublyuk O. V., Epifanov A.O., Ershov M., Tatuzov V., Uryeva E., Evdokimov A.I., Knyshev A.V., Gryadova O.V., Gulmagomedova G. A., Israpilov M. A., Israpilov Sh. A., Jay Fuchs, Kasyanenko T.G., Kirti Shailesh, Kozlov V. V., Kudinova M. G., Uvarova, E. V., Zaikov, S. N., Suray N. M., Maslennikov, V.V., Darling M., Milguy T.P., Nikitin S., Stepanova M., Miroshnychenko O., Orlov E., Ostropolska E.V., Pshyk B.I., Pechenko O.O., Roy E., Rozhkov P., Sarycheva S., Smirti Chand, Tarasevich V., Thakur M., Trubnikov V., Baceev A., Streltsov A., Vagina, Yu. S., Veretin M. S., Vikram Shakti, Vivian Guo, Yakovleva S., Yankina I.A., Dolgova E.E., Zaretskaya L.P., Boykov M.S., Zernova, L.E.. Publications devoted to the pricing policies analysis and peculiarities were used as the theoretical basis of the research.

The research **objects** are pricing policies in organizations.

The research **subject** is the pricing policies of UKRSIBBANK.

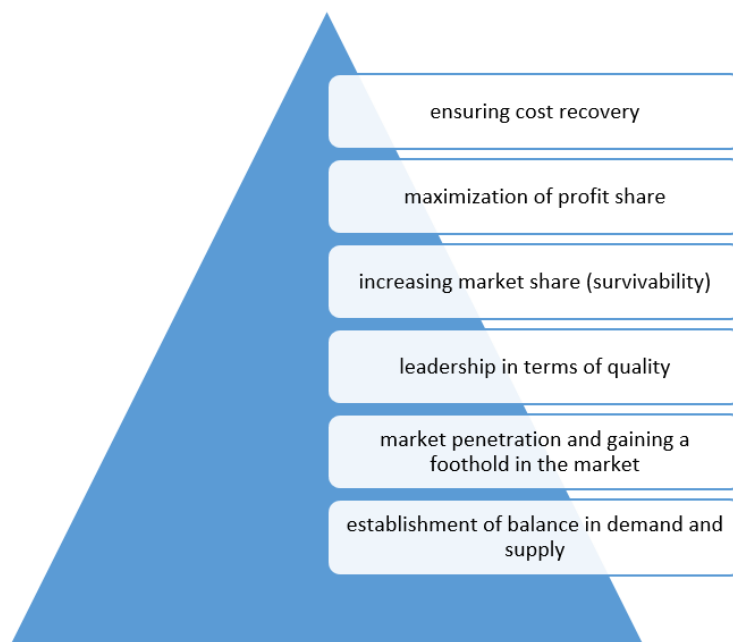
The master thesis consists of an introduction, 3 chapters, a conclusion, and a list of references. Work is carried out on 121 sheets, containing 23 tables, 12 formulas, and 30 figures. References include 112 literature sources.

# **CHAPTER 1. THEORETICAL FRAMEWORK OF PRICING POLICIES IMPLEMENTATION**

## **1.1 Essence, mechanics, and risks in pricing policies**

Pricing policy is an important element of the strategy of any mature and developing company since pricing directly affects the financial results of the business. Before setting the price on the shelf, it is important to determine the main goals and principles of pricing, assess the strengths and weaknesses of both the product and the store, external and internal factors, and the competitive environment. A structured approach to pricing will lead to an increase in financial performance, and the first step toward achieving the goals is choosing the right strategic approach to pricing.

The main goals and objectives of pricing policy throughout the market are to avoid the decline in the production process, limit the rate of inflation, stimulate entrepreneurs, and increase profits through the production of goods, not their price. If a company knows exactly what market it operates in, it will promote its product and better position itself in the competitive and consumer environment. It is much easier to form a set of marketing measures, including the elaboration of pricing because the development of pricing policy mainly depends on how a company plans to position itself in the market due to its goals, see Figure 1.1.



**Fig. 1.1.** Main goals of pricing policies

*Source: Compiled by the author*

Due to the Figure 1.1, it can be concluded that realizing strategic objectives necessitates completing a variety of particular activities in several business areas, including manufacturing, cost control, marketing and sales, and pricing. [16].

V.K.R.V. Rao emphasized that any policy that is developed must take into account the specific roles that price serves as an essential economic instrument. It must contribute to the better, more effective execution of such tasks [51].

The main goal of this activity is to bring supply and demand for both commodities and manufacturing inputs into the proper balance. Rao has also established the next fundamental ideas of pricing policy:

1. Fairness in the development in revenue and output.

The need of having a price policy that ensures that both national wealth and output rise evenly is underlined. The state's responsibility is to make sure that the growth in incomes does not fall short of the growth in output in the growing nation because if it does, prices will rise.

2. Transferring increases earnings.

In an emerging market, the transferring of earnings from one economic class to another must always occur in order for one sector's revenue to rise. Alternatively, the

rise in one group's demand and the fall in the other's demand will be replaced, leading to price boosts and an inflating trend in the industry.

### 3. Equilibrium between investments and reserves.

Reserves and investment should be coordinated to the greatest extent appropriate because the pricing policy heavily rely on it. Eventually, reserves would decline and the value of money will fluctuate. In layman's term, increasing investment should be done in tandem with preservation.

### 4. Sufficient network administration.

It is indeed critical to remember that if the supply and demand of fundamental consumption necessities are balanced, it will result in price stability. However, in the shorter term, this is not feasible. Under these circumstances, it is necessary to combine the use of price regulation, channel regulation, and price promotions. For obligatory products to remain in proportion between supply and demand, effective allocation is required.

### 5. Regulating the cost of essential consumer items.

Buyer rising prices, not capitalized rising prices, are what drive inflation. Like a result, just the costs of essential customer items require pricing policy regulation. Additionally, it leads to cost inflation, and this kind of rise in expense needs to be quickly managed [80].

Nowadays, one of most crucial aspect of products that every management must consider is pricing. Numerous outside causes, most of which are unmanageable from the perspective of the organization, have lately contributed to a growth in the size and sophistication of such a challenge.

Once a company has chosen a goal that will be achieved through pricing, it is necessary to understand how to translate this into reality and what factors can affect this, both in a positive and negative form.

Step 1. First, the company determines what goal it should pursue. For example, it can be to achieve a new level of sales or to develop the business as a whole.

Step 2. In the next stage, internal market research is carried out. Production capacities of the equipment, staff salary expenses, cost of raw materials, costs for

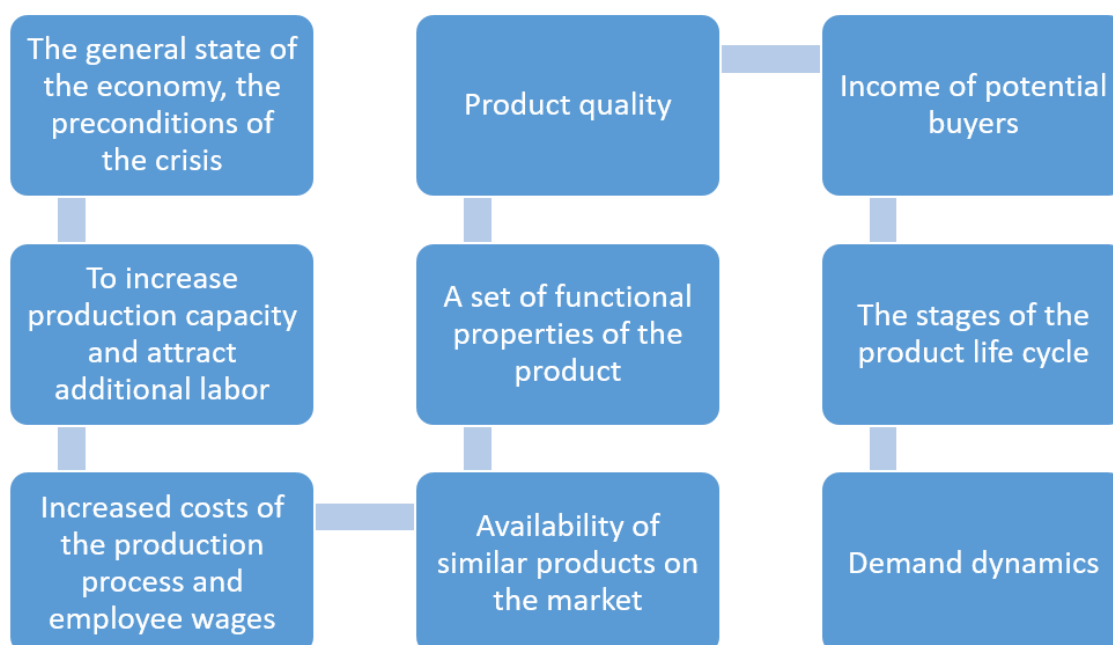
delivery of products to the points of sales and search of new sales channels, and investments in marketing activities for sales stimulation are estimated.

Step 3. The company examines its pricing policy, how flexible it is, how it's formed, what price range is set for similar products, and how market factors change consumer preferences.

Step 4. The company decides how it will set the retail price of goods. The main criterion in determining the approach to price formation is the maximum possible profit from sales.

Step 5: Develop programs to adapt value to the changing market environment. The company analyzes what the level of demand among customers depends on and why there is a need to adjust the price.

Step 6 is the final step, in which the value of the goods is converted into a monetary equivalent [3]. The result of the pricing policy is always the price, which will be judged by the buyer who decides how well the consumer value of the product and its monetary value combine, see Figure 1.2.



**Fig. 1.2.** The reasons for adjusting/adapting the price.

*Source: compiled by the author.*

According to the reasons from Figure 1.2, it can be concluded that these parameters can be combined and complemented by other conditions but should be taken into

account. The main difficulty at this stage is that most of the indicators cannot be measured quantitatively and there are a lot of internal and external factors that affect the pricing of products, see Table 1.1.

*Table 1.1*

### **Factors Affecting Pricing Product**

| Internal   | External  |
|--|---|
| <p>1) Expenses - A company needs to take production expenses into account when determining an item's pricing. Respectively variable and fixed expenditures are a part of such expenses. Consequently, any company should be able to recoup its variable and fixed expenses in determining pricing.</p>   | <p>1) Rivalry - while determining a pricing of a product, an organization must consider overall level of competitive pressure. When market is saturated, pricing could be kept artificially low to successfully stave off rivalry. Pricing could be pushed higher if there is little competitiveness, although it is important to keep in mind that this may not necessarily apply and that circumstances might change.</p> |
| <p>2) Defined objectives - all aims of the company should always be taken into account by the marketers while pricing items. For instance, when a company wants to enhance return on investment, it might establish a higher pricing; whether it wants to acquire a significant amount of market share, this might establish a lower cost.</p> | <p>2) Buyers - every business owner should take into account a variety of customer criteria while determining pricing. Audience attention to pricing, buying power, and other consumer-related aspects should be taken into account.</p>  |
| <p>3) Company's reputation - any company's current reputation throughout the industry may also be used to influence an item's pricing. Due to their strong company's image, certain businesses might expect a hefty price tag for its products.</p>  | <p>3) Government control - While determining pricing, state regulations and policies should be taken into account. While determining pricing for particular items, the marketing manager should take into account any regulations that the state might well have declared to be in place.</p>   |
| <p>4) Product Life Cycle - an item's pricing is influenced by where it is in its product lifecycle. For instance, to gain the target audience in the beginning, a business could establish a cheaper price; but, as it grows, it might raise the price.</p>  | <p>4) Economic environment - Every businessperson should take into account the current financial realities in the industry while determining prices. In a recession, customers could have lesser funds to spend. For influencing clients' purchasing behavior, the business person might reduce prices.</p>   |
| <p>5) Advertising activities - The pricing is indeed modified by the company's marketing campaigns. The expense of the item must be considerable in order to cover the company's significant marketing and sales campaign expenditures.</p>  | <p>5) Intermediary channels - The entrepreneur should take into account the requirements of the various network intermediates. The expense of items will increase as the number of middlemen in the distribution network increases.</p>   |

*Created using source: [89]*

According to the data from Table 1.1 it can be concluded that there are a lot of internal and external factors which have impact on the pricing of the product. A brief analysis of the factors of pricing shows their variability, different directions, and varying degrees of impact in different periods. Therefore, it is necessary to analyze each factor thoroughly and have a strategy to counteract or at least reduce the influence of this factor on the company.

Pricing policy analysis involves examining the level of prices. Experts discuss whether the current cost of goods can ensure profitability, how attractive it is in comparison with competitors' prices, how elastic demand is in terms of price, what pricing policy the government pursues, and look at other parameters.

The formation of unprofitable costs can be associated with the need to maintain sales at the same level as the quality of the goods, the policy of capturing the market, the government-pricing policy, and other reasons. When a company evaluates whether the cost of its goods is attractive to customers, it compares its prices with the average rates of competitors for similar products in the industry.

If demand is elastic and the firm aims to capture the market, it may lower its price. If it wants to maintain its market share, it can raise the price. If it plans to maximize profits, it should set an optimal price. To calculate the optimal price under elastic demand, there is a need to construct a demand function, that is, to represent the price as a linear relationship to the level of sales.

However, it is not that simple because different pricing is appropriate for different businesses, see Figure 1.3.



**Fig. 1.3.** Types and characteristics of pricing policies

*Created using source: [87]*

According to the information presented in Figure 1.3, it can be concluded that there are seven main types of pricing policies, which have different characteristics and may be used in various situations.

The low-price pricing policy is appropriate if unit production costs decrease with volume growth. It does not stimulate the creation of analogs because there is little or no profit. It may be suitable for corporations, factories, and plants, it is a way to avoid bankruptcy by loading the line with additional orders.

The high-price pricing policy is used by monopoly companies who are confident in their individuality. Adjusted after entering the market of similar companies. An example of it may be the exclusive clothing collections that are produced in limited editions and can be priced as the owner wishes.

Target pricing policy is conducted when the indicators for the whole team are formed at the beginning of the year and are distributed among the sales departments by the decomposition method. If the established plans are not fulfilled, the regional manager cuts the budgeted expenses to balance the situation. Companies like automobile manufacturers that have a high capital investment use target pricing most



often because it is not directly tied to the demand of the product as long as they sell the entire volume of stock.

The preferential pricing policies are based on the constant application of discounts concerning existing items. Price gouging can take on a negative value when the goal is to attract traffic. The users of such policy may be retail stores of permanent sales.

Differentiated pricing policies are effective only for industries where it is easy to produce a segmentation of consumers. Allows smoothing the influence of the factor of seasonality at the expense of temporary sales. Thanks to this pricing policy, international corporations have the opportunity to explore the markets of different countries. For example, in retail, the markup for fruit in northern regions and central regions will differ significantly due to the difference in transportation and income of the population.

Leader-oriented pricing policy happens when the margin can be less than that of the analog but within the limits allowed by the quality and technical factors. The differences in the characteristics of the offer dictate the difference in the established markup. This tactic is characteristic of small manufacturers because it avoids pressure from strong competitors.

Assortment policy is a strategy of justification, formation and revision of types and assortment of products, which are united by a specific feature. It will not work if similar items have better characteristics (longer warranty period or modern materials). To enhance the value, the firm combines similar products into a set or kit that costs less than the individual items. Through comparison, the effect of advantage over other organizations is achieved [87].

The goal of entrepreneurship is to obtain maximum income at minimum costs in a competitive environment. In carrying out any type of economic activity, there is an objective risk - the risk of loss, the amount of which is determined by the specifics of a particular business. Risk is the probability of losses, damages, revenues, and profits. In addition, setting a price for products manufactured by the company is associated with a certain degree of risk. Losses in the volume of products sold may also arise in determining the prices of services consumed by the enterprise.

Setting a price for the products manufactured by the firm, as a rule, is associated with a certain degree of risk. A considerable share of risk is also associated with the definition of prices for production resources (raw materials, materials, equipment, fuel, labor, etc.). A miscalculation in setting the price level for manufactured products can lead to significant losses of revenue from sales, and with the elasticity of demand from the price, these losses can significantly increase. Losses in the volume of products sold can also arise in determining the prices of services consumed by the firm.

With increased competition, the risks of price policy simultaneously increase, i.e. the danger that the objective real price (objective price risk) or the expected price (subjective price risk) may not be realized. Price management should strive to find bypasses of price risks. It is especially necessary to identify potential unscrupulous losses that arise due to the omission of unidentified or undisclosed price changing chances considering risks, see Figure 1.4.



**Fig. 1.4.** Types of price risks.

*Created using source: [90]*

According to the information presented in Figure 1.4, it can be concluded that on the seller's side, the following price risks are distinguished: calculation risks, risks from the market reaction, and risks from the terms of delivery and payment, payment risks, dispositional risks.

Calculation risks are related to setting the price level. Prices calculated based on costs may bring the actual amount of coverage less than expected because the material

resources used under the influence of high inflation have become more expensive faster than expected. A high amount of coverage and a risk supplement added to direct costs can make the price such that there will be insufficient demand from buyers for it, which means that the price will not ensure optimal profit (price escalation risk). Finally, from a high price calculated based on objectively justified high costs, there may be a danger to the price image, since the company may receive reproach for too high a price.

Risks from the market reaction: many geopolitical decisions are made under constantly changing and complex conditions. Therefore, it is difficult to predict the market reaction to the "price-value" bundle offered by the enterprise. As a result, there are risks from the market reaction, i.e., losses of a different kind than they were expected when setting the price. These risks can be the result of both low and high prices and are related to price changes.

Risks from the terms of delivery and payment: the manufacturers individually agree with the buyers on the terms of delivery and payment. Competition often forces sellers of goods to make concessions that reduce the income underlying the transactions. In particular, the threatening danger comes from unbridled and uncontrolled discounts, bonuses, payment purposes, because of which a company can get not only losses in revenue but also a reproach for discrimination.

Payment risks arise when buyers do not fulfill contractual obligations. These risks are possible if the buyer pays for the goods partially; citing a lack of money or the buyer pays the entire amount later than the specified deadline or agrees on other forms of payment. Payment terms related to pricing policy have a decisive impact on the level of these risks.

Dispositional risks - in many countries, the price sovereignty of foreign producers or sellers is curtailed based on the political and economic interests of the state. State regulation by the beginning of commercial activity of an enterprise intending to work on international markets is not always possible to foresee, and this may lead to a dispositional risk [90].

The greatest practical value has the complex methods of determining the price of products, which help to study the situation from several sides, taking into account:

1) The cost of manufacturing and selling products (possible fluctuations, planned growth, possible ways of optimization, etc.);

2) Demand for products (current demand, possible ways of development, marketing campaigns, etc.);

3) The competitive environment (advantages and disadvantages, pricing policy);

The economic situation in the country and the world (crisis, foreign exchange rates, possible changes and the extent of their influence on the customers' purchasing power, etc.);

4) Production capacity of the company (the possibility of increasing production, optimization of the number of personnel, sale or lease/sublease of premises and equipment) [27].

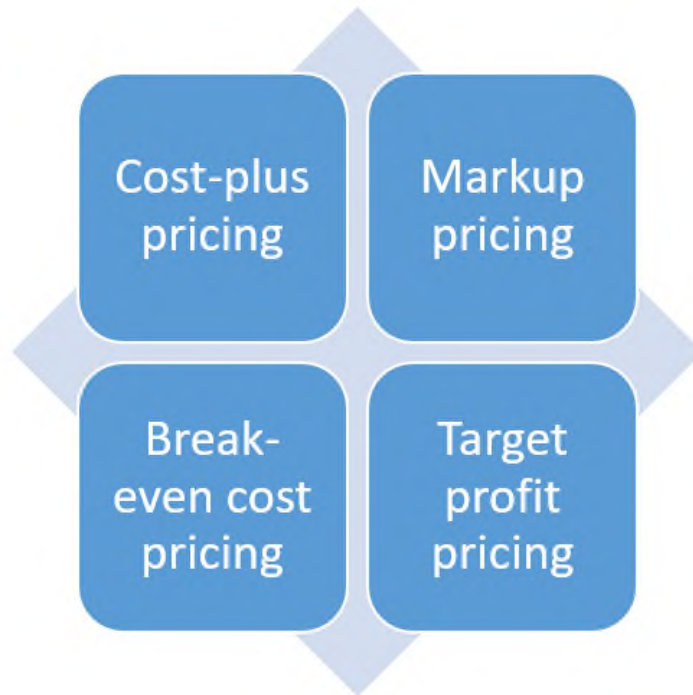
There is no business without risk. As a rule, the highest profits come from market operations with increased risk. However, a measure must be taken in everything. Risk must be calculated to the maximum permissible limit. It is important not to be afraid of mistakes in business activities, because no one is insured from them, and most importantly do not repeat them, constantly adjust the system of action from the standpoint of maximum profit. The manager is called to provide additional opportunities to mitigate steep turns in the market.

## **1.2 Basic pricing methods: cost-based, value-based, demand-based, competition-based**

Cost-based pricing is a technique for determining the pricing of products or services based on their actual expenditure. Throughout this approach, the cost is indeed multiplied by a portion of the whole cost to determine the selling price of the product. The cost price may also include an absolute sum. The price is often determined using this technique, which also considers selling and distribution expenses.

For instance, a \$500 computer would expense the company in total. To determine the sale price, the producer includes 30% to the expense. It will therefore be  $(500+500*30\%) = 650$ . The purchase cost is \$650.

Cost-based pricing has its subtypes, see Figure 1.5.



**Fig. 1.5.** Types of cost-based pricing.

*Source: [14]*

According to the information presented in Figure 1.5, it can be concluded that there are four subtypes of cost-plus pricing: markup pricing, break-even cost pricing, and target profit pricing.

- 1) Cost-plus pricing is a practice where a firm increases an expense by a predetermined percentage before setting the final pricing.
- 2) Markup pricing is a technique where a trader increases an expense by a fixed sum or percentage prior to calculating the selling rate. For instance, the peddler sells a laptop to a merchant for \$678. In order to turn a revenue on \$678, a store applies a \$150 markup.
- 3) In a break-even cost pricing model, a company establishes the price based on the volume of sales where fixed costs are incurred.
- 4) The selling price is decided using a set target profit in the higher profitability pricing approach. [14].

As in every method of setting price, cost-based method has its advantages and disadvantages, see Table 1.2.

Table 1.2

### Advantages and disadvantages of cost-based pricing method

| Advantages of cost-based pricing method   | Disadvantages of cost-based pricing method   |
|---|--|
| <ul style="list-style-type: none"> <li>● It facilitates creating stable surplus and guarantees that the business consistently makes a revenue.</li> <li>● It is easy to learn and put into practice.</li> <li>● Allows businesses submit bids for megaprojects</li> <li>● Helpful for determining the expense of bespoke items</li> </ul> | <ul style="list-style-type: none"> <li>● Price levels discovered are not market values;</li> <li>● They don't really promote cost control; occasionally disregard the value of customers;</li> <li>● They do not account for investment platform expenses;</li> <li>● They could underprice if any expenses are overlooked.</li> </ul> |

*Source: [91]*

The corporation wants to achieve pricing which will at least cover expenses, thus it is clear that the overall commodity expenses for a specific level of output or sales are crucial.

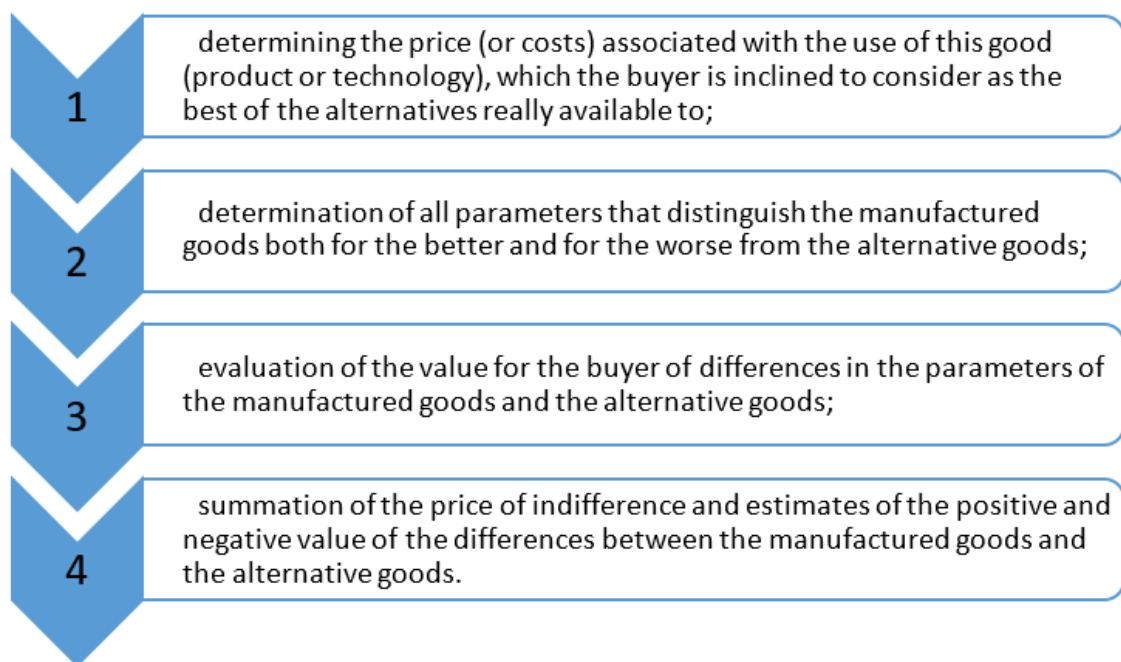
One of the crucial jobs is cost or expense management, particularly in areas with intense competition. The organization will either have to keep the rate the same, which will lead to a reduction in profitability earning, or increase the cost to sustain profitability earnings. That will most probably lead to a reduction in sales and profits if the firm's expenses for the manufacturing and selling of a specific type of product are significantly greater than for its rival companies' variants. [81].

In conclusion, cost-based pricing entails setting the market value in accordance with the expenses of manufacturing and selling. Specifically, determining the lowest price at which the business can manage to offer its goods. In order to make up because of its resources and dangers, the corporation often provides a reasonable rate of return. Typically, businesses who place itself in the low-cost sector of respective sectors utilize such pricing strategy. Setting reduced prices than rivals is possible with a consistent cost-cutting approach combined with new prospects. This has the dual effects of decreasing the profitability gain while simultaneously increasing the firm's volumes and earnings. Organizations positioned in the intermediate and upper price sectors can indeed adopt the cost-based pricing approach. Nevertheless, businesses typically purposefully raise expenses in order to support increased prices and profit margins for

customers.

Unlike any other price approach, value-based pricing confounds merchants, including many marketing specialists. Furthermore, because of these misunderstandings, businesses frequently forego its use in favor of cost-based pricing or other strategies. Almost all industries apply value-based pricing to set prices for products like TVs, medications, and even aviation. [82].

Value-based pricing is determined based on the customer's perceived value of a product is regarded as a pricing strategy that, in the majority of circumstances, satisfies both parties: the firm with its increased profitability, and the consumer with regard to the value and benefit of the items. To calculate the price according to the value-based method there are several steps, see Figure 1.6.



**Fig. 1.6.** The procedure for calculating the price according to the method of calculating the value of the goods for the consumer

*Source: [105]*

As in every method of setting price, there are some advantages and disadvantages, see Table 1.3.



Table 1.3

### Advantages and disadvantages of value-based pricing

| Advantages of value-based pricing method:   | Disadvantages of value-based pricing method:  |
|---|---|
| <ol style="list-style-type: none"> <li>1. A tactic for generating revenue. Clients who are ready to pay premium fees are the company's desired clients.</li> <li>2. The corporation may earn more money if the items are sufficiently high quality and affordable.</li> <li>3. A business may indeed increase its client loyalty and attract fewer price-sensitive clients by implementing a value-based pricing strategy. Although there will be a chance to increase prices as a result, the overall sales won't alter much.</li> </ol> | <ol style="list-style-type: none"> <li>1. Given the complexity of the process and the difficulty of first satisfying the customer, it will be challenging to achieve such an outcome out from start.</li> <li>2. A corporation cannot manage or regulate many issues; it can only adapt or make efforts to identify solutions. For instance, the accessibility of the nearest alternative (the goods of the competition), the emotional and social circumstances of the client.</li> <li>3. Large resource usage</li> <li>4. It's indeed expensive, particularly during the researching and production phases.</li> </ol> |

*Source: [102]*

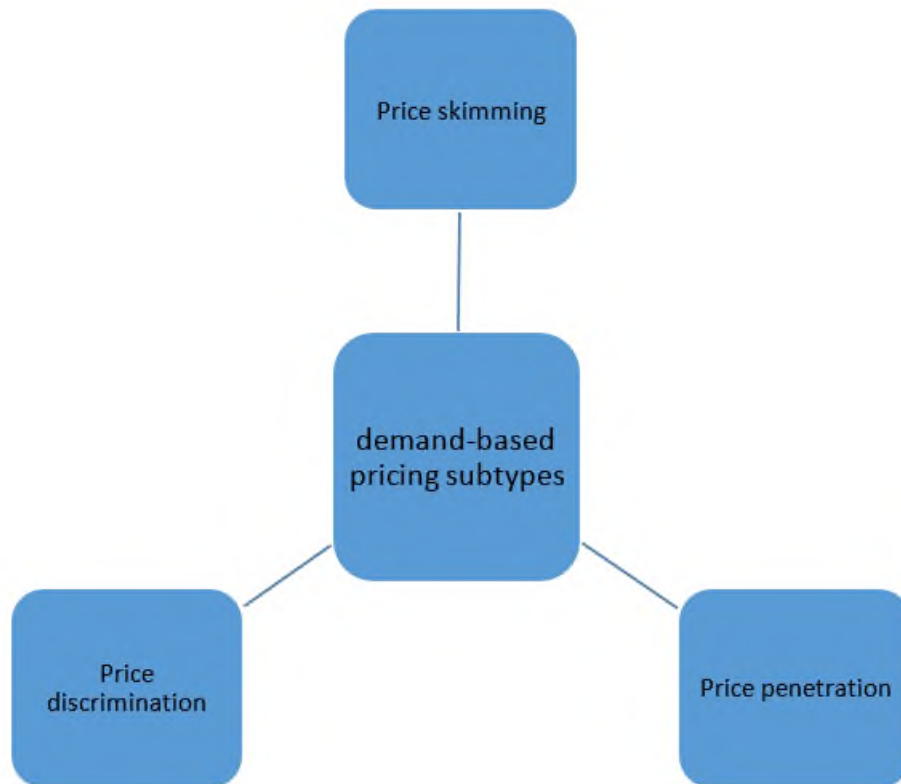
Without a specified category, businesses are unable to apply value-based pricing. Managers ought to select the right pricing depending on the value for each section when dealing with many ones. Value-based pricing, where cost computation is common practice, has a particularly large impact on the fashion sector. Typically, designers of well-known companies raise pricing in response to client perceptions of the way the label influences their appearance. Additionally, if a designer is successful in persuading a privileged celebrity to wear his or her creation to a red-carpet occasion, the estimated worth of a related brand may unexpectedly and significantly rise. [40].

The price is correlated with demand fluctuations in the demand-based pricing approach. Pricing would raise when goods demand does, and vice versa: when demand declines, price should similarly decline. While it is less common than the target profit approach in actuality, this technique is one of the lesser utilized.

The sensitivity of buyers to price is the primary consideration when determining a price with a demand perspective. The elasticity that explicitly identifies this price sensitivity makes it possible to evaluate the degree of demand for various price points and, based on that information, select the ideal sales price. A more realistic alternative to this strategy is to base the price on the buyer's estimation of the worth of the products. The pricing list is directly impacted by a variety of variables. These include the target



market, the number of competitors, and the taxes rate. Furthermore, price is influenced by demand and such method as demand-based has its subtypes, see Figure 1.7.



**Fig. 1.7.** Demand-based pricing subtypes

*Source: [25]*

There are three subtypes of demand-based pricing:

1. Price skimming is the practice of firms setting the greatest price they can for a new item and afterwards gradually lowering it after the goods lose popularity. In contrast to high-low markups, skimming steadily lowers prices.
2. Price discrimination is a practice when clients receive a varied price based on their needs, this is called. By way of illustration, the cost of plane tickets rises as the departure date approaches. Prices are high due of inelastic demand. When clients in various markets or regions are assessed a different price for the same good or service, this is referred to as price discrimination.
3. Price penetration is a practice when the initial price is kept to a minimum to entice more customers and expand customer base. [25].

Before using demand-based pricing method or any of its subtypes, a company has to investigate the advantages and disadvantages of this approach, see Table 1.4.

Table 1.4

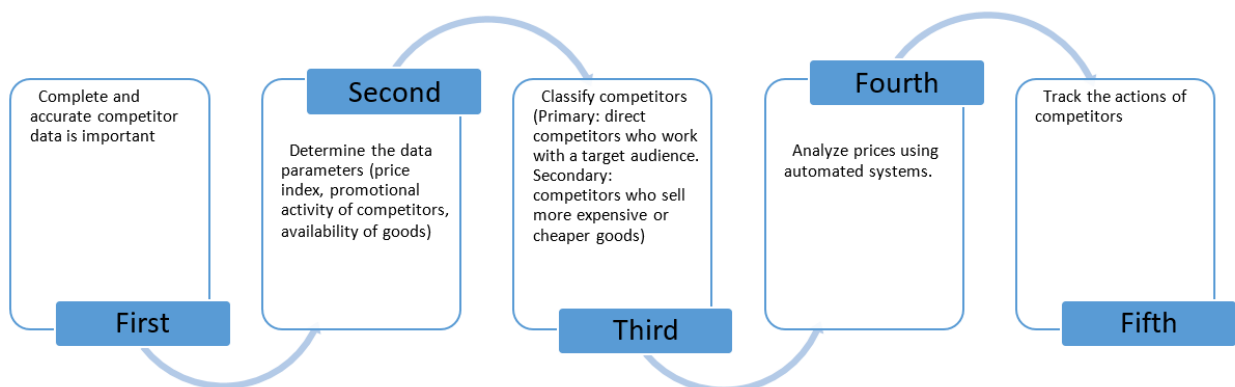
### Advantages and disadvantages of demand-based pricing method

| Advantages of demand-based pricing method:  | Disadvantages of demand-based pricing method:  |
|---|--|
| <ul style="list-style-type: none"> <li>• Most closely meet the need and demand</li> <li>• Full flexibility</li> <li>• Ability to compete</li> <li>• Incentives to reduce costs</li> </ul> | <ul style="list-style-type: none"> <li>• The initial pricing is not there.</li> <li>• There are no standards for rising prices (price cannot be raised continuously due to volume) or recommendations for price adjustment according to the level of need shift.</li> <li>• It may require a lot of effort because the approach is challenging to use, does not allow for profit planning or break-even analysis, and severely limits incentives to increase the range of products offered.</li> </ul> |

Source: [46]

Demand-based pricing may take many unique shapes to meet various corporate demands and changes in the industry. Finding the plan that is optimal for the firm will require some study and research. However, knowing the fundamentals of demand-based pricing is crucial regardless of the type of organization.

A pricing strategy based on competition uses prices from other businesses to determine its own rates. This method of pricing is frequently known as competitor-based pricing. In most instances, a corporation arrives to competitive pricing following costly endeavors that are fruitless, thus, it is essential to analyze the competitive pricing, see Figure 1.8.



**Fig. 1.8.** Steps to analyze competitive pricing

Source: [17]

Before using competition-based pricing method, any company has to investigate the advantages and disadvantages of this approach, see Table 1.5.

*Table 1.5*

### **Advantages and disadvantages of competitive-based pricing method**

| Advantages of competitive-based pricing method:   | Disadvantages of competitive-based pricing method:  |
|---|---|
| <ul style="list-style-type: none"> <li>• Simplicity - Companies may simply compare pricing with rivals and determine how they intend to set a competitive price without having to do a thorough and extensive investigation.</li> <li>• Low risk - When consumers have faith in the company's production and methods, the risk is minimal. However, it is important to remember that reputation is just as important to customers as competitive pricing.</li> <li>• Accuracy - Pricing determined by competitors can be rather accurate in crowded markets like retail.</li> <li>• Low risk - The risk associated with this pricing approach is minimal since, in general, it targets major businesses that perform thorough investigation before fixing a price.</li> <li>• Relative simplicity - It is also simple to deploy in addition to being minimal risk. Simply keeping an eye on the costs of your main rivals and concentrating on them will enough.</li> <li>• The possibility of using other pricing strategies - Other pricing techniques may be coupled with the competitive price approach.</li> </ul> | <ul style="list-style-type: none"> <li>• Missed opportunities - Replicating market pricing verbatim results in many incorrect prices and lost revenue. Even if it necessitates a little bit more effort on the price front, the aim of company should be to increase earnings and sales.</li> <li>• Following the herd - If somehow one company sets pricing after taking into account the range of prices in effect at the moment, this could be a fair technique.</li> <li>• Not thinking long term - The method of pricing calls for research and attentiveness. Buyers/clients risk losing a lot of consumers and new enterprise prospects if a company does not adjust prices and differentiate products throughout period.</li> <li>• Does not rely on cost and marginality - Competitive pricing often keeps an eye on industry leaders' prices, and as they could operate on a different manufacturing or purchasing level, they may be able to maintain low prices at an advantageous margin for themselves. If a small business tries to emulate it, its marginality can be too low, preventing it from making enough money to support itself and grow.</li> <li>• Untested and unstable strategies - A corporation runs the risk of being caught if it mindlessly follows rivals' pricing. Following their pricing can seriously harm the business if the big players are currently employing a predatory tactic meant to drive out rivals.</li> </ul> |

*Source: [88]; [106]*

It is preferable to employ competition-based pricing since it functions when the company or manufacturer of the product is inconsequential to consumers, and this method is most appropriate for goods that can be completely substituted.

The quality and attributes of the product, among other data-related criteria, must be considered. Retailers must determine if and how much of their pricing process will be

automated. In any scenario, companies must continuously monitor their rivals in order to understand their pricing methods and dominate the market.

### **1.3 Pricing strategies in international markets: case studies of different companies**

As in domestic trade, prices in world trade depend on a specific conjuncture situation, but there are more sellers, greater diversity of sellers, a variety of factors in the pricing of the world market.

For example, this is how some countries have resorted to direct or administrative methods of regulation:

Austria. Parliament sets the prices of tobacco, salt, postage, telephone, telegraph, and railroad tariffs. The Ministry of Finance sets the prices of liquor.

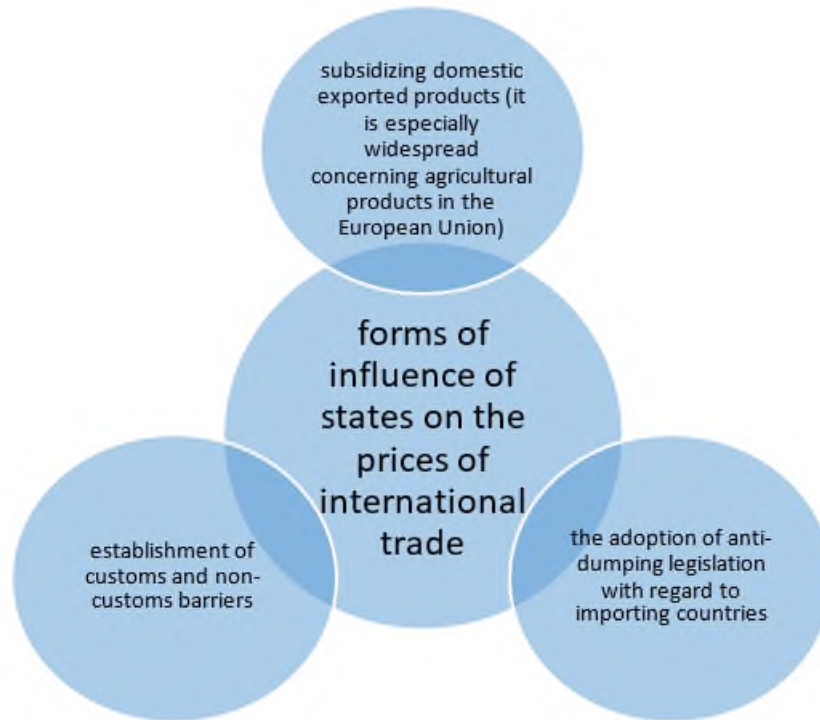
Japan. Parliament approves the prices of rice and wheat. Ministry of Agriculture, Forestry, and Fisheries regulate prices of meat and dairy products; the Ministry of Transportation regulates railroad fares. The Agency of Natural Resources and Energy Agency determines tariffs for water and electricity.

Switzerland. A unique Federal Office for Price Control is responsible for controlling several commodity prices in the nation. 50% of the agricultural goods in the nation have their pricing set by legislation. The Food Security Act, a unique law adopted by the nation, makes provisions for food imports. In a land of banks and snowfields, the Food Security Act stipulates that food imports into the nation may not exceed 40% of the nation's GDP.

Norway. The state sets the levels of markups and tariffs in the supply system by legislation.

Ghana. There is legislation that establishes producers' maximum operating margins.

These are several forms of influence of states on the prices of international trade, see Figure 1.9.



**Fig. 1.9.** Forms of influence of states on the prices of international trade

*Source: [33]*

A monopoly nowadays is described as a market system where there is only one supplier of a good or service, and rivals are prohibited from entering the market. By deciding where on the division demand curve to position himself, the monopolist unilaterally determines both the quantity of commodities sold and their price. In terms of how things are produced, their consumer attributes, and their price level, monopolies are dictatorships. It may be bad for the nation's economy. Every nation with a market economy has a legal prohibition against it.

Prices can be established by the state entities taking into consideration the cost of production and sales in monopolistic competition settings. Pricing must harmonize both supply and demand. Meanwhile, prices are not set and are continually changing in response to market conditions. The total cost of the item must account for both the profit necessary to allow for further production as well as the expenses incurred in its manufacture and selling.

The following pricing methods are distinguished among modern ones in a monopoly:

1) The full-cost method, when all the total costs are summed up and expected profits are added up. If an enterprise bases its activities using a certain indicator of profitability, the selling price is defined using Formula 1.1.

$$P = C (1 + R / 100) \quad (1.1)$$

where:

*P* - is the selling price,

*C* - total unit cost,

*R* - expected profitability.

The method will be effective for those companies where product differentiation is strong.

2) The direct cost method. The cost of goods is determined by summing up the variable costs and profit, which is a surcharge. The estimated sales volume of a particular product for each proposed price is determined, which is added with the direct variable costs, the size of the markup per unit of merchandise, and the volume of sales at the proposed price. The method is relevant for enterprises with unused production of unused production capacity, to compensate for fixed costs in prices which are determined on the basis of the current volume of production.

3) The marginal cost method, based on an analysis of the cost of goods. Initially, the level of sales is reached, at which all costs are covered, and then it is possible to reduce the price of goods.

Before lowering the price, it is necessary to recoup the cost of servicing at least one additional customer. Prices above this cost are an additional profit, especially when the price reduction becomes a catalyst for demand for a product or service.

Monopoly power leads to higher prices and lower production, so in most cases, deterioration in consumer welfare and an increase in the welfare of monopolistic enterprises can be expected [101].

For a deeper understanding and explaining the implications of pricing policies, it is essential to give examples of using them based on famous companies. The first organization is Luxottica, which is the holding corporation for all the main sunglasses companies. Nearly all of the main sunglasses brands were acquired by the corporation,

although they still go by separate names. Despite the fact that they are all made by the same firm, this gives the buyer the impression that they have a wide selection of sunglasses to pick from. In addition, over 80 percent of the total sunglasses produced globally are produced by Luxottica.

Due to its several brands that are catered to various customer types, Luxottica does not operate under a single pricing monopoly and instead engages in price discrimination.

Since intellectual property is Luxottica's most valuable asset, the company may be viewed as having a monopoly in this market. By ensuring its products sell for hefty markups, the business exercises its design patents against all rivals.

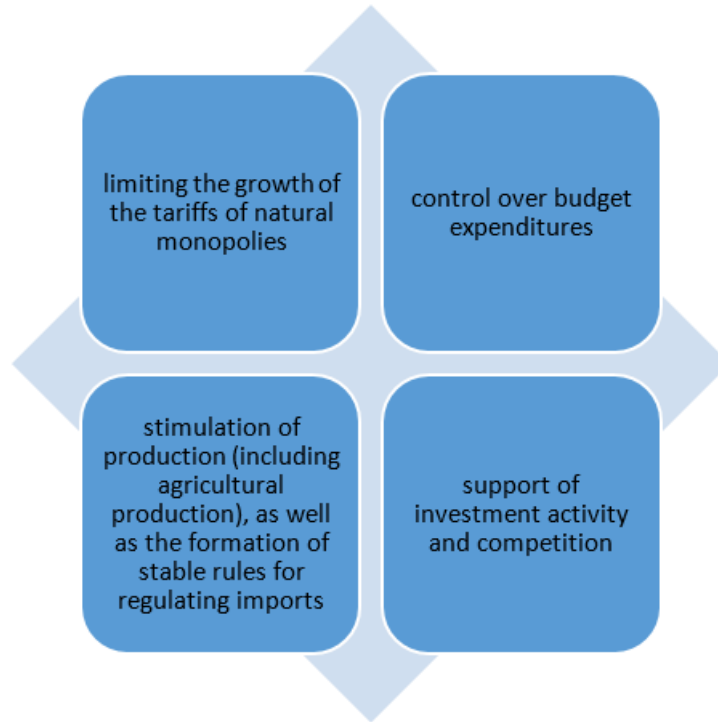
Luxottica-owned eyewear brands include the Oakley, Ray-Ban, Oliver Peoples, Persol, Costa Del Mar, Eye Safety Systems, Vogue Eyewear, Alain Mikli, Arnette, and Sferoflex.

Multiple antitrust provisions would apply. Luxottica's practices are actionable through an exclusive-dealing antitrust claim. EssilorLuxottica assuredly could fit under Section 1 of the Sherman Act. In this case, it would be a vertical agreement violation. The problem is that the French / Italian manufacturers are located outside the US where the federal government has no jurisdiction [62].

Any kind of monopoly may be influenced by a negative external factor as inflation. In economic theory, inflation refers to the depreciation of paper money caused by rising prices. Classification of forms of inflation is based primarily on the scale of price increases. Therefore, the criterion distinguishes creeping inflation, in which the average annual increase in prices is 5-10%; galloping - from 10 to 100%, and hyperinflation - more than 100% per year. Within the framework of the latter, there is super hyperinflation when prices for just one month jump by 50% or more; at such an increase for the year they increase by more than 130 times.

The period of high inflation, leading to a decrease in the growth of real incomes of the population (and even the amount of income itself), is usually characterized by an increase in social and political tensions and instability [70].

The complexity of anti-inflationary measures of the government with their proper balancing can lead to positive results. There are the following most important measures, see Figure 1.10.



**Fig. 1.10.** Anti-inflationary measures of the government

*Source: [32]*

One of the factors determining the pricing policy of the company is inflation. It is simply necessary to pay attention to inflation if three factors are observed simultaneously: first, a general increase in prices for materials, semi-finished products, goods, and services, which are somehow related to this company as an economic unit; second, a decrease in the purchasing power of money (the company with the same money can buy fewer resources); third, the growth of the total money supply.

Inflation in the 1970s and 1980s provides even more ample examples of the described practices of large companies in the United States. In general, antitrust investigations of noncompetitive pricing practices affected many sectors of the U.S. economy in the 1970s and 1980s. In particular, they were conducted with respect to such giant companies as AT&T and IBM, companies in the oil, electric power, sugar, cereal concentrate, uranium industries, and others. The antitrust investigations pointed



to the various methods used by the companies in their respective industries in setting negotiated prices. In addition to direct collusion, the companies set prices for their products, as well as equalized freight rates, established the same price zones, used standard methods of determining the value of raw materials, and uniform pricing methods.

For the holiday quarter, PayPal Holdings Inc. largely met projections, but on February 2, 2022, the corporation's shares dropped when it released a profit prediction that was below forecasts.

After the market closed, shares fell by over 18 percent as Chief Financial Officer John Rainey cited a number of reasons for the "more cautious" view. The business is suffering the effects of rising pricing, declining client confidence, and supply constraints, as well as having seen that low-income clients' purchasing is being affected more noticeably.

Additionally, as it focuses more on higher value account holders that are more actively using the PayPal Platform, PayPal is altering its profit expansion and retention method, which will lower the growth possibilities of net new active users. To demonstrate how user patterns impact profitability, the firm intends to begin supplying average revenue per user (ARPU) numbers.

Dumping in international trade means selling goods at low prices, at prices significantly below-market prices, and sometimes even lower than the cost of goods or services. This method of regulation is used in order to strengthen its position in the market, penetrate a new market, forcing out competitors. By resorting to dumping, the state or an individual company expects that all losses will be recovered in a future period. Firms are willing to take the risk when there is an acute and urgent need for cash when there is a threat of greater losses than the losses from dumping. However, in many countries dumping is considered a negative phenomenon, and states try to combat this method and apply anti-dumping laws [45].

There are several dumping policies aims: to gain a foothold in the marketplace and reduce tax payments by reducing prices and markups. However, not every firm can afford not to achieve a high level of profit. This requires high early investments or other

activities on which the company can devote its attention. The reduction of tax payments is achieved at the expense of reduction of actual expenses of the enterprise related to cash payments. However, not every price reduction is dumping. If prices are lowered as a result of a decrease in production costs or a decrease in the costs of sales, they are not considered as dumping [52].

It is also worth noting that dumping has several forms: monopolistic dumping, technological dumping, social dumping, sporadic dumping, currency dumping, deliberate dumping, reverse dumping, reciprocal dumping.

Monopolistic dumping is a form of dumping that takes place when an enterprise or group of enterprises has a monopolistic position in its country and sells abroad manufactured goods at prices lower than those they take in the domestic market. This policy, however, implies protection of the national market so that goods sold domestically at a high price are not displaced by imported goods offered at normal prices.

Technological dumping implies the sale of goods at low prices as a result of high labor productivity achieved through the use of advanced technology.

Social dumping is used to determine the price benefits that the exporting country has derived from extremely low costs of production due to low standards of living and social development.

Sporadic dumping is the import of a commodity in large quantities over a short period. As a rule, the harshest measures against such dumping are taken, up to and including the imposition of anti-dumping duty, imposed *ex post facto*.

Currency dumping is the export of goods at prices lower than those of competitors as a result of the use by the exporter of additional profits obtained from the depreciation of the currency due to its devaluation.

Deliberate dumping is a temporary deliberate reduction of export prices in order to force competitors out of the market and then establish monopoly prices.

Reverse dumping is the overpricing of exports compared with prices of sales of the same goods at the domestic market.

Reciprocal dumping is, as a rule, a countertrade between two countries the same product at reduced prices [56].

The most vivid example is the elimination of competitors throughout the United States by billionaire John Rockefeller (owner of Standard Oil). It was through persistent price dumping in the 19th century that he became the owner of all fuel production in the United States.

Azovstal - This Ukrainian steelmaker supplied steel to the United States at prices lower than those of U.S. producers. Considering cost and shipping costs, it was still profitable. The U.S. reacted by passing a special law imposing an impressive duty [28].

Dumping is used as one of the non-tariff methods of regulation of foreign economic activity of countries. Dumping is used to fight against competing firms in the foreign market, as well as to maintain the level of production during economic downturns. In any case, sales at dumping prices are detrimental to the economies of importing countries, so governments use anti-dumping duties as protection.

The pricing strategy is market penetration, which is focused on setting lower prices for products and services in order to swiftly capture a portion of the industry.

Low pricing are first established for items in an effort to deter competition and reach potential customers. Most often this method is used in cases where:

- The sales sector is very vulnerable to pricing;
- The business believes it is in a great spot to swiftly capture a sizeable share of the industry because of the danger of rivalry;
- The company has a margin of safety in terms of sales.

Strengths - compensation by the total mass of profit for its loss on an individual product at the expense of large production volumes

Weaknesses - high expense of materials

A tried-and-true strategy for boosting penetration is to lower the price of an established product range or a single item. Companies lower the price of a product to make it more appealing and accessible to more people who previously would not be able to purchase it. This pricing strategy is effective in markets with fierce competition

where customers frequently base their purchases on price. It is possible to increase penetration quickly by setting prices lower than rivals.

Nevertheless, lower prices, one of the main penetration strategies, are used not only for existing products but also for new products. Companies just entering the market are finding it increasingly difficult to gain share. Many retailers are trying to increase initial sales by immediately setting prices lower than those of competitors [109].

A great illustration of how market penetration pricing can be used to defeat a significant rival is Netflix. In the late 1990s and early 2000s, renting DVDs was becoming commonplace. Despite dominating the home entertainment market, Blockbuster was known for its high late fines and constrained inventory. Netflix made a novel suggestion. Buyers might acquire a greater movie selection without incurring late fees if they could wait a day or two for their DVDs to receive. In order to lure Blockbuster customers, Netflix made simplicity and availability a priority right away.

For the \$15.95 monthly subscription package in 2000, Netflix subscribers may rent 4 films at once with no return deadlines. Blockbuster offered roughly \$4.99 for a single, 3-day rental. Penetration pricing and an original concept helped Netflix to increase its member base and achieve profitability. Clients were able to try their new service and shift because of the cheap first competitive price.

The most effective technique for boosting a sales firm's competitiveness is likely to be the development of a successful enterprise pricing strategy and the establishment of parameters that define the worth of items. The salesperson must first develop key performance indicators before defining targets, which aid in the development of the pricing strategy. It is feasible to resolve these problems with optimum productivity using a competent method.

Price skimming is charging high rates during the early production stage and is intended to help businesses boost sales of new goods and services [94]. The corporation then progressively reduces prices when rival items hit the market. In addition, businesses need to be aware of the benefits and drawbacks of the price skimming strategy, see Table 1.6.

Table 1.6

### Price Skimming advantages and disadvantages

| Price Skimming Advantages:   | Price Skimming Disadvantages:  |
|--|--|
| <p>Increased rate of return on investment<br/>It facilitates business creation and maintenance.<br/>It divides the market into entrepreneurs. Aid in testing various goods</p> | <p>The demand curve must be elastic for it to operate.<br/>In a competitive marketplace, it is not the most effective tactic.<br/>Rivals are drawn to skimming.<br/>The initial adopters may become furious.</p> |

Source: [7]

For limited and high-end products, Apple has adopted a pricing method based on the Skimming pricing method, supplemented by competitive pricing. This is reflected in the fact that the older products in town have not fallen directly to the level of prices of the configuration of their performance, but have fallen slightly to be competitive but still higher prices.

Annually, Apple introduces new iPhone models, and the cost of the most recent versions is rather high—much greater than that of the competitors. Its range from last year, which is no longer regarded as cutting-edge technology, is priced lower.

Apple is able to accomplish this because

- There are undoubtedly buyers out there for the most recent technology
- This will not damage its brand's reputation.
- It contributes to their positioning as a more upscale brand. [7]

Apple has a successful pricing strategy. There is a great company to make an endorsement of first. Furthermore, some clients have considerable purchasing power and are not sensitive to price changes. Additionally, the sector as a whole is replacing new items at an astounding rate.

In conclusion, a good product pricing strategy can not only increase sales income but also help businesses build strong relationships with their clients. Nevertheless, creating a good product pricing strategy is challenging, and even the smallest error might lead to erroneous pricing phenomena.

## **CHAPTER 2. JSC UKRSIBBANK AND ITS PRICING POLICY COMPETITIVENESS ON THE MARKET**

### **2.1 Analysis of the JSC UKRSIBBANK's environment, organizational structure, and financial indicators**

The development of the banking system is closely linked to the creation of an effective mechanism of banking management, effective regulatory systems, controls, and financial safety nets. This, in turn, requires an in-depth study of the foundations of the modern banking system, the study of the essence and characteristics of its functioning in the market conditions of economic management, tracking and taking into account international experience, as well as promising opportunities for the development of the financial and credit system of Ukraine as a whole. According to A. M. Moroz, the banking system is a collection of various banks and other credit institutions in their relationships that exist in a certain nation at a specific historical period and function within a unified financial mechanism [5].

The banking system, according to A.A. Epifanov, is based on a pre-designed idea, within which each type of bank and each individual bank has a certain role, rather than emerging from a mechanical combination of individual banks. The banking system's structure is influenced by certain socioeconomic factors [31].

Following V. V. Maslennikov, a banking system is an integral group of institutions that conducts banking activities and serves as the internal management of banking institutions. It is a complex system that belongs to the highest level of systems and is historically formed under the influence of external and internal processes [60].

O. V. Dzyublyuk defines the banking system as the entirety of all banks in Ukraine that interact with one another under established standards and rules of banking administration [29].

A bank is an institution that accumulates money and savings and carries out credit and settlement and other operations. Banks arise on the basis of commodity-money

relations, and therefore exist in different socio-economic formations and perform established functions, see Table 2.1.

*Table 2.1*

**The main functions of banks**

| Accumulation of available funds   | Mediation of payments  | Mediation of credit  | Creation of credit money   |
|---|--|--|--|
| Banks store and accumulate money and other valuables (securities, jewelry, etc.) through the use of deposits. | Businesses, organizations, households, and government agencies, keeping their funds in bank accounts, actively use banks to settle accounts with each other. | The bank is an intermediary between those who temporarily accumulate free funds and those who temporarily need additional capital. | Banks make it possible to make purchases with credit and thus support sellers and stimulate customers. |

*Source: [55]*

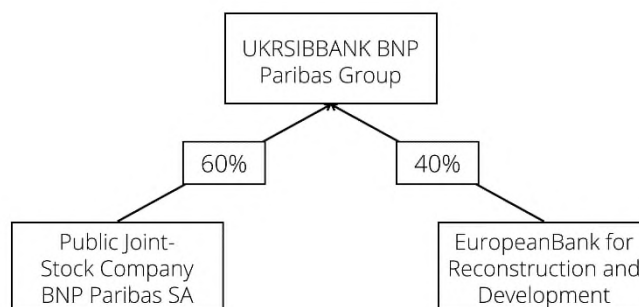
By the end of 2017, 89 banks had left the Ukrainian market as a result of the National Bank of Ukraine's active efforts to reform and resuscitate the banking sector.

1) Zombie banks that had no assets but had survived for a long period only because of an increase in deposits or refinancing by the NBU.

2) Fake banks: Companies built to serve as money-laundering fronts rather than as legitimate financial organizations.

3) Banks that are insolvent; lost liquidity as a result of deterioration and were unable to provide timely customer service and business operations. Furthermore, its stockholders did nothing to help the bank's predicament or provide it with capital [6].

UKRSIBBANK has been in business since 1990. The financial organization managed sizeable corporate clients in its first two years of operation as a regional bank for Kharkiv. UKRSIBBANK regularly interacts with both individuals and enterprises, broadening the scope of financial operations and services it provides while boosting its market share. The bank has consistently held the top rankings in the banking sector, and it has received several accolades for being the greatest investment bank in the nation. UKRSIBBANK has widespread recognition across the country and breaks into Ukraine's top ten banks [84]. In February 2018, BNP Paribas increased its ownership of UKRSIBBANK to 60% by purchasing shares from smaller shareholders, see Figure 1.2.



**Fig 1.2.** Schematic representation of the ownership structure of JSC UKRSIBBANK as of 01.01.2022.

*Source: [84]*

The total number of shares, into which the registered capital of JSC UKRSIBBANK is divided, is 506 926 165 207 shares, of which 491 902 834 807 are registered shares and 15 023 330 400 preferred registered shares of class "A." This information is from a list of shareholders made by the National Depository of Ukraine as of August 31, 2022, attending the Annual General Meeting of the shareholders of JSC UKRSIBBANK on September 6, 2022 [100].

The UKISIBBANK BNP Paribas Group's objective is to be a universal bank with a wide range of products and a flexible, responsible, risk-oriented approach. To create products that best satisfy its clients' demands, the Bank uses the advantages and subject-matter knowledge of its many business units. Increasing consumer base and loyalty are among the main goals.

**Mission:** The bank is a trusted business associate that uses the resources of a powerful European Banking Group to provide secure banking in a flexible manner, care for clients and staff, make beneficial implications, and support a robust Ukrainian market.

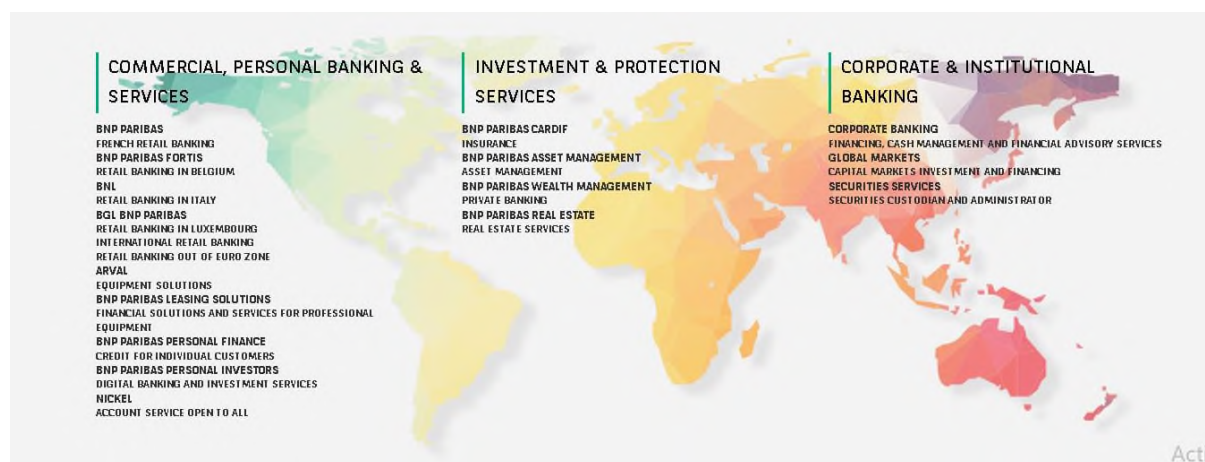
**Vision:** As part of an international financial Group, UKISIBBANK is a reliable and reputable bank, an attractive and predictable financial partner for responsible clients.

**Key areas of activity:** The strategic choice of the shareholders is to build a sustainable universal bank with a strong and diverse customer base, ensuring reliable



liquidity support, prudent credit risk policy, strong compliance culture, as well as an appropriate ratio between expenses and income documented in the annual budget and three-year development plan [20].

UKRSIBBANK is a member of the 68-nation BNP Paribas Group, a worldwide financial organization. It is a competent bank that works with the majority of corporate websites and has 198 years of global and 30 years of Ukrainian financial expertise, see Figure 2.2.



**Fig. 2.2.** BNP Paribas all businesses websites.

*Source: [84]*

One of the top three banks in Ukraine, UKRSIBBANK consistently receives the FinAwards rating, which attests to its stability. According to Expert Rating, UKRSIBBANK's long-term credit rating is at the level uaAAA, which denotes the greatest degree of sustainability.

BNP Paribas is the biggest bank in the European Union and a significant player in international banking. Around 190 thousand individuals are employed by it worldwide, with roughly 145 thousand of them doing so in Europe. It is functioning in 65 nations. The Group is a market leader in its three primary business categories, which include Commercial, Personal Banking & Services, which serves the Group's commercial & personal banking needs, and Corporate & Institutional Banking, which focuses on corporate and institutional clients.

The Group provides financial management, investment, and banking assistance to individuals, associations, entrepreneurs, SMEs, companies, and clients to assist people in achieving the objectives. BNP Paribas serves four home markets in Europe:

Belgium, France, Italy, and Luxembourg. Its business and personal banking strategies are interwoven. The Group is a major character in the global financial industry, with significant funds and product offerings, along with a strong and fast-expanding service across numerous locations.

BNP Paribas has established a Corporate Social Responsibility strategy in each of its operations to maintain the Group's enactment and strength by also allowing it to promote the creation of a prosperous approach [79].

The BNP Paribas Foundation coordinates and monitors the world expansion of the BNP Paribas Group's charitable activities, regardless of where the Bank is headquartered, and in particular through the Nine BNP Paribas locations abroad of its endowment fund.

Rescue & Recovery Fund, Fundação BNP Paribas Brasil, BNP Paribas Stiftung Deutschland, BNP Paribas India Foundation, BNP Paribas Suisse Foundation, BNP Paribas Fortis Foundation, Fondazione BNL, Cetelem Foundation, BMCI Foundation, and BNP Paribas Poland Foundation are just a few of the BNP Paribas institutions that facilitate charitable causes.

The projects are implemented around solidarity, climate, also, civilization in all operating countries with a budget of almost 54 million euros in 2021—an increase of 14% from the previous year. These initiatives show interest in community affairs, foster communication with stakeholders, and provide workers with a sense of accomplishment [10].

By giving knowledge and helping to finance the environment, a Group supports societal shifts while serving customers and the community where the bank performs its activities. BNP Paribas generates resources with the help of a variety of interconnected techniques that rely on sharing risk and working together across business lines. The commercial strategy has made it conceivable to help consumers in the historically unusual environment of the medical emergency. The bank has demonstrated the capacity to react and mobilize fast during this crisis while proving the closeness to all clients.

The Group offers a broad variety of cutting-edge solutions customized to fulfill client expectations owing to its global network. BNP Paribas successfully combined multiple corporate segments. These include real estate services, wealth and asset administration, payments, cash management, standard and specialized finance, funds, coverage for protection, and payments. In the field of commercial and corporate banking, the organization offers clients customized financial sector, economic assistants, accounting, administration, and credit counseling options.

Commercial, Personal Banking & Services (CPBS), Investment & Protection Services (IPS), and Corporate Institutional Banking make up BNP Paribas' three primary business divisions (CIB).

To improve communication among market segments, the 3 main segments were established. Its goal consists in adjusting to shifting demands from clients, staff, shareholders, and some partners. Therefore, to offer clients protracted, ongoing assistance for every one of the initiatives, a worldwide and collaborative program improves the data available to individuals. BNP Paribas intends to keep supplying customers with advanced technologies, specialized localized assistance, and long-lasting, inspiring solutions as part of a wider, reliable cooperation [77].

UKRSIBBANK maintains policies and standards established by the BNP Paribas Group, the National Bank of Ukraine, and the National Securities and Stock Market Commission of Ukraine in all of its operations as a participant in the banking industry. UKRSIBBANK follows the Group's standards while doing its business and abides by the most recent international financial sanctions and vigilance recommendations. French law and EU law governs its actions, which fight the legality of criminal activity's proceeds [104].

UKRSIBBANK has implemented the Financial Monitoring Rules, the Financial Monitoring Program, and the Customer Identification, Verification, and Due Diligence Program in compliance with the requisites of the most recent Ukrainian legislation and the especially intense European standards. The NBU and UKRSIBBANK's Internal Audit Department regularly evaluate the records to make sure they are relevant and in compliance [19].

If a customer refuses to provide necessary identification information, the bank will not accept transactions or create incognito identities. The institution does not create correspondent agreements with banks that are registered but do not have a permanent establishment there. It does not carry out transactions with their involvement. The bank is taking precautions to avoid developing relationships with non-resident banks known to use shell bank accounts. Only banks with banking licenses in the state where they are registered can establish correspondent relationships with the organization.

UKRSIBBANK fully complies with all financial and economic sanctions, including those imposed by the United States, the EU, the French government, and the UN Security Council. The Bank will take all necessary steps to stop opening accounts or conducting transactions for, on behalf of, or in the best interests of any person, nation, or entity subject to international sanctions [22].

UKRSIBBANK`s membership in organizations:

1. The First Stock Trading System (PFTS)
2. Stock exchange "Perspectiva"
3. Association of Ukrainian banks
4. All-Ukrainian public organization "Association of Taxpayers of Ukraine"
5. Visa International Services Association
6. Ukrainian Interbank Association of Members of Payment Systems "EMA"
7. Ukrainian National Mortgage Association
8. European Business Association
9. Association "Ukrainian National Group of Members and Users of SWIFT  
"UkrSWIFT"
10. Professional Association of Registrars and Depositories (PARD)
11. Association "Ukrainian Stock Traders" (AUFT)
12. Association "Stock Partnership" (AFP)

Other associations by sectoral principle:

1. S.W.I.F.T.
2. REUTERS
3. The Thomas Cook Group Ltd

4. American Express Services Europe Limited
5. MasterCard Europe
6. Ukrainian Interbank Currency Exchange
7. Kharkiv banking union
8. Ukrainian Credit and Banking Union
9. Deposit Guarantee Fund for individuals
10. Representative Office of the American Chamber of Commerce in Ukraine
11. Kyiv Chamber of Commerce and Industry
12. French business community in Ukraine
13. First All-Ukrainian Bureau of Credit Histories [97]

UKRSIBBANK aspires to be a leading light in environmentally friendly financing. The bank promotes the growth of a sustainable and inclusive sector and establishes sustainable finance as the cornerstone of continuing collaboration. By engaging in various activities, a bank generally has a positive influence on the Ukrainian market, people, and ecosystem, see Table 2.2.

*Table 2.2*

### **Key activity areas**

| Business Customer  | SME  | Retail enterprise   |
|--|--|---|
| <ul style="list-style-type: none"> <li>• Philosophy of "One Bank";</li> <li>• Centralized team serving three segments:</li> <li>• Multinational corporations</li> <li>• Local customers;</li> <li>• Agricultural companies;</li> <li>• Financial Marketplaces: foreign exchange sales for the business and individual customers, liquidity and interest rate threat prevention, brokerage, and custody operations</li> </ul> | <ul style="list-style-type: none"> <li>• Providing daily solutions to support customers with:               <ul style="list-style-type: none"> <li>- payment solutions,</li> <li>- cards,</li> <li>- deposits</li> <li>- loans</li> <li>- insurance;</li> </ul> </li> <li>• UksibBusiness</li> </ul> | <ul style="list-style-type: none"> <li>• The main focus is on the Premium segment;</li> <li>• Innovative digital solutions;</li> <li>• Facilitating transactions;</li> <li>• Large and stable deposit base;</li> <li>• Consumer lending.</li> </ul> |

*Source: [79]*

Both people and companies, including microbusinesses, can get financial services from the bank. Through the close of 2021, the bank's clientele was stable and 2.3 million people were using its offerings. The major client groups Premium and SME showed a gain of 19% from 2020 to reach 260 thousand customers, among which 200 thousand were Premium.

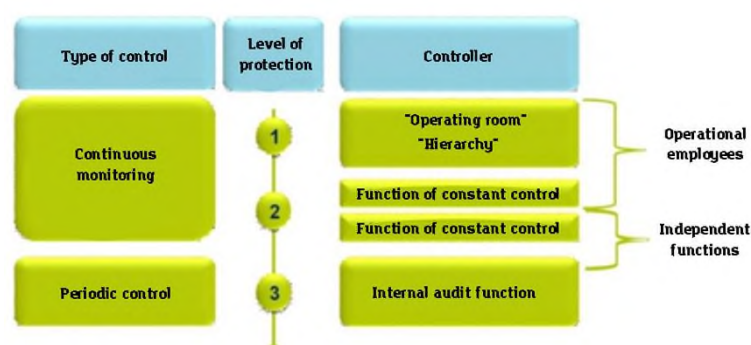
The primary way the bank is expanding its borrowings is by lending modest sums in local currency to its small- and medium-sized corporate customers. Additionally, its pilot project on funding SMEs in the agricultural sector kept up its ties with trustworthy customers. Credit decisions may now be made automatically, which has improved the efficiency of credit procedures.

The bank remains a key player in the deposit market by volume. In 2021, UKRSIBBANK demonstrated stable dynamics - deposit growth by 12%. The bank provides its customers with a full range of products: term deposits, savings accounts, and credits [18].

UKRSIBBANK provides adequate internal control that ensures:

1. Banking procedures are efficient and productive;
2. Reflected transactions are correct;
3. Financial reporting is reliable;
4. Potential challenges are minimized thanks to risk assessment;
5. The bank and its subsidiaries follow regulation requirements, internal rules, and processes.

Internal control consists of permanent control and periodic checks, for example, internal audits, which are complementary but independent of each other, see Figure 2.3.



**Fig. 2.3.** Control system in UKRSIBBANK.

*Source: [18]*

Every day, UKRSIBBANK supports the growth of the Ukrainian market by providing finance and other services to both large and small businesses, enterprises, and customers. The organization collaborates with people to undertake initiatives that influence and enhance their lives. It also conforms to the responsible social and

environmental finance investment strategy, encourages diversity and inclusion, and includes team members and partners who respect the principles of sustainable advancement in programs that are critically important to society. UKRSIBBANK implements ten policies related to business: defense and security, nuclear energy, agriculture, palm oil production, wood pulp, coal-fired electricity production, mining, gas and oil production, tobacco production, and ocean protection. In this regard, the Group is a positive example for all international and local organizations, as its principal goal is to make a positive contribution to community development and the preservation of the planet. Compliance with the social and environmental criteria defined by the Group in each sectoral policy, which is considered the best practice in the respective sector, aims to maintain a high reputation and encourage customers to improve their practices for the sake of a better world [10].

BNP Paribas does not purposefully participate in any financing, investment, or transactions involving products that are prohibited nationally or internationally. Furthermore, even though local laws may be less stringent, it resolved to adhere to them for all of its funding, partnerships, and business dealings involving the services and operations. This policy applies to all BNP Paribas Group entities, including subsidiaries and joint ventures under direct control.

BNP Paribas will not take part in funding, partnerships, or business dealings concerning:

1. Manufacture, transfer, or use of illegal munitions that fall within the Group's defense industry policy;
2. Manufacture, transfer, or use drift nets longer than 2.5 km;
3. Manufacture, transfer, or use of products containing PCBs (polychlorinated biphenyls)
4. Trade in any plant, animal species, or products regulated by the Convention on International Trade in Endangered Species of Wild Fauna or Flora (CITES) that does not have a CITES permit;
5. Activities mainly related to tobacco production [9].

Awards and ratings of the UKRSIBBANK in 2021:

1. Dengi.ua rates the bank`s trustworthiness as being in the leading three.
2. Also, the bank has confirmed long-term credit rating is at level uaAAA,.
3. The rating agency "Expert-rating" has affirmed the long-term credit rating of UKRSIBBANK at the level uaAAA [98]

In the second half of 2022, the BNP Paribas Group reported revenues of EUR 13 billion. The increase compared to the same period in 2021 equals 8.5%. A 9.1% increase over Q2 2021's net profit, the Group's Q2 2022 net profit came in at EUR 3.2 billion.

Consequently, the BNP Paribas Group's earnings are constant in the second half of 2022:

- A rise in earnings across all operational divisions.
- A strong cost to income ratio.
- A rational approach to managing risks.

BNP Paribas leverages its integrated approach to advance the interest of its consumers and the industry. Its efficiency has increased, and its ROTE is over 12%. The accomplishments of BNP Paribas demonstrate stability and the capacity to expand services and business units to assist consumers at various levels throughout the economic cycle. The company's facilities are constantly being expanded to support the European economic system. The Group is constantly expanding, advancing technologically, and assisting clients in switching to more sustainable economic models [35].

Key results:

1. An improvement in financial outcomes
2. Reliable income progression
3. Very strong market momentum domestically
4. An increase in financial administration and health coverage earnings
5. Commercial and corporate finance continues to expand
6. When compared to 2020, earnings has grown by 4.4% in 2021.
7. Cost-to-income ratio in the positive
8. Savings and increased profitability



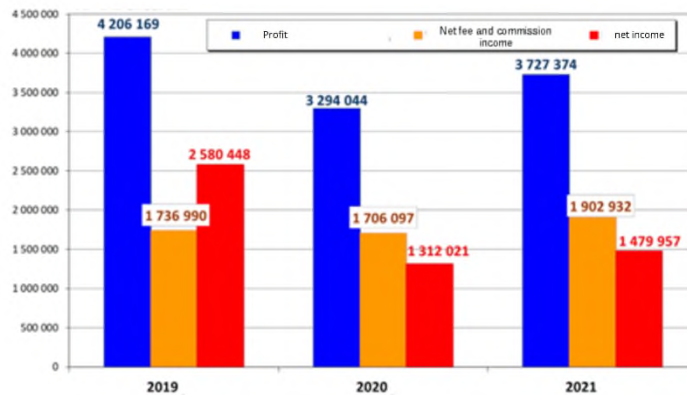
9. Risk at inexpensively is 34 basis points.
10. Exceptionally rapid net profit increase when contrasted to 2020 and 2019
11. Net profit grew by 34.3% from 2020 to 2021 to 9,488 million euros.
12. A strong balance sheet
13. Payout ratio is equivalent to 60% in 2021.
14. Launch of the growth, technology, and sustainability 2025 strategic plan [66]

The major participant in Ukraine's consensual ranking industry is Expert-Rating Agency. The major Ukrainian banks, health insurers, financial institutions, firms involved in the real estate industry, and foreign reinsurance firms are only a few of the agency's customers. The rating agency's methodology is based on the financial services, healthcare, investment, and real estate industries. The company concentrates on determining credit and facilities evaluations using both national and international standards for Ukraine.

The assessment of UKRSIBBANK BNP Paribas Group at category uaAAA on the Ukrainian spectrum was revised by the valuation company Expert-rating. It demonstrates that the institution has the best creditworthiness when relative to others.

The institution's performance for the entire 2021 period as well as the first quarter of 2022 was taken into consideration by the assessment commission. JSC UKRSIBBANK had adequate fixed and regulatory resources as of the start of 2022. The Institution's H2 and H3 were much above the industry standard and frequently outperformed the NBU's norms. Additionally, JSC UKRSIBBANK received excellent liquidity support. Starting in 2022, the Bank's relevant ratio metrics were significantly higher above the regulator-imposed thresholds. The JSC UKRSIBBANK's portfolio remained widely varied in 2022. This reality lessened the effect of portfolio hazards on the operations of the Institution. The loan portfolio of the Bank was distinguished by exceptional grades. JSC UKRSIBBANK considerably raised net interest income (by 70%) throughout the observation timeframe. Additionally, it has demonstrated large amounts of net interest revenue. The bank continually made substantial profits in 2022, demonstrating the excellent productivity of its operational procedures [30].

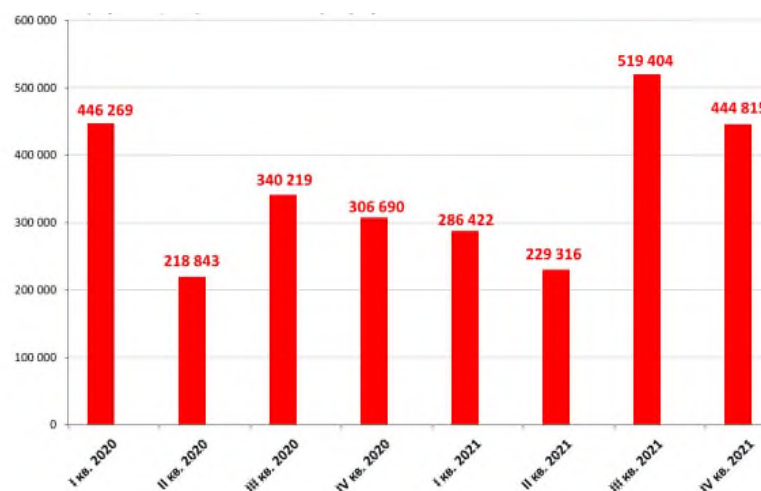
UKRSIBBANK has net earnings of 1,480 billion UAH as per the outcomes of 2021. In comparison to the Institution's profit after the 2020 performance that is 13% higher, see Figure 2.4.



**Fig. 2.4.** Net income, net fee, commission income, and profit of UKRSIBBANK.

Source: [30]

The rising tendencies of UKRSIBBANK's primary source of earning categories had a major role in the economic outcome rise. In light of these findings, the institution's earnings climbed by 13 percent and reached UAH 3.7 billion in 2021 in contrast to 2020. UKRSIBBANK's gross charge and commission revenue climbed by 11.5% to UAH 1.903 billion. The amount of the quarterly results varied, see Figure 2.5.



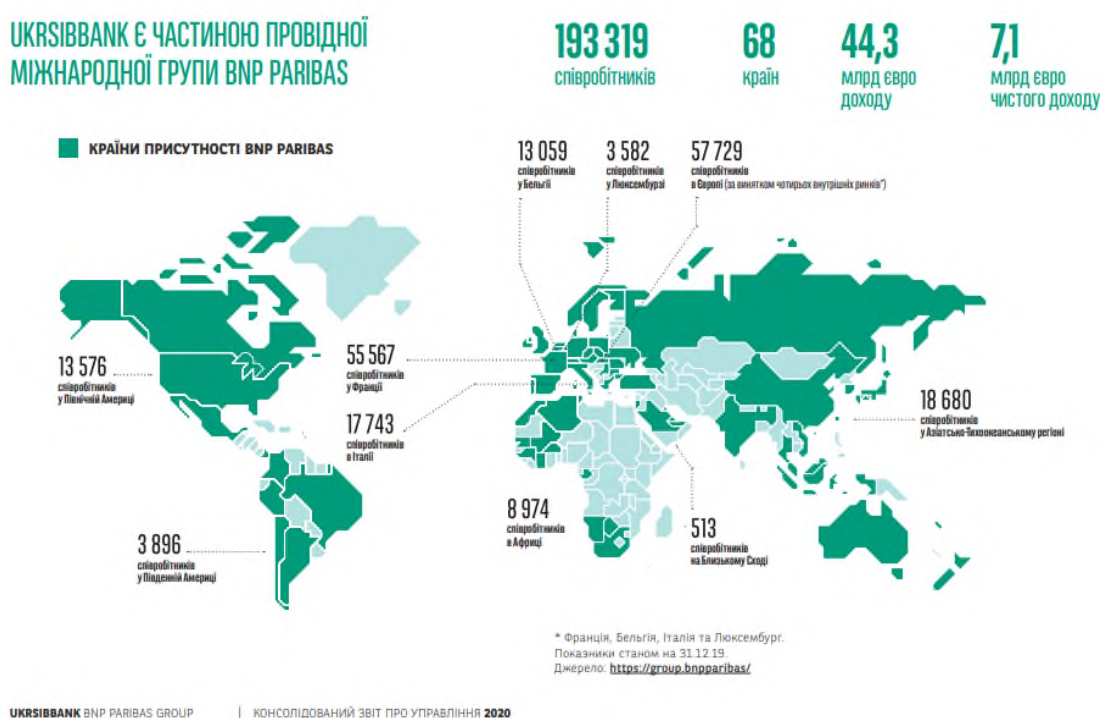
**Fig. 2.5.** Quarterly profit volume of UKRSIBBANK.

Source: [34]

Based on the statistics of 2021, UKRSIBBANK, therefore, showed strong trends of development in some of the most important sources of its earnings. Nevertheless, a sizable quantity of revenue has been produced. Although the bank's work receives

significant appreciation within the current quarantine constraints. The Agency also highlights the Institution's ability to consistently create sizeable profits into 2022, which demonstrates the excellent productivity of its operational procedures.

The loyalty of its clients is UKRSIBBANK's most valuable asset, and this trust is only growing throughout the period. To justify this trust, the bank must uphold the fundamental rules of morality and commercial practice. UKRSIBBANK has established rules of conduct, compliance with which is an obligation for all its employees: to act honestly, fairly, and professionally and to serve the interests of the client [11]. Such rules are fixed in the relevant document - the UKRSIBBANK Code of Conduct. These values are fixed and implemented at the level of the entire BNP Paribas Group working in different areas, see Figure 2.6.



**Fig. 2.6.** Countries of BNP Paribas presence.

Source: [11]

UKRSIBBANK is a part of the leading group BNP Paribas. UKRSIBBANK received the Top Employer 2020 certificate. The international Top Employer Institute recognized the bank as one of the best employers in Europe and Ukraine. The bank once again confirmed the high standards of work with staff and the status of the best place to work. It provides corporate medical insurance, which includes a professional

examination once a year, as well as five additional examinations of a choice within the insurance program. In 2019, 5304 employees received health insurance fully paid for by the bank. In addition, the company provides paid days in cases of marriage, childbirth, and unforeseen situations.

There is an adaptation program "On-boarding", which helps new employees quickly and easily get used to the new position and understand important work processes. UKRSIBBANK offers flexible working hours. Employees who hold positions that do not require constant presence at the workplace can choose it. The company also provides the opportunity to work remotely once a month. This system helps employees to work more efficiently [85].

UKRSIBBANK strives to stimulate the professional development of its employees and supports their desire to constantly learn. After all, in the modern world, it is important to keep up with the times. This requires flexibility and quick adaptation.

During the annual evaluation, all employees receive detailed feedback and personalized development recommendations from their manager. The Bank cares about the career development of employees. This is evidenced by the results of 2019: 36 percentage of UKRSIBBANK vacancies and internal candidates, in particular, filled 92 percentage of managerial positions. Each newcomer, starting a career in the UKRSIBBANK retail network, understands growth opportunities thanks to the career map.

Employees have excellent opportunities for self-realization, and their projects become a valuable achievement and pride of UKRSIBBANK.

The bank has qualified business coaches who are happy to become mentors for many employees. In 2022, they held 1547 events for the bank's employees. Among them are training, interesting business games, collective problem solving, retrospectives, and strategic sessions.

External training (seminars, conferences, and other specialized events held outside the bank) was conducted, for which UAH 7 million was allocated in 2022.

The bank offers distance learning, i.e. more than 100 professional e-courses that employees can take anywhere and anytime. In addition, contextual learning allows anyone to immersed in the process and learn how to solve real work problems.

It is offered:

1. Micro-learning
2. Blended learning
3. Gamification [93].

In addition, the bank has a School of Managers - a training program for young managers. The main goal is to introduce such an approach to management that will be in line with corporate values and will be as effective as possible.

In the process of training, students perform tasks, work in small groups and receive feedback from professional trainers. The Bank strives to create a strong team of professionals with new ideas and a great future.

Voluntary mentoring program is an initiative program that includes an interactive course Power of mentoring. In the process of training, mentors (top managers) can share their skills and knowledge with the bank's employees. Such voluntary exchange of information creates positive relationships and improves the quality of work.

The bank changes itself - becomes more flexible, innovative, and creative. Together the bank changes the work process - improves corporate culture and helps its employees to grow and develop with us. Together, the bank is changing the world for a better future – considering that everyone is responsible for the planet, contributing to improving the climate and preserving the environment.

The bank makes sure that employees feel confident in the workplace, so UKRSIBBANK is constantly introducing new training and development programs in the company [21].

UKRSIBBANK was designated as a Youth Friendly Employer in 2021 in line with the Dream and Act initiative and the Pact for Youth 2025 program. Within the scope of the "Dream and Act" initiative, the certification was carried out by the Center for Corporate Social Responsibility Development and Career Hub. A test including requirements such as company culture, recruiting and retraining methods, working

conditions, young people's personal and professional development, and outside youth activities is part of the certification program. [69].

Another powerful opportunity for development is participation in project work. In 2020-2021, I-Players Bank talent teams agreed with their sponsors - heads of various departments - on 14 projects that will potentially affect the activities of the entire bank. At the end of 2021, the teams presented the results of their activities to the sponsors and the bank's board. In addition, many local projects in the bank were introduced at the initiative of bank employees as part of the training courses School of Leaders, School of Product Thinking, School of Scrum Masters, School of Service Design.

Taking care of its team in the context of the pandemic, UKRSIBBANK, as a Top Employer in Ukraine and Europe, in 2021 continued to implement the principle of remote work preference for those employees who can perform their duties at home. To prevent the morbidity of bank employees from coronavirus, the bank organized vaccinations on the territory of the bank's offices in accordance with the process of voluntary vaccination of employees of enterprises of the Ministry of Health of Ukraine. All interested employees and their close relatives received vaccines in Kyiv, Kharkiv, Lviv, etc. Specialized medical mobile teams of the Ministry of Health were invited to organize vaccination. In addition, to raise awareness about coronavirus, the bank continued to provide employees with official information from the Ministry of Health on the prevention of Covid-19, as well as invited leading doctors to live YouTube broadcasts, where employees could get answers to their questions live.

More than 5000 employees are working to ensure that the entire system works smoothly, and the bank takes care of them, providing them with the most comfortable and safe working conditions. According to an internal survey, 97% of employees are ready to recommend UKRSIBBANK as an employer.

Together with the EBRD, BNP Paribas is the main shareholder of UKRSIBBANK, which has 5000 employees and bank branches throughout Ukraine.

Above all, the Group has done everything possible to ensure the safety of its employees. Support and accommodation are being offered to employees and their

families who are leaving the cities and regions after the Russian invasion, in particular through the help of colleagues of BNP Paribas Polska, located in Poland.

In addition, psychological support for employees was immediately organized and a network of HR employees in different countries was organized to consider and resolve specific situations to support Ukrainian employees. At the same time, UKRSIBBANK BNP Paribas Group continues to work smoothly for the sake of its customers and the economy of Ukraine.

A large number of people leaving their homes in Ukraine has already created a major humanitarian crisis. BNP Paribas Group has therefore made a commitment to the UN High Commissioner for Refugees and its partner organizations Médecins Sans Frontières (MSF) and the Red Cross that the institution will make direct financial contributions to help. BNP Group has already set up a special Rescue&Recover fund for this purpose. Contributions can be made by every employee and client of the Group, regardless of country. The Group has allocated EUR 10 million to the fund and it is ready to increase the amount according to the actual needs [8].

At the outbreak of the war, the bank immediately organized the evacuation of employees and their families from the high-risk areas. About 500 people were transported to the western part of the country. For those who moved independently, temporary shelters were arranged in the bank's buildings: in Poltava, Rivne, Lviv, Uzhhorod, Chernivtsi, and Kharkiv. In the first two months alone, more than 800 people were accommodated in these shelters. Now more than 900 employees are in 41 countries of the world. Those team members who left the country were met at the borders of Poland, Romania, Hungary, and Slovakia by representatives of the BNP Paribas Group.

1. 3270 people received material assistance;
2. 532 people were evacuated from the war zone;
3. 2000 people were accommodated in hotels for free;
4. 25 evacuation flights were carried out. [1]

## **2.2 Promotion of JSC UKRSIBBANK services**

Marketing of Ukrsibbank is arranged by means of a horizontal structure. One direction is focused on the target segment of small and medium-sized businesses. The other direction is focused on physical customers. Each subdivision is divided into micro-divisions, which focus on a certain segment.

UKRSIBBANK uses the following types of advertising:

1. External - hanging large posters, banners or special means with advertising. It is placed on billboards, stretch marks, facades of buildings, transport, etc. The most common outdoor advertising tools are billboards, city lights, and lightboxes.
2. Targeted advertising is a form of marketing in which a social media post is directed at a certain target market that has been expressly identified by the advertiser. Only target audiences can see adverts thanks to this type of advertising. Segmentation can take place based on a wide range of factors, including gender, age, geography, career, interests, and many more.
3. Video advertising – it is a kind of advertising where viewers are exposed to promotional videos on television or the internet.
4. Email marketing: sending promotional letters to potential customers is a component of this sort of advertising. Customers' prior authorization is required for this form of advertising in Ukraine; thus, marketers must obtain consumer agreements before mailing anything.

Webpromo and UKRSIBBANK Paribas Group started in September 2019 with the B2B direction.

In 2020, UKRSIBBANK released an updated application where it implemented a new functionality that allowed users to become bank customers and perform all financial operations in a smartphone.

In May 2020, Webpromo specialists were given the task to develop and implement the strategy of attracting new customers through the mobile application UKRSIB Online.



The main KPI was the number of clients attracted as well as installations, which served as the first interaction of the user in the chain of card registration.

Initially, the bank started working with standard sources to promote apps:

Google Ads - ads were displayed in the contextual-media network, search network, YouTube, Discover, Google Play;

Facebook Ads - the placements were adjusted and the bank employees settled on Facebook/Instagram/Messenger. In the process, adjustments were also made to placements. The most effective were the news feed and stories on Facebook/Instagram.

After launching the main tools, UKRSIBBANK set up an additional source of installs, Apple Search Ads. This tool allows showing ads to users in the App Store.

The bank considered three sources of traffic for the UKRSIB Online app.

The largest number of installations was received from the Android platform - 85.7%.

The key to working with the app is to determine the qualification of installations from a particular source/platform and optimize advertising campaigns based on an analysis of the quality of the installations received.

This analysis can be done with the help of analytical systems for applications. Using a system Appsflyer allows:

1. Perform multi-channel analysis;
2. Display data from multiple channels in a single interface;
3. Analyze audience behavior;
4. Provide real-time reporting;
5. Integrate it with many other services;
6. Use deep linking [61]

Viber is not only the fastest-growing messenger (the number of Viber users has already reached 1 billion in 193 countries), but also the most popular messenger in Ukraine, which, according to Kantar TNS, is installed on 96% of mobile devices. UKRSIBBANK staked on it when choosing a channel for communication with their clients.

Since the bank has a database of phone numbers of clients, UKRSIBBANK staked on multichannel, choosing one of the most popular combinations: Viber and SMS. Multichannel implies that if a message for a user was not delivered on Viber, it will be sent via SMS. This way the bank can be sure that GMS, which has specialized in multichannel communication solutions for more than 13 years, will deliver the message to the addressee. Viber communication combines the functions of classic SMS and email, as it contains a link to download the mobile app and prompts for targeted action. With Viber clients can learn news about the bank's services: a visualization and a link can be added to a text message, which makes the mailing more comfortable for clients, and thus the communication itself more effective [59].

The UKRSIBOnline solution is already used by more than 1.4 million clients with its rapid development. UKRSIBBusiness replaced the old platform and provides excellent customer service for legal entities. To meet the requirements of the NBU and the needs of customers, an ID solution in the 23/7 SEP format was introduced. Customers are offered a Tap on Phone solution with the functions of the Electronic Funds Register. Further development is planned to integrate online registration of new business relationships and the use of mobile phones, such as NFC POS terminals, into the application. The Data Hub project based on the Big Data technological stack is being implemented, which will enable the creation of modern CRM systems for real-time interaction with customers [20].

BNP Paribas, as a prominent participant in the global economy, operates in a constantly evolving environment. It needs to assist its customers by providing them with original and responsible answers to all of their problems. The Group is working to address today's social, technical, economic, and environmental concerns in a way that is inclusive and sustainable. They carried it out by fully committing to concrete activities with all of their stakeholders in order to have an impact.

BNP Paribas continuously modifies its offerings to ensure that they fully satisfy the needs of its clients. In response to the emergence of new functioning, purchasing, relocating, accumulating, and saving ways. In the real world, this has resulted in the development of new forms of transaction and a higher degree of technology

engagement for the benefit of a stronger electronic and social interaction. To take an active role in important inventions, it is also vital to keep a close eye to the environment.

BNP Paribas decided on accelerating sustainable finance as a primary direction quickly on within to address both societal and environmental problems by supporting its clients' transition to a more responsible business model at all levels and helping them finance those changes. As a result, the Group is promoting a more democratic, resilient, and ecologically responsible future.

BNP Paribas is conscious of and respectful of its surroundings, the environment, and those who are most in need. As a responsible employer, The Group is committed to adopting a proactive position in support of diversity, equality, and inclusion. The foundation bases its programming on three priorities: culture, solidarity, and the environment. The Group's ability to interact with society rests on its solid geographic anchoring. Young individuals and the defenseless members of society are prioritized. The Group is sure that working together will be one of the important aspects [4].

The primary shareholder of UKRSIBBANK, BNP Paribas, has unveiled a comprehensive expansion strategy through 2025 that aims to expand its position as a leader in Europe and hasten the shift of clients to a green business. From 2022 to 2025, the Group is executing an innovative growth strategy on a solid foundation and with staff commitment:

1. to help customers understand how to utilize accounting and commercial operations in ingenious methods
2. The initiatives needed for shift to a green market receive direct funding..

The strategy for 2025 is based on three primary driving forces:

1. Increased earnings, expansion, and leadership in Europe will all be aided by growth.
2. The Group's quality management and the experiences of its customers and employees will be enhanced and improved with the aid of technology.
3. Strengthening the Group's efforts in responsible financing.

Three pillars support BNP Paribas. They all have prominent business platforms in Europe that are tactically designed to provide enhanced services to customers and businesses. Additionally, they benefit from all the features of a consolidated and updated operational framework:

1. Technology and Industrialization
2. Sustainable finance and ESG practices
3. Staff involvement and enhancement initiatives.

Each of the above industries are essential to bolster productivity, gain market share, open up new opportunities, and broaden the industry. With a solid presence and a long-term strategy, BNP Paribas hopes to enhance its place and speed up the mechanics of development in order to achieve sustainable economic expansion, usher in a new age of leading in Europe, and transition clients to a balanced future. [12].

The UKRSIBBANK has publicly pledged to conduct its business with honesty and in compliance with relevant legislation since corruption is immoral and against the law. No matter how it manifests or under what circumstances, corruption is not tolerated by the Bank.

To that end, the bank (members of the Board of Directors, members of the Supervisory Board, officers, employees, affiliates, agents, or any other related parties) does not and will not engage in any activity or action that could contravene the following laws: the French Sapin II Act of 2016, the UK Bribery Act of 2010, the US Foreign Corrupt Practices Act of 1977, the Ukrainian Law "On Prevention of Corruption" of October 14, 2014, and any other applicable laws and regulations on combating corruption and bribery [58].

One of the top priorities of UKRSIBBANK's development strategy is information security. In compliance with the most recent developments in the IT sector and the requirements of the Information Security Policy of JSC UKRSIBBANK, the Bank maintains the highest degree of information security for clients. The information security policy aims to safeguard information assets, maintain the ongoing operations of UKRSIBBANK, reduce information security risks, build trustworthy relationships with customers, and improve the Bank's reputation [43].

According to the international payment card standard PCI DSS, the industry standard for information security DSTU ISO / IEC 27001: 2015 Information technology, the BNPP CyberSecurity Program 2020, and the international standard for information security ISO / IEC 27001 are used through which the information security management system is protected. The Information Security and IT Risk Committee were created at the initiative of the BNP Paribas Group, the Bank's top management, and the Bank's information security control unit. The Information Security and IT Risk Committee of JSC "UKRSIBBANK" has regulations that govern the Committee's work. All Bank personnel and counterparties acting under contractual obligations are bound by the Committee's decisions. The design, execution, ongoing monitoring, and support of the Policy are assisted by senior management and the leaders of the Bank's structural departments [44].

In compliance with Ukrainian law, UKRSIBBANK performs the following measures for systematic client data verification:

1. The bank is receiving identification information from the client or the client's agent.
2. Client verification involves the bank establishing (confirming) that the client's representative's identity in his/her presence corresponds to the identifying information obtained from him/her.
3. Customer due diligence is a process through which the bank obtains information about the financial situation of the customer and the nature of its activities at the stages of customer identification and/or servicing; assesses the financial situation of the customer; determines whether the customer or the person acting on the behalf is a member of a national or foreign public organization, a member of an international organization with political functions, or a person associated with the customer.

Data for identification of individual and entrepreneur:

1. For an Individual:
  - Passport document
  - TAXPAYER IDENTIFICATION NUMBER (TIN)

- Address
  - Other data if necessary
2. For an Entrepreneur:
- Passport document
  - TAXPAYER IDENTIFICATION NUMBER (TIN)
  - Address
  - Registration documents
  - Other data if necessary
3. For a Juridical person:
- Registration and constituent documents
  - Address
  - Persons authorized to manage accounts
  - Ownership structure
  - UBO (Ultimate Beneficial Owners)
  - Other data if necessary [2]

Strategic approach of the bank's management for decision-making on internal and external conditions includes combining the results of assessments of the internal and external environment of the bank with further selection of the optimal development program that will most successfully meet the current situation and will allow the best use of the strengths of the bank, using opportunities and overcoming threats, see Table 2.3.

*Table 2.3*

### **SWOT ANALYSIS**

| Strengths   | Weaknesses  |
|---|---|
| <ol style="list-style-type: none"> <li>1. It has a large number of offices throughout the country: 240 branches and 1,000 ATMs</li> <li>2. Nearly 2 mln clients trust Ukrsibbank</li> <li>3. Bank's reputation</li> <li>4. Effective management</li> <li>5. Qualified employees</li> <li>6. Transparent ownership structure and support of bank participants</li> <li>7. Operating experience at the market of Ukraine since 1990</li> <li>8. Use of modern banking technologies</li> </ol> | <ol style="list-style-type: none"> <li>1. The bank has a smaller client base than its competitors</li> <li>2. Change of services without informing clients</li> <li>3. A small number of branches in comparison to PrivatBank</li> <li>4. Considerable amount of problem debts</li> </ol> |

|   |  |
|---|--|
| <p>9. Competitive services provided to corporate customers</p> <p>10. Wide use of electronic document flow</p> <p>11. Availability of independent subdivision in the bank, namely the Department for Planning and Analysis of Risks, which is responsible for assessment and adequacy of the level of accepted risks</p> <p>12. Communication with the bank, receipt of information of interest is available via information service of the bank, web-site, internet-banking service</p>  |  |
| <p><b>Opportunities</b></p>   | <p><b>Threats</b></p>  |
| <p>1. Maintenance of the banking industry growth rate</p> <p>2. Increased confidence in services provided by the bank in comparison with investment offers of other financial institutions</p> <p>3. Appearance of new popular products at the market of banking services</p> <p>4. Focus on customers as the main trend that can provide competitive advantages to the bank in the long-term outlook</p> <p>5. Increase of the number of corporate and individual clients</p> <p>6. Creation of extended branch network</p> <p>7. Tendency of population to keep their savings</p> | <p>1. A lot of players on the market</p> <p>2. Increased requirements from the side of the NBU</p> <p>3. The economic crisis</p> <p>4. Military operations in Ukraine</p> <p>5. Availability of dissatisfied clients and change of expectations</p> <p>6. Slowdown of economic growth, decrease of consumer demand</p> <p>7. Increase of operational risks connected with territorial distribution of structural departments of the bank</p> |

Source: Made by the author

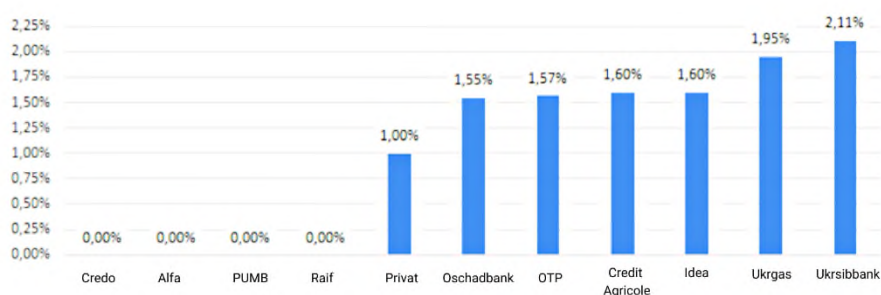
To add analytical information to the SWOT table, it is also worth comparing the cost of services of UKRSIBBANK with other Ukrainian banks; see Figures 2.7; 2.8; 2.9; 2.10.



**Fig. 2.7.** Fee for cash withdrawal in the bank that issued the card, % of the amount.

Source: [107]

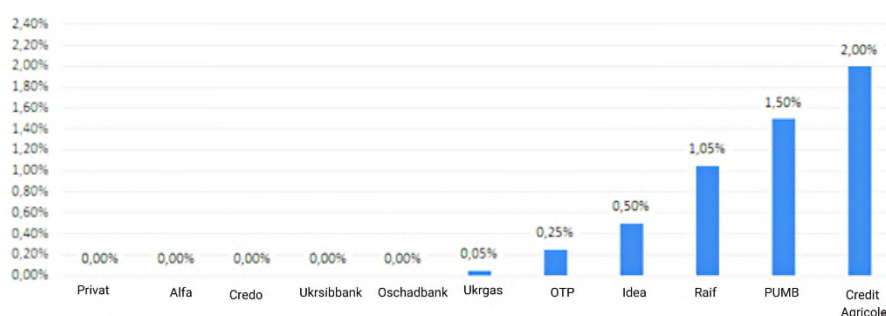
This graph shows that Oschadbank, Credit Agricole, Ukrgasbank, Raiffeisen Bank, and Ukrsibbank have established the best conditions for customers in terms of commission for cash withdrawal in the bank that issued the card. These banks have no commission.



**Fig. 2.8.** Commission for cash withdrawal in other banks, % of the amount.

Source: [107]

The highest commission for cash withdrawal in UKRSIBBANK from other banks is 2.11%. Perhaps in this way the bank wants to keep customers to use only its services. With payment cards from Kredobank, Alfa Bank, FUIB Bank and Raiffeisen Bank people can get money for free at any ATM.



**Fig. 2.9.** Commission for transferring funds between accounts within the bank, % of the amount.

Source: [107]



According to the terms of most cards of leading Ukrainian banks, such as PrivatBank, Alfa-Bank, Kredobank, Ukrsibbank and Oschadbank, customers do not need to pay a fee for transferring money between accounts within the bank.



**Fig. 2.10.** Commission for transferring funds to accounts in other banks, % of the amount.

*Source: [107]*

The most advantageous for customers in terms of fees for transferring funds to accounts in other banks is Alfa Bank. Although the fee of Ukrsibbank is not very high compared to Credit Agricole, 0.5% and 2% respectively.

UKRSIBBANK BNP Paribas Group is persuaded that contemporary business plays a significant role in society. The bank has been carrying out many social programs for many years intending to assist various individuals, including children and adults, who particularly require assistance and support. The bank makes an effort to benefit society. To do this, the bank contributes through working with charity foundations and organizations and supporting initiatives that advance education and a healthy lifestyle.

The All-Ukrainian Charitable Organization "Down Syndrome" and UKRSIBBANK BNP Paribas Group have been raising awareness of the demands of those with this syndrome for 11 years. Through its unique "Silver Coin" campaign, the bank works with its customers to help for initiatives that have a significant positive impact on the lives of people with Down syndrome and their families. Concurrently with its clients, the bank gathered money for three consecutive months to provide

grants to local groups that support kids with Down syndrome for the implementation of creative development projects for kids with particular needs.

On Maslenitsa in 2020, UKRSIBBANK hosted a charity fair including freshly baked hotcakes produced by bank staff around Ukraine. Money was raised at the event to benefit homeless animals and the bank's eco-initiatives.

UKRSIBBANK encourages the development of a welcoming atmosphere. In 2020, the bank provided funding for a program that organized specialized remedial lessons to help autistic youngsters socialize and adjust. Autism cannot be treated, children with it can be fraternized, which will enable them to attend school and institute and find employment. This is made possible by pedagogical and psychological programs. The children were able to attend the center, which focuses on behavior modification, the teaching of general and specific skills, world orientation, and the mastery of foundational programs in reading, writing, arithmetic, etc., thanks to the help of the bank. Parents' feedback indicates that with each project kid has improved in terms of development.

The UN Sustainable Development Goals for fostering economic growth and decent jobs as well as gender equality have the bank's endorsement. UKRSIBBANK BNP Paribas Group has ratified the Statement on Gender Equality and the Prevention of Domestic Violence. The Women in Business initiative was launched. It is designed for female firms' owners wanting to launch the ventures or improve the caliber of the ones they already have. It has been managed by UKRSIBBANK for the past two years while upholding the ideals of sustainable development and maintaining gender parity in the workplace. Currently, women own or manage around 25–26% of small and medium-sized businesses in Ukraine. This is in line with international statistics. Therefore, the expert skill level, cognitive characteristics, and commercial prowess of women lead to the continuous expansion of the national growth. However, besides, gender equality in the workplace aids in improvement the market understanding and, in big firms, supports more lucrative decision-making.

The bank runs the "School of Young Banker" - financial education program for younger students. In these projects, which contains specialized components in the city

of occupations KidsWill, children learn through engrossing fictions how people acquired the necessities in the distant past when there was no money, why cashless transactions are secure and trustworthy, how to pay with a wave of the hand, and what the future of money will look like. The bank hosted a series of Young Banker Schools in 2020 that comprised a way of the institution and an introductory to the financial industry and were based on a new augmented reality guidebook [21].

The advantages of nuclear energy over other forms of energy in terms of economic growth, energy security, and greenhouse gas emissions are acknowledged by nations who have chosen to pursue nuclear power. By making this policy public, BNP Paribas hopes to guarantee that the projects it assists in financing adhere to all monitoring criteria and therefore lessen the negative environmental and social effects of nuclear power [73].

With 30% of all jobs and 6% of the world's GDP coming from agriculture, it is a substantial part of the global economy. A bank is assisting with that, but if this sector is not properly managed, it may have a highly negative impact on local ecosystems, inhabitants, and global warming [92].

The global Paris Agreement was signed in December 2015, and the BNP Paribas Group, a long-time supporter of the power sector, backed efforts to limit climate change to 2°C over pre-industrial levels. In addition to expanding its support for alternative energy, UKRSIBBANK is announcing a new global finance strategy for the extraction, production, and transportation of unconventional hydrocarbons [71].

BNP Paribas has steadily intensified the requirements for funding projects involving coal, particularly those involving the production of coal-fired energy. BNP Paribas has not provided funding for any infrastructure investments utilizing coal-fired power plants after 2017. Regarding the buying or selling of such businesses across the entire globe, it makes no recommendations. The bank has established a deadline after which the Group's power production clients will no more be permitted to utilize coal [72].

The Group has previously declared in 2017 that it would no longer be lending money to or investing in firms engaged in the manufacture of tobacco (producers, wholesalers and traders whose revenues are mainly provided by such activities) [78].

The cornerstone to a fulfilled everyday existence for people and the promotion of the national growth is the continuity of monetary assistance. Since February 24, the UKRSIBBANK team has worked to maintain the operations, so that it can continue to offer nearly 2 million customers—including major multinational corporations, medium-sized and small companies, staff and retirees—the essential and high-quality economic assistance they require. From the first days of the war, the bank introduced some quick solutions to support customers:

1. Simplified procedures for providing banking services.
2. Introduced loan repayment holidays and special solutions to support retail clients and SMEs.
3. Canceled some service fees.
4. Expanded the options for remote service through UKRSIB business and UKRSIB online banking.
5. Created conditions for individual support of corporate clients.
6. The 90-day extension of card validity.
7. Increased cash withdrawal limits.

Due to the Group's assistance, the opening of bank accounts by Ukrainians in France, Luxembourg, Germany, and Poland has been significantly simplified [99].

To promote businesses, youth, community needs, and environmental preservation while promoting alternative energy, the bank runs the corporate social responsibility program engagement.

First and foremost, the bank supports initiatives that may be impacted by coordinating service availability, partnership programs, employer responsibility, open procurement policies, corporate social responsibility initiatives, and most significantly - by involving staff in a proactive stance.

UKRSIBBANK promotes practical ideas that have a beneficial influence on sustainable development and the digital transition. The bank is confident that inventive

companies and technological developments need encouragement. To assist these startup innovators in realizing new initiatives and luring shareholders for future active business expansion, UKRSIBBANK and Startup Network co-hosted the Startup IT Battle, entitled Time to Grow a Horn.

The business partnership between UKRSIBBANK and Popcorp marked the next step in assisting startups. As a result, a commercial interaction between six graduate parties and the bank was created. Four additional participants extended conducting research programs with the bank so they could examine the concepts independently of the development programme [30].

The French-Ukrainian VR-festival "Virtualité," now has UKRSIBBANK as a companion, which in 2020 welcomed the French Institute in Ukraine for the first time. Since 2017, the French Institute and a network of French cultural organizations across the world have hosted an international celebration of digital cultures known as "Digital November" in various locations around the world.

Digital growth pervades many aspects of existence. Every day, UKRSIBBANK, as a premier bank, provides technology solutions to consumers. Simultaneously, as a devoted promoter of film, the bank aims to guarantee that as many spectators as possible enjoy a new and fascinating immersive experience in VR cinema. Such inventive films completely immerse spectators in a fictitious tale realm, making them one of the film's heroes. BNP Paribas Group, the primary shareholder of UKRSIBBANK, has been a supporter of cinema for over 100 years [26].

UKRSIBBANK was one of the initial enterprises in Ukraine to provide Mastercard cardholders the option to make transactions without using their hands by utilizing the Mi Smart Band 4 NFC. The cutting-edge gadget was jointly created by Mastercard and Xiaomi, two major global technology businesses. It is only accessible to users of such a purchase service's cards [96].

Among the technological innovations in UKRSIBBANK was the light-verification process, which makes it possible to open an account without visiting a branch. The idea is still under development, but it will radically change the payment habits of citizens. The bank also launched the Dreams option - a service for making dreams come true in

the UKRSIB online application, which allows a person to choose a goal, determine the amount and gradually move towards its achievement [41].

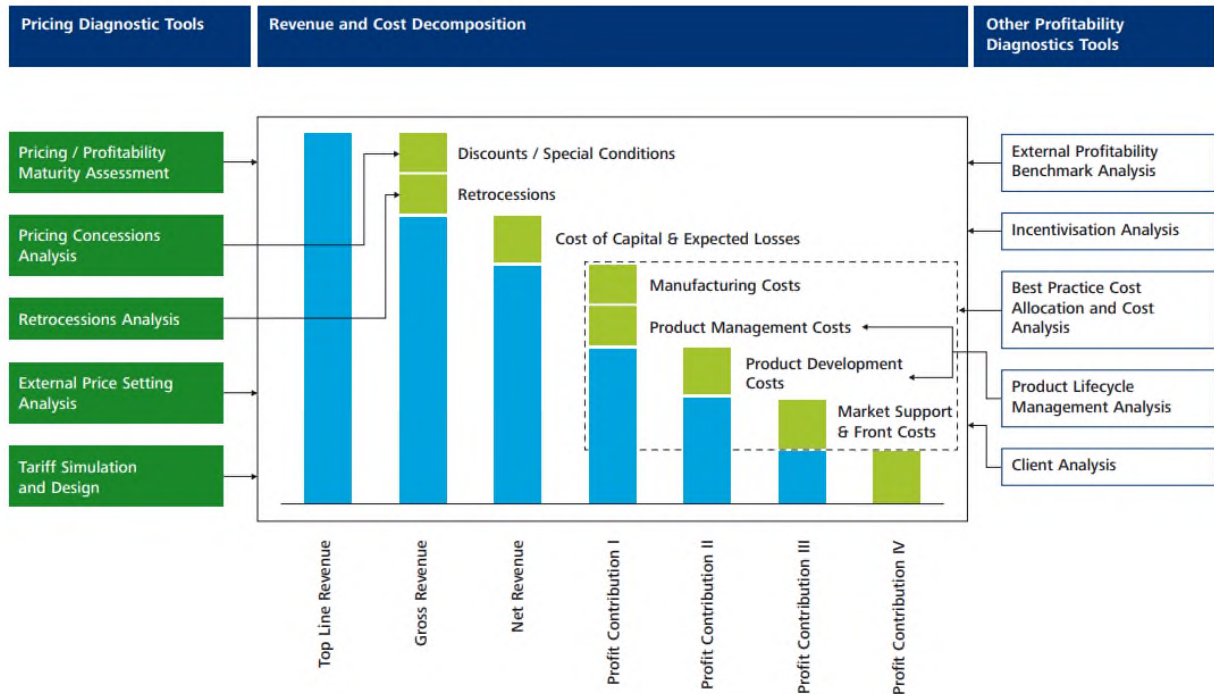
The UKRSIBOnline solution is already used by more than 1.4 million clients with its rapid development. UKRSIBBusiness replaced the old platform and provides excellent customer service for legal entities. To meet the requirements of the NBU and the needs of customers, an ID solution in the 23/7 SEP format was introduced. Customers are offered a Tap on Phone solution with the functions of the Electronic Funds Register. Further development is planned to integrate online registration of new business relationships and the use of mobile phones, such as NFC POS terminals, into the application. The Data Hub project based on Big Data technological stack is being implemented, which will enable the creation of modern CRM systems for real-time interaction with customers. Migration of the main SAP banking system from IBM DB2 to Oracle RAC database [20].

### **2.3 Assessment of the competitive pricing policies in JSC UKRSIBBANK**

Financial services are under a great deal of competitive pressure as a result of the difficulties of finding out how to increase profitability. An approach to achieving this aim is to boost sales without engaging in risky acquisitions, expanding to new sites, or hiring more personnel. The management of pricing has a substantial and direct impact on revenue. Even if it is challenging to grow revenue based on volume, a 10% improvement in pricing may result in up to a 25% rise in profits. The internal and external factors listed below demonstrate why banks are flocking toward price management as a formidable engine of profitable development.

Pricing and profitability are two essential components that make a substantial contribution to a business's bottom line. Deloitte offers five essential diagnostic frameworks to carry out price analysis. These frameworks are all designed to help diagnose pricing issues. It is possible that this will act as a springboard for further investigation and analysis for UKRSIBBANK. Other aspects of the pricing strategy, such as the study of price concessions and retrocessions, the analysis of external price

setting, and tariff simulation, look at the pricing strategy as a whole; whereas the study of price concessions and retrocessions focuses on certain building blocks of the pricing strategy using pricing diagnosis tools, see Figure 2.11.



**Fig. 2.11.** Pricing Diagnostic Tools for the Banking Industry proposed by Deloitte Switzerland

Source: [24]

The sector of the economy that deals with financial services has been subjected to a large level of competitive pressure due to the very tough issue of boosting profitability. Since the bulk of markets and products have already reached a high level of maturity, there are limited remaining chances for volume-based revenue growth. Retail products and services, such as mortgages, credit cards, and a growing proportion of brokerage, are fast becoming commodities with little distinguishing characteristics. Customers are getting more intelligent, educated, and demanding as more resources become available to them. In addition to the growth of regulations such as MiFID, this shift in consumer understanding is one of the elements leading to greater price transparency.

Pricing is now more crucial than ever for retail banks: it is one of the most influential variables in determining customer satisfaction and profitability. Pricing is

of the highest importance, particularly in light of the current economic context, which is characterized by growing cost pressure and evolving consumer expectations. It presents issues for banks to manage, but also presents them with opportunities. Transparency is gaining traction; technology and legislative initiatives are important contributions to this growth.

The legislation provides the environment in which firms must price their products and services, but technology reduces the cost of information and modifies customers' comparing and buying habits. Regulation has the capacity to foster both market openness and productivity. In order to minimize market distortions and inefficiencies and to ensure that consumers have access to a varied variety of financial products, it must also pay sufficient regard to the specifics of financial products and client preferences. A client's satisfaction with a firm is a multidimensional criterion. Due to the nature of the customer-bank relationship, which is focused on the long term, financial institutions place a premium on client happiness [23]. The fact that customer pleasure is not only a performance indicator, however, makes its systematic consideration in pricing more difficult and requires a particularly thorough analysis, see Table 2.4.

*Table 2.4*

**Comparison of the TOP-5 banks of Ukraine in terms of service**

| Indicator                  | Privatbank   | Monobank   | Oschardank   | Raiffeisen Bank  | Ukrsibbank  |
|----------------------------|--|--|--|--|---|
| Deposits and contributions | till 6 percent annually  | till 8 percent annually  | till 10.5 percent annually   | till 8.5 percent annually  | till 0.5 percent annually   |
| Loans                      | 18 percent annually for cash loans, 12-16 percent annually for mortgages | 3.1 percent monthly for cards, 21-147 percent annually for other loans | 3.9 percent monthly for cards, 56-91 percent annually for a cash loan, 7-16 percent for a mortgage | 4 percent monthly for cards, 32 percent annually for a cash loan | 3.75 percent monthly for cards, from 49.9 to 108.7 percent annually for a cash loan |
| Credit cards               | till 55 days of grace period, maximum UAH                                | till 62 days grace period,   | till 62 days grace period,   | till 100 days grace period,                                      | till 56 days of grace period,   |

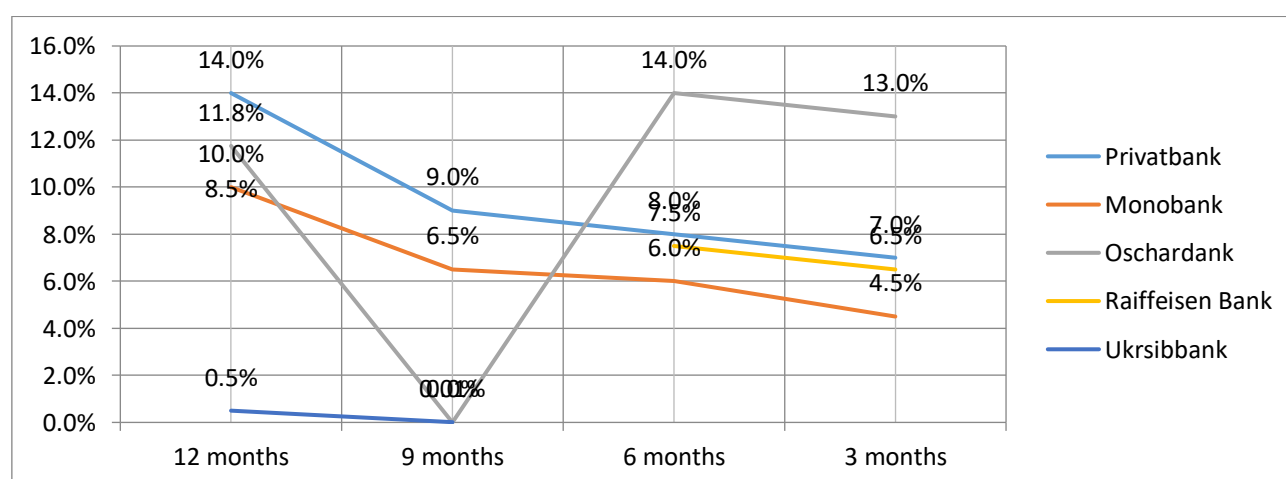


|   |  |   |   |  |  |
|---|--|---|---|--|--|
|   | 200,000;<br>Sending funds<br>abroad - \$1-50<br>transfer fee                       | maximum<br>UAH<br>100,000,<br>cashback till<br>20 percent                       | maximum<br>UAH<br>250,000   | maximum<br>UAH<br>250,000  | maximum UAH<br>200,000   |
| Transferring<br>funding<br>overseas     |  | 1.5-50<br>dollars<br>transfer fee   | 15-500<br>dollars<br>SWIFT fee  | 15-50<br>dollars<br>SWIFT fee  | 50 dollars<br>SWIFT fee  |
| Transferring<br>money within<br>Ukraine | 0 percent<br>between<br>Privatbank<br>cards, up to 2<br>percent to<br>another bank | 0 percent<br>between<br>Monobank<br>cards, 1.8<br>percent to<br>another<br>bank | 0 percent<br>between<br>Oschadbank<br>cards, 1.8<br>percent to<br>another<br>bank | 0 percent<br>between<br>Raiffeisen<br>Bank cards,<br>1.5 percent<br>to another<br>bank | 1 percent +5<br>UAH between<br>Ukrsibbank<br>cards or to<br>another bank |

Source: [37]

Its only institution in the country to have an AAA rating from Standard & Poor is Ukrsibbank. This financial organization offers access to the most exclusive cards and service offerings in addition to the possibility to invest. Ukrsibbank is capable of providing lending rates that are among the most attractive in the market because to the low interest rates provided on deposits.

Let examine the spectrum of retail deposits using some data as a starting point (as shown in the Figure 2.12).



**Fig. 2.12.** Comparison of current maximum deposit rates

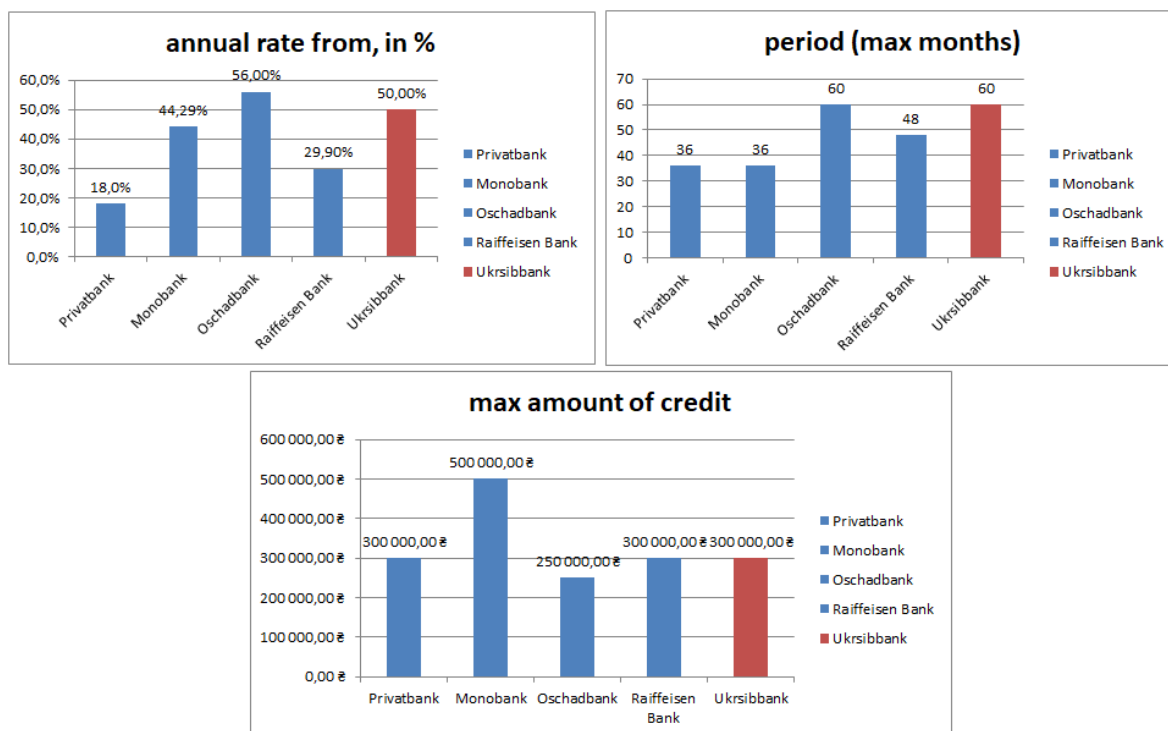
Source: [64]

Currently, the market for deposits is rather competitive. Customers of almost every financial institution have the option of making deposits. Other programs

include those needed by the market for financial services. Ultimately, brand-new items of cutting-edge technology serve no function in a country. A bundle that combines bank deposits with insurance products and maybe even more complicated programs would be an excellent illustration of this. For example, the program of long-term savings deposits for 10–20 years is not very active in Ukraine, meaning it does not operate at the same level as in industrialized European countries.

Each commercial bank has its own deposit policy based on the strategy and goals it has established for its own development. Concurrently, it is essential to ensure that there are sufficient deposit resources for active operations, primarily lending, expanding the range of services to attract resources and strengthening work with the customer base, as well as enhancing the skills of bank employees, as well as the culture and the quality of service. All of these factors are essential [65].

Even during wartime, banks offer new loans, but these loans have unique characteristics. The risk appetite of banks has reduced significantly. The need for credit among individuals and companies has diminished dramatically, and only a few sectors and industries, notably agriculture, require more finance. The government has strengthened state assistance programs to safeguard their access to credit. Small borrowers continue to obtain inexpensive loans, and the government and banks share credit risk. Since the start of the full-scale conflict, net hryvnia loans to firms have grown, mostly as a result of aid initiatives, see Figure 2.13. Given the unpredictability of macroeconomic situations and the financial health of borrowers, substantial lending to enterprises is now only viable if governmental assistance programs are expanded [67].



**Fig. 2.13.** Annual rate, period and max amount of credit of Privatbank, Monobank, Oschadbank, Raiffeisen Bank and Ukrsibbank.

Source: [42]

According to the chart, it can be concluded that Ukrsibbank is in a stable competitive position in the banking market. One of the strengths of the bank is the maximum loan disbursement rate of 60 months, as well as the competitor Oschadbank. The leader in the annual rate is Privatbank, because they have the lowest rate, which is attractive to customers and is a competitive advantage. As for Ukrsibbank, the loan rate is one of the highest, so it is not very attractive.

Nearly every Ukrainian bank is now preoccupied with the challenge of making the shift to environments with more dynamic and intense levels of competition. Because of this, the behavior of strategic management has to be improved in order to better adapt to the environment of the market and obtain the satisfied results that are essential for continued existence and growth in both domestic and foreign markets.

New methods for the analysis of contemporary competition are required by scientific research because of the significant intensity of rivalry brought on by fundamental shifts in competition. As a direct consequence of this circumstance,

research on the nature and characteristics of banking rivalry at the current stage of economic growth was carried out. The idea of competitiveness is essential to the understanding of competition as a theoretical framework. As a result, the responsibilities of further study into the development of competition theory include the design of a contemporary mechanism for managing the competitiveness of the bank as well as the development of the appropriate methodological and analytical equipment [74].

There are five main banks that will be taken into account to evaluate the competitiveness of banking services from the perspective of the consumer, who wants to make an informed decision about taking a consumer credit. To evaluate the competitiveness of banking services the parametric method was used, and the following input data (as shown in Table 2.5).

*Table 2.5*

**TOP 5 Ukrainian banks parameters of service competitiveness**

| № | Parameters / Indicators  | Privatbank | Monobank  | Oschadbank | Raiffeisen Bank | Ukrsibbank |
|---|--|------------|-----------|------------|-----------------|------------|
| 1 | Percent rate, %  | 18         | 44,29     | 56         | 29,9            | 50         |
| 2 | Crediting terms, months  | up to 36   | up to 36  | up to 60   | up to 48        | up to 60   |
| 3 | Min amount of credit, UAH  | 10 000 ₴   | 2 500 ₴   | 1 000 ₴    | 10 000 ₴        | 3 000 ₴    |
| 4 | Max amount of credit, UAH  | 300 000 ₴  | 500 000 ₴ | 250 000 ₴  | 300 000 ₴       | 300 000 ₴  |
| 5 | Reliability of banking reputation, in points using a 5-point scale | 3,83       | 3,4       | 3,69       | 4,1             | 3,93       |
| 6 | The stress resistance, in points using a 5-point scale             | 3,5        | 3,5       | 3,2        | 3,9             | 4          |

Source: compiled by the author

The next Figure 2.14, the economic (yellow) and technical (green) parameters were highlighted. In addition, the coefficient of priority was added. The sum of coefficient of priority for each economic and technical equal one.

| № | Parameters / Indicators  | Privatbank | Monobank | Oschadbank | Raiffeisen Bank | Ukrsibbank | CP  |
|---|--|------------|----------|------------|-----------------|------------|-----|
| 1 | Percent rate, %  | 5          | 2        | 2          | 3               | 2          | 0.6 |
| 2 | Crediting terms, months  | 3          | 3        | 5          | 4               | 5          | 0.6 |
| 3 | Min amount of credit, UAH  | 1          | 2        | 5          | 1               | 2          | 0.2 |
| 4 | Max amount of credit, UAH  | 3          | 5        | 2,5        | 3               | 3          | 0.2 |
| 5 | Reliability of banking reputation, in points using a 5-point scale | 3,83       | 3,4      | 3,69       | 4,1             | 3,93       | 0.1 |
| 6 | The stress resistance, in points using a 5-point scale             | 3,5        | 3,5      | 3,2        | 3,9             | 4          | 0.3 |

**Fig. 2.14.** Highlighting economic and technical parameters and coefficient of priority.

The next step is calculating the group indicators using Formulas 2.1 and 2.2.

$$\text{Economic Indicator} = \text{Percent rate} * \text{CP}(\text{pr}) + \text{min amount} * \text{CP}(\text{min am}) + \text{max amount} * \text{CP}(\text{max amount}) \quad (2.1)$$

$$\text{Technological Indicator} = \text{credit terms} * \text{CP}(\text{credit terms}) + \text{reliability} * \text{CP}(\text{reliability}) + \text{stress} * \text{CP}(\text{stress}) \quad (2.2.)$$

Results of calculations using Formulas 2.1 and 2.2, see Table 2.6.

Table 2.6

#### Economic and Technical indicators of banks

|                           |     |
|---------------------------|-----|
| $Ie(\text{Privatbank}) =$ | 3,7 |
| $Ie(\text{Monobank}) =$   | 2,6 |
| $Ie(\text{Oschadbank}) =$ | 2,5 |
| $Ie(\text{Raiffeisen}) =$ | 2,5 |
| $Ie(\text{Ukrsibbank}) =$ | 2,0 |
| $It(\text{Privatbank}) =$ | 3,2 |
| $It(\text{Monobank}) =$   | 3,2 |
| $It(\text{Oschadbank}) =$ | 4,3 |
| $It(\text{Raiffeisen}) =$ | 4,0 |
| $It(\text{Ukrsibbank}) =$ | 4,6 |

Source: compiled by the author.

The next step is calculating the competitiveness of parameters using formulas 2.3 and 2.4.

$$Ke = Ie / Iet \quad (2.3)$$

$$Kt = It / Iet \quad (2.4)$$

Results of calculations using Formulas 2.3 and 2.4, see Table 2.7.

Table 2.7

### Competitiveness of banks parameters

|                           |      |
|---------------------------|------|
| $Ke(\text{Privatbank}) =$ | 0,74 |
| $Ke(\text{Monobank}) =$   | 0,52 |
| $Ke(\text{Oschadbank}) =$ | 0,49 |
| $Ke(\text{Raiffeisen}) =$ | 0,50 |
| $Ke(\text{Ukrsibbank}) =$ | 0,40 |
| $Kt(\text{Privatbank}) =$ | 0,65 |
| $Kt(\text{Monobank}) =$   | 0,64 |
| $Kt(\text{Oschadbank}) =$ | 0,87 |
| $Kt(\text{Raiffeisen}) =$ | 0,80 |
| $Kt(\text{Ukrsibbank}) =$ | 0,92 |

Source: compiled by the author.

After calculating the competitiveness of parameters, it is necessary to use them for defining the competitiveness of the banks using Formula 2.5.

$$Int = Kt / Ke \quad (\text{If } Int \text{ is } 1 \text{ or more, the services of a bank are competitive}) \quad (2.5)$$

Results of calculations using Formula 2.5, see Table 2.8.

Table 2.8

### Points for bank competitiveness

|                            |      |
|----------------------------|------|
| $Int(\text{Privatbank}) =$ | 0,87 |
| $Int(\text{Monobank}) =$   | 1,22 |
| $Int(\text{Oschadbank}) =$ | 1,76 |
| $Int(\text{Raiffeisen}) =$ | 1,59 |

|                    |      |
|--------------------|------|
| $Int(Ukrsibbank)=$ | 2,28 |
|--------------------|------|

*Source: compiled by the author.*

According to the performed analysis of the bank competitiveness, it is possible to conclude that Ukrsibbank is the most competitive because it has 2.28 points which is much higher than other competitors. The strongest positions of this bank are crediting terms and stress resistance. While the level of percent rate and min amount of credit should be taken into account and Ukrsibbank should change the strategy of applying these indicators.

The Ukrainian economy is presently faced with the huge problem of increasing the international competitiveness of Ukrainian commodities. This undertaking will need substantial expenditures in the upgrading of manufacturing facilities and growth of national infrastructure. Taking into account the deficit in the Ukrainian government's budget, the insignificant volumes of foreign capital investment in the Ukrainian economy due to the low level of state and corporate international credit ratings, and the low rates of growth of economic entities' own investment capital, the primary source of investment capital for businesses is banking institution resources. This is due to the comparatively poor international credit ratings of both the Ukrainian government and its enterprises.

Ultimately, the objective of the banking system is to direct the flow of financial resources in order to maximize their output. First and foremost, the necessity for banks to make investments stems from their desire to achieve the highest possible profitability while maintaining their solvency, expanding their customer base and creating a structure for their comprehensive service, enhancing their competitive position on the markets, and reducing the overall risk associated with their banking activities. Consequently, banks are now required to make investments. Therefore, there is a need for an in-depth study of the peculiarities and prospects of bank investment, forms and methods of bank capital investment from the perspective of considering their impact on economic development, as well as the development of methodological principles for measuring the effectiveness of bank investment with risk, both in the field of economics and in the practice of banking [83].

To determine a company's return on investment, take the amount of money that the company made from an investment, which is typically referred to as the net profit (the cost of the investment minus its present value), divide it by the cost of the investment, and then multiply that number by 100. This will give the percentage return on the investment. The outcome needs to be reported in the form of a percentage, see Formula 2.6.

$$ROI = (Net\ Profit / Cost\ of\ Investment) \times 100 \quad (2.6)$$

Using the ROI formula, it is possible to make calculations for Ukrainian banks, see Table, 2.9.

Table 2.9

### ROI for four Ukrainian banks

|                 | Net Profit (2021) in<br>bln UAH | Cost of Investment (2021) | ROI (2021) |
|-----------------|---------------------------------|---------------------------|------------|
| Privatbank      | 35,05                           | 222,277                   | 15,77%     |
| Oschadbank      | 1,1                             | 128,647                   | 0,86%      |
| Raiffeisen Bank | 4,86                            | 7,269                     | 66,86%     |
| Ukrsibbank      | 1,48                            | 16,9                      | 8,76%      |

Sources: [47]; [48]; [49]; [108]

According to the calculations above, the bank with highest ROI comparing to other is Raiffeisen Bank showing 67%. The third place is taken by Ukrsibbank covering 8,7%, which is a good result in the Ukrainian bank industry. The worst result was presented by Oschadbank by 0.86%.

The outbreak of the coronavirus in Ukraine and the subsequent imposition of martial rule surely had an effect on the performance of Ukrainian banks, particularly on their profitability. Since dealing with clients is one of the most crucial aspects of a bank's job, consumer mistrust of financial institutions is another significant element contributing to the industry's decline. It is vital to increase the amount of financial information that is completely transparent in order to conduct an accurate assessment of the liquidity and financial stability of the banking institution in order to emerge victorious from the crisis.



As a result, finding a solution to this issue should be a top priority in the near future for the management team at the National Bank of Ukraine as well as the management team at each individual financial institution. The work that has been done by the NBU to set standards of transparency and efficiency of the banking system and compliance with rules by each bank will, in the future, have a good impact. This effect will be the result of the NBU's efforts. The use of cutting-edge and creative banking products will boost the overall performance of the banking industry, particularly the profitability of the sector.

## **CHAPTER 3. REFINEMENT OF THE PRICING POLICIES STRATEGY OF JSC UKRSIBBANK**

### **3.1 Feasible ways of addressing the threats to UKRSIBBANK's pricing policy**

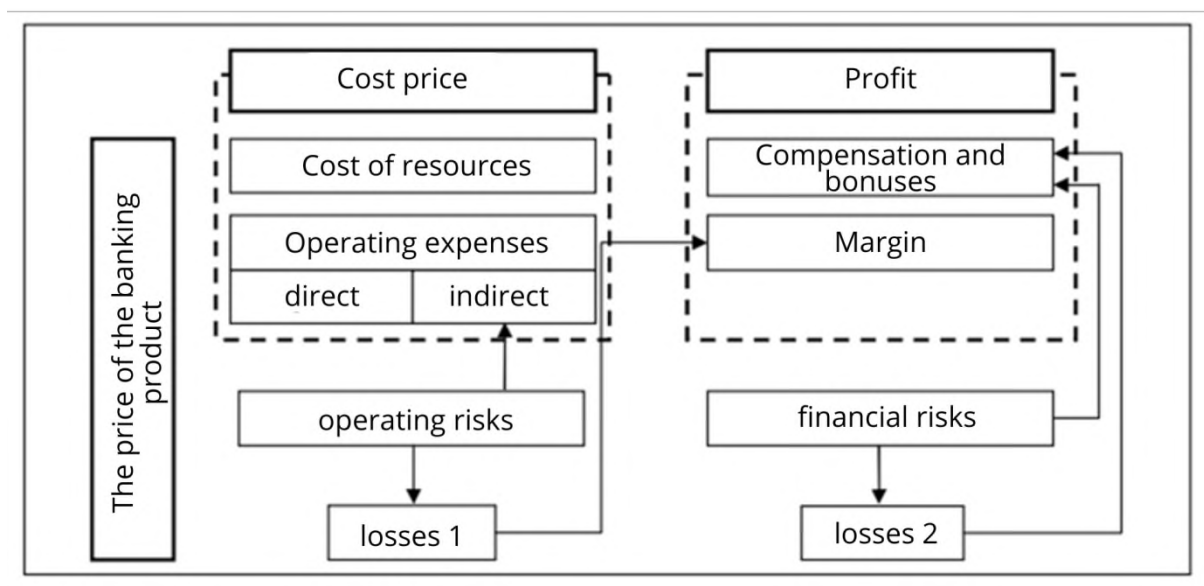
The management of a bank's assets and liabilities is closely connected to that institution's risk management. The role of risk management is pervasive across all aspects of banking operations. Active operations at a bank, particularly those involving lending and investments, are connected with a range of banking hazards. In addition, there are several dangers involved with the process of generating money via deposits, securities, and balances on current and settlement accounts. The following are the primary categories of risk that are associated with asset and liability management: interest rate risk, liquidity risk, credit risk, market risk, currency risk, insolvency risk, and securities transaction risk.

The currently existing pricing systems for banking products and services are reduced to the main three systems for setting prices: based on the prices of competitors; based on the costs incurred; based on the amount of demand [38].

In retail banking, the most frequent and easiest technique for establishing the pricing of a product or service is to use the price level of rivals' offerings. This is because the actions of competitors are constantly taken into account during pricing. The present scenario can only be explained by the fact that it is difficult for new players to join the banking sector and that the price limit maintained by the leaders enables the majority of banks to maintain acceptable profit margins. This is the only explanation for the present circumstance that can be provided. This is the only answer that makes sense under the present conditions. In the pricing structure, which is determined by the manufacturing expenditures, both the cost and the profit are accounted for.

Currently, the cost may be calculated using several approaches. Regardless of the technique used, the calculation is always conducted in two basic stages: the first includes the collection and distribution of expenses throughout the different divisions

of the company, and the second involves the allocation of these costs to particular banking products. All divisions of a commercial bank should be regarded as responsibility centers or cost accounting objects, which explains the existence of these two phases. This is because it is hard to collect meaningful information on the cost of banking goods without information regarding the expenses spent at the locations where they occur. The figure depicts the process that leads to the creation of a profit as well as the expenses of banking products and activities, taking into account the risks that are reflected in the pricing of banking goods, see Figure 3.1.



**Fig. 3.1.** Pricing scheme for banking products

*Source: [13]*

The uniqueness of operational risk is that it is embedded in all processes, working environments, systems, and external variables, and not only during operations. In comparison to other forms of risk, however, the capacity to foresee the evaluation of some operational hazards is restricted. Many operational losses result from operational risk.

External causes of operational risk include:

- 1) Accidental or intentional actions of individuals and legal entities directed against the interests of the Bank;
- 2) Adverse external circumstances beyond the Bank's control;

- 3) Technological failures in the operation of systems and equipment beyond the control of the Bank.

Operational risk also arises due to the impact of internal factors:

- 1) The inefficiency of the Bank's internal control;
- 2) Non-compliance by employees with the established procedures and regulations;
- 3) Deficiencies in the organizational structure of the bank in the field of distribution of duties;
- 4) Imperfections in the established procedures and practices of banking operations.

The occurrence of these events is possible due to employee error (human factor), system failure (technical factor), and changes in external conditions.

It is essential to emphasize the primary perspectives from which the operational risk management policy of the bank is formulated and to choose useful indicators for each of these perspectives. Identifying susceptible parties will guarantee that the bulk of a credit institution's banking operations are covered, see Table 3.1.

*Table 3.1*

### **Operational risk indicators for assessing economic security**

| Direction of the Bank's operational policy | Indicator   | The indicator's content   |
|--|---|---|
| Business process management                | The ratio of losses from operational risk to operating expenses (I1)                    | $I1 = LOR/OE$ , where: LOR – losses from the implementation of operational risk (the sum of all expenses of the part of the statement of financial results),<br>OE – operating expenses of the bank |
| Digital systems management                 | The ratio of gross income to the costs of information systems (I2)                      | $I2 = GI/IT$ , where: GI is the gross income of the bank,<br>IT costs for information systems   |
| Personnel management                       | The ratio of the bank's net profit to personnel costs (I3)                              | $I3 = P/ERE$ , where: P is the bank's net profit,<br>ERE – bank staff costs.  |
| External factors                           | The ratio of expenses related to operational risk management to the bank's capital (I4) | $I4 = OPE/BC$ , where:<br>OPE – operational risk management costs,<br>BC – the bank's equity  |

*Source: [103]*

Since all financial institutions are different in terms of capital and assets and have distinctive features according to the nature of banking operations, it is important to use indicators with relative values rather than absolute ones.

Interviewing current and former employees, performing an annual self-assessment of operational risk and forms of control aimed at reducing threats, studying the trends of key risk indicators, and reviewing reports from internal and external audits of a financial institution are all methods proposed for locating and naming operational risk. When carried out, these procedures allow for the rapid identification of operational dangers and the development of measures to remove them, making them particularly important in the banking business.

Methods of preventing losses from operational risks and methods of compensating for losses caused by operational risks are the two categories that can be derived from the classification of operational risk management methods according to the method of risk exposure (by time, objectives of events, and areas of application). The goals of preventive techniques, which are management methods, are the prompt detection of exposure to operational risks, the reduction of probable losses, and the strengthening of preventive measures to minimize the level of risks. Limitation and/or aversion to risk is another factor that is taken into consideration, as well as the formulation and ongoing maintenance of the regulatory framework; control; informing management; the development of technology; and techniques of personnel policy.

Loss recovery techniques are a form of operational risk management approach, and their primary objective is to provide coverage for various sorts of losses that might result from the execution of operational risk. It is important to differentiate between two strategies that seem to be quite similar: risk covering at the cost of capital and risk insurance. On the other hand, since they are not organized, they are complicated and include a variety of indicators for each particular risk category [110].

In various strategies of economic security, there is such a direction as financial security. It protects the financial capabilities of economic entities. The banking system is part of the financial security structure. Internal threats to financial security are:

1. Economic crimes;

2. Abuse of authority of government representatives;
3. The erroneous economic policy of the country;
4. Mistakes in the management of the authorities.

External threats:

1. Variability of financial instruments;
2. Globalization of the world economy;
3. Autonomy of some subjects;
4. Introduction of new information technologies;
5. Dependence on global investments;
6. The inability of regulatory authorities to influence the situation in a timely manner [50].

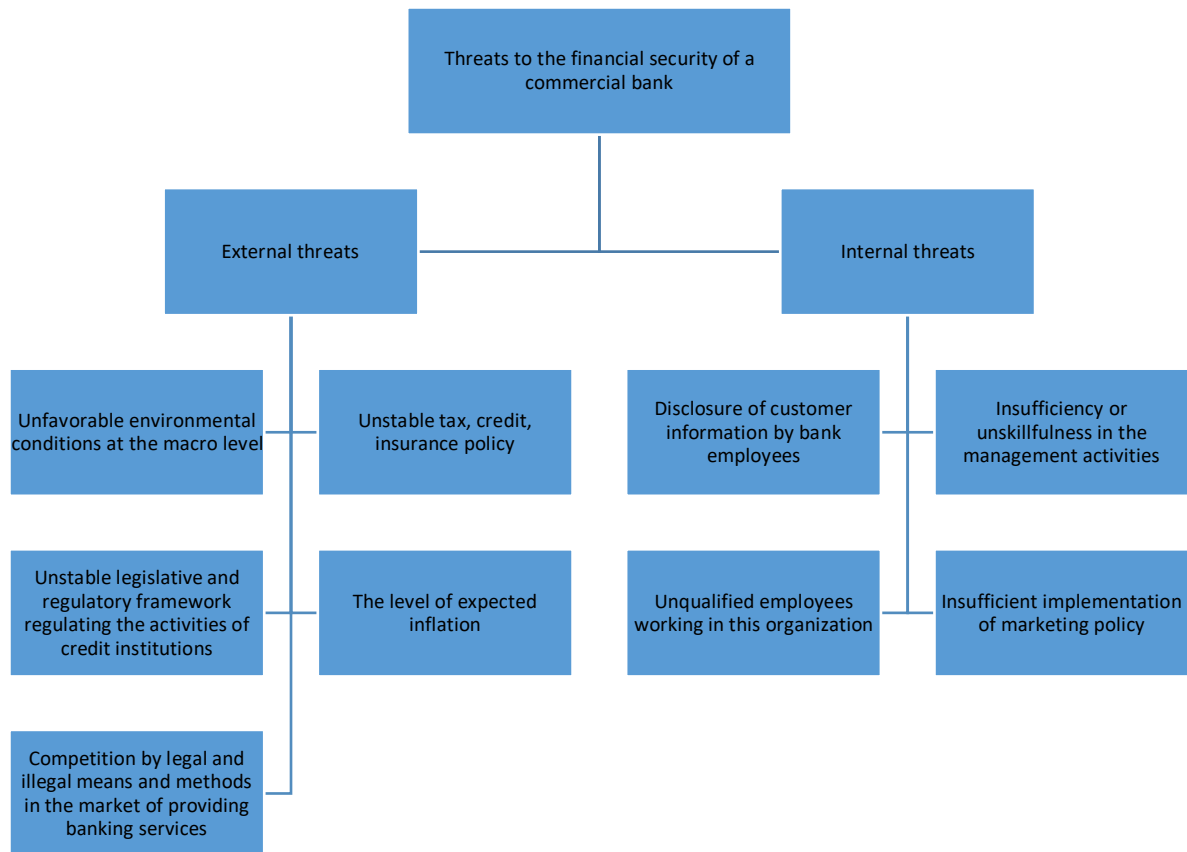
Based on the levels of the bank's loan activity, economic hazards may be broken down into the following three categories: The degree to which the bank is protected against economic risks on a global scale (such as the possibility of economic sanctions or of having their access to resources on a global scale restricted, for example). The degree to which the bank contributes to the economic stability of the nation (threats: uneven development of regional banks, a decline in the pace of economic development of the country, etc.). The degree of economic stability maintained on the bank's premises (threats: problems in the implementation of credit policy, loss of liquidity, etc.).

One of the most vital parts of every nation's infrastructure is its banking system. If the nation's financial system is put under stress, the state will feel the effects as well. That is why the financial stability of banks is one of the requirements necessary for the continued existence of states and the maintenance of international relations [63].

The epidemic caused by COVID-19 is one of the most significant tests of the post-crisis financial system that has occurred. The epidemic has caused a worldwide financial crisis of a magnitude that has never been seen before, sending the global economy into a recession whose severity and length are unknown. The world's financial system is tasked with a twofold mission: first, it must keep the flow of loans going despite slowing growth rates; second, it must successfully handle rising risks.

As the market's functionality continues to deteriorate, it becomes more important to take steps that will sustain operations and preserve the integrity of the company. The authorities maintain constant touch with the market infrastructure and closely monitor the steps taken by exchanges, central counterparties, and other participants of market infrastructures to ensure their stability and business continuity. This guarantees that the infrastructures continue to work properly. There have been modifications to the short sale standards, and some authorities have even placed a temporary ban on short sales [53].

An example of a risk to the financial stability of the bank is the probability of a negative impact on certain operational processes of the financial-credit institution. Threats to the economic stability of a financial and credit firm are often categorized as either internal or external, just as they are in any other kind of business. The first category comprises elements that contribute to the development of threats to the bank's financial stability. These hazards arise inside the managed system due to the purposeful or inadvertent acts of the company's internal entities. These dangers may be induced by a variety of circumstances, see Figure 3.2. The second type is distinguished by the extent to which the occurrence of risk is unconnected to the internal management practices of the company. Threats presented by anything of this kind might range from simple market factors that produce market circumstances (such as competitive processes) to political and social dangers (when the demand for loans and deposits is compressed due to the inability or unwillingness of the general population to afford these services) [15].



**Fig. 3.2.** External and internal threats to the financial security of a commercial bank

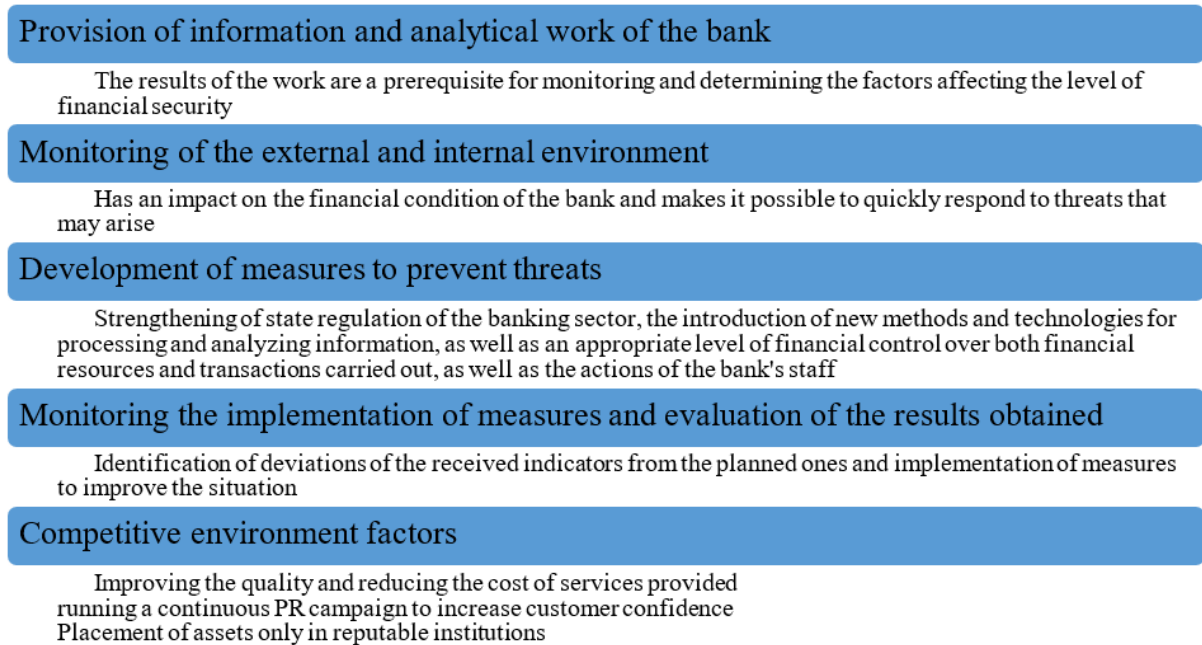
*Source: [39]*

These dangers can significantly affect a bank's ability to do business because it has so little influence over the external dangers it faces. The Bank can only make adjustments to its operations in response to external hazards or take these factors into consideration while operating its business. Therefore, in order to maintain its financial stability, the bank has to reduce the risks that are inherent to its operations and take into account the factors that are external to the organization in order to improve its performance and work more effectively.

An evaluation of a bank's financial security must begin with an analysis of the commercial bank's reliability as well as its capacity for maintaining financial stability. In order to conduct an analysis of a bank's financial security and reveal its current situation, one utilizes methods that are designed for analyzing financial stability. Nevertheless, while evaluating the stability of the bank's finances, it is essential not only to identify the negative trends that are occurring at the moment but also to



speculate on when they may emerge again in the future. The following order of events constitutes the implementation of the bank's financial security management system, see Figure 3.3.



**Fig. 3.3.** Financial security management mechanism of a commercial bank

*Source: [15]; [39]*

The bank operates in two unique types of control (current and final) to ensure the continued financial security of its clients. The current control is primarily concerned with determining whether the actual results correspond to the predetermined objectives. The final check provides an assessment of the effectiveness of the measures that have been implemented to ensure financial stability. The commercial bank is responsible for monitoring the bank's overall currency condition in addition to its liquidity indicators, capital adequacy indicators, and a number of problem loans. Control allows drawing conclusions about the current state of financial security of the bank, as well as about the effectiveness of the bank's efforts to improve the level of financial security. Since maintaining financial security at an appropriate level is a critical tool for achieving a bank's commercial purpose, each commercial bank is expected to conduct coordinated and reasonable operations in order to maintain a sufficient level of financial security. There is an urgent need for banks to find new

methods of monitoring the level of financial security of the bank based on the threshold values of key indicators of financial statements; the professional development of bank employees; the formation of reserves for unanticipated losses on unpaid loans; and the active use of advertising to attract new customers. In today's context of uncertain market circumstances, banks must promptly develop new methods for monitoring the bank's financial security.

### **3.2 Ways of improving pricing policy strategy**

The pricing process consists of the following sequence of steps: determining pricing objectives; determining product demand and analyzing its elasticity; conducting a cost analysis; analyzing prices and competitors' goods; selecting a pricing strategy; selecting a pricing method; and establishing final prices.

In actuality, the quantity of demand for banking services is a derivative of the demand function for manufactured goods, since the requirement of firms to attract loans is mostly governed by the solvent desire of their consumers. The demand for certain banking services relies on the bank's reputation, the size of the market it controls, and the current economic and political climate. Indicators of demand elasticity for banking services in terms of price and income of borrowers also influence the manipulation of loan prices. It is well recognized, for instance, that the demand for loans from corporations is often more price sensitive than that of individuals. Moreover, various groups of customers have varying degrees of price sensitivity for banking services, therefore pricing models may vary significantly based on the borrower's group membership. The prices of competitors determine the upper and lower bounds of the price-fixing range for a particular bank. It is crucial while assessing the pricing of rivals, to find market areas in which the bank can compete with other banks in terms of service composition and quality.

Depending on the circumstances, the bank may establish premium rates; win the competition owing to the originality of the products or superior service; lower costs by offering equal quality services. The structure of expenses associated with the supply of financial services lowers the price-setting threshold. In banking pricing, it is also feasible to employ break-even point analysis, which permits the theoretical calculation of the price at which there is no short-term profit. The first feature of bank pricing is that the cost of loans granted by banks is directly correlated with the monetary policy followed by both the national and foreign monetary authorities.

Depending on the requirement to attain a given objective at a particular moment, the bank may use a distinct approach. At the same time, it is essential to recognize that a commercial bank may have varying objectives depending on the passage of time, the state of the banking services market, and the bank's financial health. Among the objectives are maximization of present earnings, entry into a new market area, maintenance of market positions, market leadership, and product quality leadership [75].

Recently, there has been a shift toward adopting a strategic approach to the pricing process. This is owing to the fact that under circumstances defined by a substantial number of innovations and a high degree of competition, it is impossible to achieve pricing policy success by depending just on the cost approach, without additionally using marketing principles. This has resulted in the birth of the strategic pricing method. The table presents a classification of the most prevalent pricing strategies currently accessible, see Table 3.2.

*Table 3.2*

**Classification of pricing strategies in the banking services market**

| Category of pricing strategy | Type of pricing strategy | Characteristics of the strategy  |
|------------------------------|--------------------------|--|
| Competitive pricing          | Skimming                 | Profit maximization in conditions of low competition due to the establishment of a premium surcharge |
|                              | Penetration prices       | Capturing a large market share by setting low prices   |

|   |                       |  |
|---|-----------------------|--|
|   | Average market prices | Stable sales by setting prices corresponding to the value of the goods   |
| Differentiated prices                     | Price discrimination  | Assigning different prices to different consumer groups to remove excess |
|   | Preferential prices   | Application of various discount systems                                  |
| Focus on the competitive market situation | Price leadership      | Setting the minimum price on the market                                  |
|   | Competitive prices    | Setting the price depending on the price of competitors                  |

Source: [54]

According to the Table 3.2, it will be necessary to advise Ukrsibbank in using the focus on the competitive market situation or competition-based price.

In modern conditions, along with the rivalry between banks, banks face increasingly serious competition from non-bank financial institutions. These are insurance companies, financial brokers, pension funds, investment funds, credit card companies, etc., as well as non-financial organizations. The result of the universalization of banking and increased competition from non-banking institutions was the rapid development of financial conglomerates. By regulating the level of competition in the banking industry, certain state instruments influence specific competitive forces by increasing or decreasing them. Protection of banking competition is aimed at preventing abuse of dominant position. According to the legislation of Ukraine on the protection of economic competition, the following illegal actions by banking institutions have a negative impact on it - abuse of monopoly (dominant) position; anticompetitive concerted actions; concentration of banks, as well as mergers and acquisitions that lead to this.

Market demand, as a competitive force, can have a significant impact on the activities of economic entities. In this context, the regulatory role of the NBU is to protect the interests of commercial banks. Thus, by establishing mandatory reserve requirements, which also affect consumers of banking services as a competitive force, changing reserve requirements, the NBU forces banks to change interest rates accordingly in order to maintain profitability.

If a product is part of a mature market saturated with a significant number of competing items and alternatives, then the activities of rivals might serve as a crucial pricing strategy guideline.

Competitive pricing analysis is an evaluation of the market's response to new prices based on market research, consumer surveys, and historical data. This study is based on external variables, such as the response of customers and rivals to price adjustments, but does not account for the business's expenses or potential profit. Competitive pricing is a pricing strategy that helps businesses attract more customers by optimizing prices in light of rivals' rates. A pricing plan that is coordinated efficiently has a favorable influence on sales growth, customer relations, and revenue.

According to Forrester Consulting, 81 percent of purchasers evaluate offers from many companies to get the best price [86].

Large banks can choose market segments and potential competitors that provide the highest rate of return on their work because they have access to vast amounts of resources.

The broad standard set that is offered to the majority does not satisfy all consumer requirements. There are a huge number of extra restrictions imposed by major federal banks, but the bank is unable to offer them since they rely on regional factors, culture, clients' mindset, customs, etc. Several additional criteria emerging from big federal banks have been added to the list, the number of which is rather considerable; nevertheless. Regional banks should take advantage of this gap because they are more familiar with local characteristics; they are more flexible in terms of decision-making and maneuvering speed because their main offices and management are located locally, in the regions; and they have experience collaborating with regional economic entities and authorities. An excellent example elucidates the proper implementation of the strategy.

Let examine a product that banks offer: settlement and cash services. It will contain characteristics such as service time, a list of services and rates, and the necessary registration procedures, among others. Taking into account the modernization and implementation of new opportunities, the regional bank now offers an evening cash

desk, service during the lunch break, free certification of documents, reduced list of necessary papers for registration, proximity of the office, and many other alternatives. The bank will be able to compete and be successful if it delivers a product that can more fully satisfy the customer's stated requirements. Consequently, the analysis of new consumer requests acts as the basis for the change of existing banking products. This suggests that change is possible, and as a result, a tiny bank can compete successfully and do business [111].

Pricing based on the product's value is one of the pricing strategies a bank may adopt to determine its interest rate policy. This strategy takes into account not the expenses paid by the bank, but rather the customer's evaluation of the service's quality. The quality, usefulness, and relevance of a deposit or loan for the client all contribute to the creation of the institution's attitude toward the customer and, therefore, the acceptable price level for the customer (in this case, an interest rate). When using this method of pricing, banks frequently begin with the premise that the value of the service to the customer should not merely be stated, but rather should be emphasized in every way possible and should produce in the customer, respectively, the belief that he/she cannot live without a service of this quality provided by a specific bank. Typically, here is where the price approach begins.

When selecting the interest rate that will be applied to resources and loans, it is advisable to analyze it in connection to the level of interest rate, quality, and reliability supplied by other firms in the market for comparable services. At the same time, it is vital to consider the potential of using so-called pricing manipulation, which occurs when a client perceives a little higher price for a product (in this example, the interest on the loan) as an indication of the service's worth. This is a factor that must be taken into account.

The principle of contrast may be utilized to manipulate prices. Different rates are determined for practically identical services. This creates conditions that result in customers having a more positive perception of slightly more expensive services. When choosing this pricing technique, the bank should bear in mind that establishing a loan rate that is too high or an interest rate on resources that is too low might make

some banking products unavailable to clients. As a consequence, the bank's revenue from lending assets will fall, or the bank will lose depositors due to a decline in the inflow of resources. On the other hand, if the bank understates the interest rates on loans or sets excessively high rates on deposits and deposits, it may be forced to cope with a significant drop in income or an increase in expenses.

If the goal of the bank's interest rate strategy is to maximize present profits, then it is suggested that this pricing method be used.

When banks lose pricing control over rivals, their interest rate policies almost always reflect current market rates. This is the most common pricing approach used by banks in their interest rate programs. The usage of this pricing method is advised for smaller banks whose business goal is to follow the leader. Banks that can charge high-interest rates to attract new resources while keeping low-interest rates on current loans would, of course, prevail. Due to competition from non-banking entities with far lower operating expenses, it would be unprofitable for many banks to pursue a policy of following the leader in establishing interest rates. This is because these non-banking entities have far lower operational expenses than banks. Despite all odds, a significant number of banks make it a point to maintain their pricing at the same level as the current market rates. This is because without doing so, it is impossible to achieve an acceptable level of transaction volume and adequate profit. Pricing based on this technique does not require direct knowledge of the cost structure of providing services to customers; yet, as can be seen, pricing based on this method does place some emphasis on cost structure information.

When choosing how the bank will manage its interest rate policy, establishing strong relationships with clients requires a distinctive approach. In this case, it is in everyone's best interest to accommodate as much as possible to the demands of the most profitable clients, hence it would be prudent to use pricing schemes based on customer relationships. To use this pricing strategy, the bank needs to have a thorough grasp of the components of its expenses. Moreover, the prices of the bank's services must be determined using such calculations that they at least cover the costs associated with providing those services, while ensuring that the bank maintains a high level of

overall profitability as a direct result of maintaining appropriate customer relationships [76].

"In the next 12 months, the majority of respondents predict a reduction in the volume of both corporate and retail lending. At the same time, estimates of the prospects for the resumption of consumer lending improved slightly compared to the previous quarter. Banks believe that the quality of the loan portfolio will deteriorate. Respondents expect a reduction in funding in the next 12 months, but they have more optimistic estimates of the prospects for attracting public funds compared to the first quarter. In the next three months, banks predict that all types of risks will continue to increase," the NBU said in a statement in July 2022.

The study also found that during the second quarter of 2022, the demand for loans to households fell while the demand for loans to businesses remained the same. In contrast, there was no change in the demand for loans to businesses. In particular, there was a drop in demand for mortgages, which, for the second time in a row, hit the lowest level ever recorded in the annals of survey research.

Estimates provided by financial institutions suggest that credit requirements have grown more stringent for families as well as enterprises for the second quarter in a row. In the third quarter, credit requirements for all customers are expected to tighten. In addition to this, it seems that the percentage of applications for business and retail loans that were granted approval dropped for the second quarter in a row.

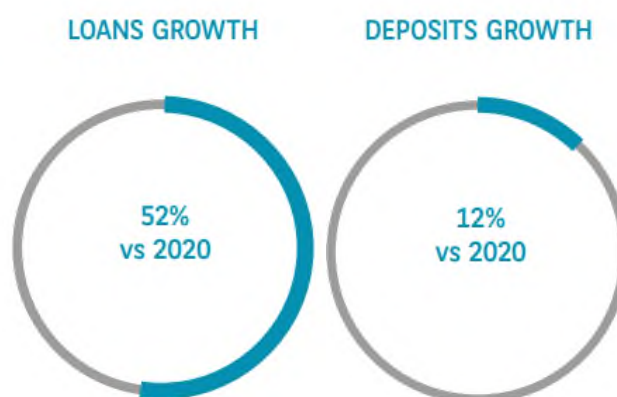
The poll also found that the load of debt carried by firms, particularly major organizations, has increased, but that it has remained at around the same level as before. There has been a minor reduction in the amount of debt carried by the population, which, according to banks, is now below average.

All sorts of hazards, with the exception of liquidity risk, were found to have increased, according to the respondents. It is anticipated that there would be an uptick in risks during the third quarter [68].

Earlier, the Association of Ukrainian Banks (AUB) stated that about 20 banks are under threat of bankruptcy, which is almost a third of the total number. This does not mean that all these financial institutions or even a few of them will become bankrupt,



but it indicates that after the increase in the discount rate, they began to have problems with income, and in the conditions of war it can turn into big problems. However, Ukrsibbank is still showing growth in loans and deposits, see Figure 3.4.



**Fig. 3.4.** The loan and deposit growths of Ukrsibbank in 2021 compared to 2020

*Source: [95]*

By increasing its deposits by 12% in 2021, the Ukrsibbank, which continues to have a significant share of the market in terms of volume, remained a strong dynamic. The bank offers its customers a whole range of products: demand deposits, savings accounts, and term deposits.

The bank continued to provide loans even during the COVID-19 crisis, focusing on existing clients and best-selected external prospects.

However, it can be seen that deposits are growing at a slower pace than loans, which is evidenced by the calculations made in 2.3 Assessment of the competitive pricing policy of JSC "UKRSIBBANK", that the rate on deposits is the lowest compared to other banks.

The concept of diversification and increasing the rate of deposits determines the initial path of development for deposit policy, and this path can be taken in either direction. This principle states that the structure of the deposit portfolio, the formation of which is provided by the bank's policy, must include a variety of different sources of attraction of funds, specifically differing in the categories of depositors. The formation of the deposit portfolio is provided by the bank's policy. To put this strategy into action, the following steps have been taken: increasing the variety of deposit products available to individuals; introducing deposit products that take into account

the current interests of depositors in terms of placing funds in the banking sector; conducting ongoing research of the banking deposit market to evaluate the actions taken by other participants in the process of attracting deposits from the general populace.

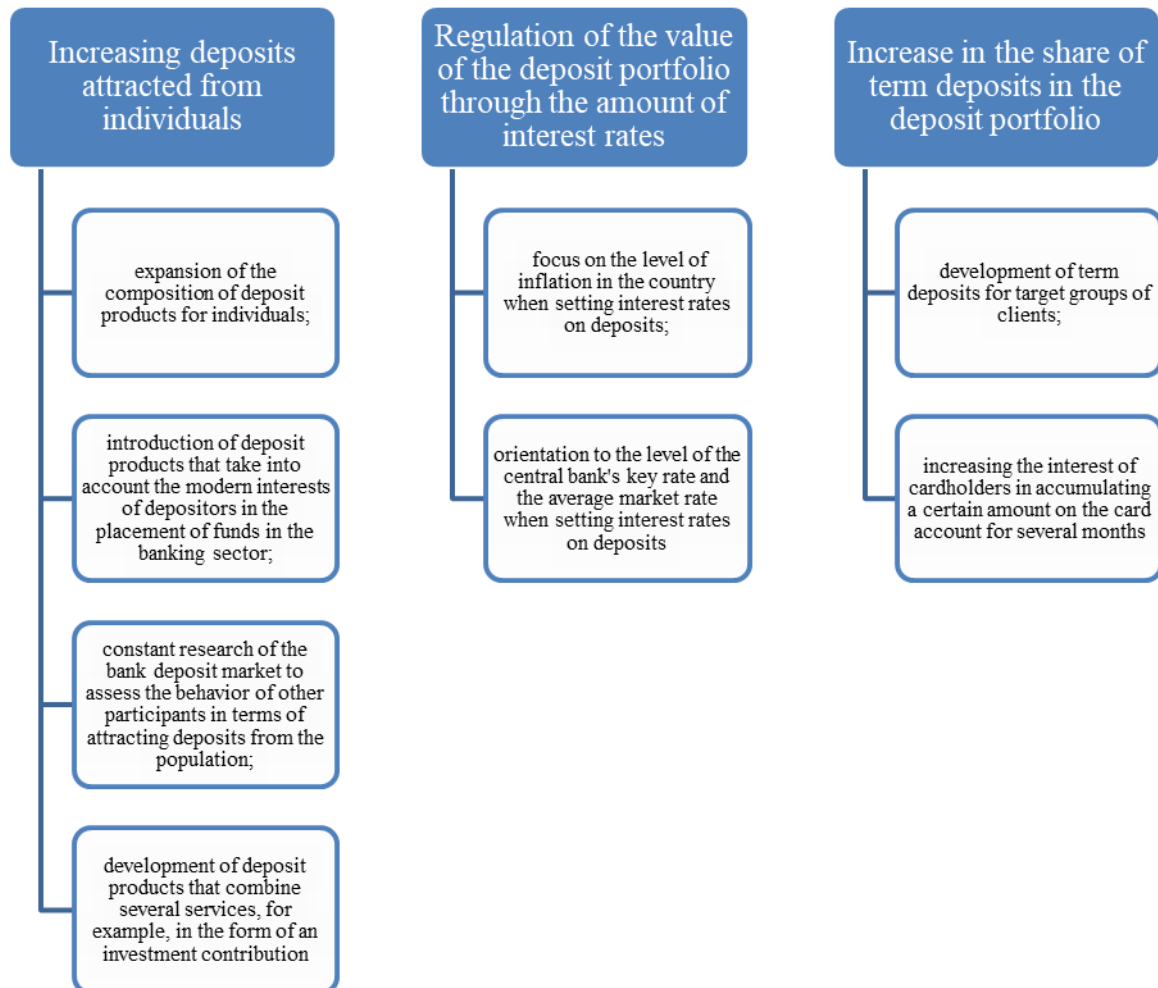
The introduction of deposits that are accepted on special terms, such as a mortgage deposit that will be opened to individuals when applying for a mortgage loan in a bank. Development of deposit products that combine several services, for example, issuing debit cards on more favorable terms when opening a term deposit or vice versa, increasing the deposit rate at the same time the card is issued.

As an example, it can be the concept of diversifying the deposits of UKRGASBANK into categories such as "military" and "let's rebuild cities together." The current situation at the bank may be addressed by diversifying the deposits it accepts, notwithstanding the conflict in Ukraine. In addition, a separate deposit option to assist the armed forces should be established [36].

The second possible route for the growth of the deposit policy is one that focuses on ensuring the consistency of the deposited resources. It is simpler to foresee their diversion from the bank's liabilities, allowing them to govern liquidity and the number of reserves for commitments. The objective of a bank's deposit policy is to encourage term deposits, which are the most secure. The duration of their implantation might vary from a few months to several years, allowing for long-term, revenue-generating activities.

The third route the bank intends to pursue in the development of its deposit policy relates to the regulation of the portfolio's value. According to the investigation's findings, the value of deposit portfolios at the number of financial institutions has recently decreased as a direct consequence of deposit withdrawals. A further reduction in the cost of the deposit portfolio due to reduced interest rates may have a detrimental effect on its size and structure. This is due to the fact that a fall in the rate reduces the profitability of deposits for clients. In reaction to a further fall in interest rates, depositors will reduce their demand for the bank's deposit products. Instead, they will prioritize the goods provided by competitive institutions or instruments with more

profitability. Moreover, the percentage of the portfolio that consists of term deposits may decline. However, there are still some ways of directions for improving the bank's deposit policy, see Figure 3.5.



**Fig. 3.5.** Directions for improving the bank's deposit policy

*Source: [112]*

The bank has to run advertising campaigns if it wants to get any new deposits. Gift giving to customers is the most common kind of deposit marketing. Incentives like this are sometimes tied to a minimum deposit amount, with the bigger the sum, the better the gift the depositor stands to get. Various lotteries and incentive schemes will also contribute to promotion. In the event of a large prize giveaway, it is customary to hand out smaller prizes as well (a travel ticket, a vehicle, etc.).

Such offers sometimes may be close to zero cost. Multiple gyms are popping up right now, and like the bank's new branches, they also need to attract customers. You

may offer the newly opened gym the chance to become a sponsor in the deposit advertising business in exchange for a list of customers who made a deposit during the campaign's period. Give customers the chance to win season passes to a local gym, for instance, when they establish a new account. The drawing may be held as part of a larger get-together planned and hosted by the winner; the main reward will be a six-month membership to a fitness center, and secondary prizes can include things like inflatable mattresses, soccer balls, and volleyballs. Anyone who was present at the drawing but did not win a reward will be extended a one-time pass to the gym. Thus, the bank's customers will have no trouble finding gifts, and the gym will be able to do free targeted advertising to the desired demographic.

Outdoor and television ads, public relations and special promotion support tools, and in-office and employee engagement should all be part of the basic marketing campaign. The contact center always receives priority, and its employees are given extensive training on all new products.

### **3.3 Forecasting efficiency of the proposed strategy**

In forecasting the efficiency of the proposed strategy two ways of forecasting: scenario and ANOVA function were used.

According to the financial performance of Ukrsibbank, the following result is observed for deposits, see Table 3.3.

Table 3.3

#### **Deposits amount in mln UAH in Ukrsibbank from 2019 to 2021**

| 2019 (mln UAH) | 2020 (mln UAH) | 2021 (mln UAH) | change 2021 to 2019 % | change 2021 to 2020 in % |
|----------------|----------------|----------------|-----------------------|--------------------------|
| 18 725         | 25 396         | 28 496         | 52%                   | 12%                      |

Source: compiled by the author

This table is showing the deposits changes from 2019 to 2021. It is obvious that change in 2021 comparing to 2020 is less than comparing to 2019.

That is why the proposed strategy for increasing the level of deposits is considered relevant.

For analyzing the proposed strategy, the method of forecasting using pessimistic, optimistic and pessimistic results were used.

The National Bank reported that during May, the total amount of deposits held within the nation's banking system dropped by UAH 4.2 billion, bringing the total to UAH 760.9 billion. The total amount of the deposit portfolio measured in the local currency fell by UAH 2 billion, bringing it down to UAH 509.9 billion.

The amount of savings in foreign currency has also fallen. Ukrainians removed \$ 74 million from their country's banking system, which is equal to UAH 2.17 billion. There is a total of 8.6 billion dollars' worth of deposits held in various foreign currencies throughout the world's banking system [57].

The first prediction will be performed using pessimistic, realistic, optimistic scenarios, see Table 3.4.

Table 3.4

Pessimistic, realistic, optimistic scenario calculations

|             | 2022 (mln UAH) | 2023 (mln UAH) | 2024 (mln UAH) | change 2022 to 2021% | change 2023 to 2021% | change 2024 to 2021% |
|-------------|----------------|----------------|----------------|----------------------|----------------------|----------------------|
| pessimistic | 29066          | 29647          | 30240          | 2%                   | 4%                   | 6%                   |
| realistic   | 32770,4        | 37685,96       | 43338,854      | 15%                  | 32%                  | 52%                  |
| optimistic  | 35620          | 44525          | 55656,25       | 25%                  | 56%                  | 95%                  |

*Source: compiled by the author*

According to the calculations, it is possible to make conclusions due to each scenario. In pessimistic scenario, the deposit increase will be only by 2% from 2021 to 2022. This number was taken due to the fact that invasion in Ukraine happened and the demand for deposits dropped.

Due to unstable situation in a country, there are still a lot of opportunities for Ukrsibbank to overcome the threats and a least not to lose the position and continue with a stable growth.

Optimistic scenario is showing an increase in deposit amount by 25% from 2021 to 2022, with the prediction that during wartime and crisis time, many banks will go bankrupt. However, people would have the same demand to cover and finding another bank to save the money in. This bank can be Ukrsibbank.

To support the scenario forecasting it will be appropriate to make a forecast using ANOVA function, see Table 3.5 and Figure 3.6.

Table 3.5

### Amount of deposits in Ukrsibbank in mln UAH

| year | Deposits amount<br>in mln UAH |
|------|-------------------------------|
| 2015 | 10 872                        |
| 2016 | 11499                         |
| 2017 | 13 119                        |
| 2018 | 15 205                        |
| 2019 | 18 725                        |
| 2020 | 25 396                        |
| 2021 | 28 496                        |

*Source: compiled by the author*

According to the Table 3.5, every year Ukrsibbank is performing a slight increase in deposits amount. The goal of the proposed strategy is to boost it even more.

## SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0,958938963 |
| R Square              | 0,919563934 |
| Adjusted R Square     | 0,903476721 |
| Standard Error        | 2156,454471 |
| Observations          | 7           |

| ANOVA      |    |             |             |             |                |
|------------|----|-------------|-------------|-------------|----------------|
|            | df | SS          | MS          | F           | Significance F |
| Regression | 1  | 265816356,6 | 265816356,6 | 57,16117062 | 0,000641812    |
| Residual   | 5  | 23251479,43 | 4650295,886 |             |                |
| Total      | 6  | 289067836   |             |             |                |

|           | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%    | Lower 95.0%  | Upper 95.0%  |
|-----------|--------------|----------------|--------------|-------------|--------------|--------------|--------------|--------------|
| Intercept | -6200130,3   | 822399,1502    | -7,539076717 | 0,000650343 | -8314174,603 | -4086085,969 | -8314174,603 | -4086085,969 |
| year      | 3081,1       | 407,5315889    | 7,560500686  | 0,000641812 | 2033,549557  | 4128,736157  | 2033,549557  | 4128,736157  |

**Fig. 3.6.** The ANOVA output for the year and deposit amount in mln UAH variables.

*Source: compiled by the author*

Using ANOVA output there is a linear regression equation for future forecasting, see Formula 3.1.

$$\text{Deposit amount} = -6200130,3 + 3081,1 * \text{Year} \quad (3.1)$$

Year (X1) coefficient interpretation may be that each additional year is associated with an average increase of 3081,1 mln UAH in the deposit amount of the bank.

Intercept -6200130,3 is the predicted value for the dependent variable (deposit amount of the Ukrsibbank bank in this case) if the independent variable is equal to zero. But in this case, it is Year which cannot be 0, so it is possible to conclude that the intercept has no meaningful interpretation.

Under the taken assumption Reject H0 if  $F > F_c$  and Do not reject H0 if  $F < F_c$ , while conducting Ftest it was discovered that:

$$F = 57.16$$

$$F_c = 0.0006$$

$F > F_c$ , so reject H0, because there is a shred of sufficient evidence that Year variable affects Deposit amount and there is a linear association.

According to the Summary output from Figure 3.6, the next results should be interpreted:

$R^2=92\%$ , the value of  $R^2$  is the percentage of variability in the deposit amount that is accounted for by knowing only years. Generally, it reveals that 92% of the data fit the regression model.

$R^2(\text{adjusted})=90\%$ , based on the value of  $R^2$  (adjusted), the proportion of variation explained by the estimated regression line is approximately 90%. Thus, the estimated regression equation fits or explains the relationship between years and deposit amount.

The standard error of the Model is 2156,5, meaning it represents the average distance that the observed values fall from the regression line. In this case, the observed value falls an average of 2156,3 points from the regression line.

While having the estimated hypothesis,  $H_0 : b=0$  and  $H_a : b \neq 0$ , the confidence interval for Coefficient Year is (2033,6; 4128,7) according to the ANOVA table. This interval gives 95% of confidence that the average impact on deposit amount is between 2033,6 and 4128,7 of the Year variable. This 95% confidence interval does not include 0. It is possible to reject  $H_0$  because there is a significant relationship between deposit amount and Year at the 0.05 level of significance.

Now it is possible to calculate the predicted variables. The prediction equation is shown in Formula 3.2.

$$Y\text{-hat} = -6200130,3 + 3081,1 * \text{Year} \quad (3.2)$$

For the Predicted deposit amount (Lower or Upper) that is shown in Table 3.6 the next Formula 3.3 was used:

$$\text{Predicted deposit} = Y\text{-hat} \pm \text{Standard Error} * \frac{TINV(1\text{-level}; df \text{ Residual})}{SQRT(\text{Number of points})} \quad (3.3)$$

Table 3.6

**Results of calculations for the foreseen deposit for Ukrsibbank from 2022 to 2028 in mln UAH**

|      |       | Foreseen deposit amount |                  |
|------|-------|-------------------------|------------------|
| Year | Y-hat | Lower Prediction        | Upper Prediction |



|      |         |         |         |
|------|---------|---------|---------|
| 2022 | 29853,9 | 27758,7 | 31949,1 |
| 2023 | 32935   | 30839,8 | 35030,2 |
| 2024 | 36016,1 | 33920,9 | 38111,3 |
| 2025 | 39097,2 | 37002,0 | 41192,4 |
| 2026 | 42178,3 | 40083,1 | 44273,5 |
| 2027 | 45259,4 | 43164,2 | 47354,6 |
| 2028 | 48340,5 | 46245,3 | 50435,7 |

According to the prognosis in the Table 3.6, the next conclusions can be made:

- It is possible to predict that Ukrsibbank in 2022 will have a deposit amount in mln UAH from the lowest possible 277758,7 to the highest possible 31949,1.
- It is possible to predict that Ukrsibbank in 2023 will have a deposit amount in mln UAH from the lowest possible 30839,8 to the highest possible 35030,2.
- It is possible to predict that Ukrsibbank in 2024 will have a deposit amount in mln UAH from the lowest possible 33920,9 to the highest possible 38111,3.
- It is possible to predict that Ukrsibbank in 2025 will have a deposit amount in mln UAH from the lowest possible 37002,0 to the highest possible 41192,4.
- It is possible to predict that Ukrsibbank in 2026 will have a deposit amount in mln UAH from the lowest possible 400083,1 to the highest possible 44273,5.
- It is possible to predict that Ukrsibbank in 2027 will have a deposit amount in mln UAH from the lowest possible 43164,2 to the highest possible 47354,6.
- It is possible to predict that Ukrsibbank in 2028 will have a deposit amount in mln UAH from the lowest possible 46245,3 to the highest possible 50435,7.

In conclusion, the linear regression model equation that was analyzed is  $\text{Deposit amount} = -6200130,3 + 3081,1 * \text{Year}$ . The Regression Model coefficient (Year) is appropriate for this model and it should be included, except intercept because it has no meaningful interpretation. Using F-test,  $H_0$  was rejected because there is sufficient evidence that Year affects the Deposit amount. Analyzing the Coefficient of

Determination  $R^2(92\%)$  and Adjusted Coefficient of Determination (90%) the regression line fits or explains the data almost perfectly and the estimated regression equation fits or explains the relationship between Year and Deposit amount. The standard Error for the Model ( $Se=2156.5$ ) tells that the observed value falls an average of 2156.5 points from the regression line. Giving 95% of confidence that the average impact on deposit amount is between 2033,6 and 4128,7 of the Year variable. Calculating predicted values results showed that every next Year the Deposit amount is higher. The model is very reliable because  $R^2=92\%$  is fairly close to 100%.

To manage more accurate and detailed results with the proposed strategy of increasing the deposit percent rate, it is essential to add one more independent variable deposit percent rate to the regression model, see Table 3.7.

*Table 3.7*

**Year, deposit amount and deposit rate from 2015 to 2021 in Ukrsibbank**

| year | deposit amount in mln UAH | deposit rate in % |
|------|---------------------------|-------------------|
| 2015 | 10 872                    | 14%               |
| 2016 | 11 499                    | 10%               |
| 2017 | 13 119                    | 6%                |
| 2018 | 15 205                    | 6%                |
| 2019 | 18 725                    | 7%                |
| 2020 | 25 396                    | 4%                |
| 2021 | 28 496                    | 1%                |

According to the Table 3.7, the deposit rate is decreasing each year, still holding a slight increase in deposit amount. The goal of the proposed strategy is to boost profit even more.

To support the scenario forecasting it will be appropriate to make forecast using ANOVA function for Table 3.7 and Figure 3.7.

## SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0,964995194 |
| R Square              | 0,931215725 |
| Adjusted R Square     | 0,896823587 |
| Standard Error        | 2229,535918 |
| Observations          | 7           |

| ANOVA      |    |             |             |             |                |
|------------|----|-------------|-------------|-------------|----------------|
|            | df | SS          | MS          | F           | Significance F |
| Regression | 2  | 269184514,4 | 134592257,2 | 27,07641301 | 0,004731277    |
| Residual   | 4  | 19883321,64 | 4970830,409 |             |                |
| Total      | 6  | 289067836   |             |             |                |

|                   | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%   | Lower 95.0%  | Upper 95.0% |
|-------------------|--------------|----------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Intercept         | -8018599,905 | 2367125,38     | -3,387484234 | 0,027594004 | -14590793,58 | -1446406,23 | -14590793,58 | -1446406,23 |
| deposit rate in % | 48435,32338  | 58841,05656    | 0,823155229  | 0,456663765 | -114933,6401 | 211804,2868 | -114933,6401 | 211804,2868 |
| year              | 3980,656006  | 1171,178677    | 3,398846038  | 0,027306342 | 728,9427014  | 7232,36931  | 728,9427014  | 7232,36931  |

**Fig. 3.7.** The ANOVA output for the year, deposit rate and deposit amount in mln UAH variables.

*Source: compiled by the author*

Using ANOVA output there is a multiple regression equation for future forecasting since there are two independent variables, see Formula 3.4.

$$\text{Deposit amount} = -8018599,9 + 3980,7 * \text{Year} + 48435,3 * \text{deposit rate} \quad (3.4)$$

Intercept -8018599,9 is the predicted value for the dependent variable (deposit amount of the Ukrsibbank bank in this case) if independent variable is equal to zero. But still in this case it is Year which cannot be 0, so it is possible to conclude that the intercept has no meaningful interpretation.

Year (X1) coefficient interpretation may be the next: each additional year is associated with an average increase of 3980,7 UAH in deposit amount of the bank.

Deposit rate (X2) coefficient interpretation may be the next: each additional percent is an average increase by 48435,3 mln UAH.

Under the taken assumption Reject H0 if  $F > F_c$  and Do not reject H0 if  $F < F_c$ , while conducting Ftest it was discovered that

$$F = 27.07$$

$$F_c = 0.0047$$

$F > F_c$ , so reject H0, because there is sufficient evidence that Year and Deposit percentage variables affect Deposit amount and there is a linear association.

According to the Summary output from Figure 3.7, the next results should be interpreted:

$R^2=93\%$ , the value of  $R^2$  is the percentage of variability in the deposit amount that is accounted for by knowing only years and deposit rate. Generally, it reveals that 93% of the data fit the regression model.

$R^2(\text{adjusted})=90\%$ , based on the value of  $R^2$  (adjusted), the proportion of variation explained by the estimated regression line is approximately 90%. Thus, the estimated regression equation fits or explains the relationship between years, deposit rate and deposit amount.

Now it is possible to calculate the predicted variables. The prediction equation is shown in Formula 3.5.

$$Y\text{-hat} = -8018599,9 + 3980,7 * \text{Year} + 48435,3 * \text{Deposit rate} \quad (3.5)$$

For the Predicted deposit amount (Lower or Upper) that is shown in Table 3.8 the Formula 3.6 was used:

$$\text{Predicted deposit} = Y\text{-hat} \pm \text{Standard Error} * TINV(1\text{-level};df \\ \text{Residual}) / \text{SQRT}(\text{Number of points}) \quad (3.6)$$

Table 3.8

**Results of calculations for the predicted deposit for Ukrsibbank from 2022 to 2028 in mln UAH**

| Year | deposit rate | Y-hat      | Predicted deposit amount |                  |
|------|--------------|------------|--------------------------|------------------|
|      |              |            | Lower Prediction         | Upper Prediction |
| 2022 | 0,50%        | 30617,6765 | 28278,0                  | 32957,3          |
| 2023 | 1%           | 34840,553  | 32500,9                  | 37180,2          |
| 2024 | 2%           | 39305,606  | 36965,9                  | 41645,3          |
| 2025 | 4%           | 44255,012  | 41915,3                  | 46594,7          |
| 2026 | 5%           | 48720,065  | 46380,4                  | 51059,7          |
| 2027 | 7%           | 53669,471  | 51329,8                  | 56009,1          |
| 2028 | 11%          | 59587,583  | 57247,9                  | 61927,3          |

According to the forecasting in the Table 3.8, the next conclusions can be estimated:

- It is possible to predict that Ukrsibbank in 2022 will have a deposit amount in mln UAH from the lowest possible 28278.0 to the highest possible 32957.3 by 0.5% deposit rate.
- It is possible to predict that Ukrsibbank in 2023 will have a deposit amount in mln UAH from the lowest possible 32500.9 to the highest possible 37180.2 by 1% deposit rate.
- It is possible to predict that Ukrsibbank in 2024 will have a deposit amount in mln UAH from the lowest possible 36965.9 to the highest possible 41645.3 by 2% deposit rate.
- It is possible to predict that Ukrsibbank in 2025 will have a deposit amount in mln UAH from the lowest possible 41915.3 to the highest possible 46594.7 by 4% deposit rate.
- It is possible to predict that Ukrsibbank in 2026 will have a deposit amount in mln UAH from the lowest possible 46380.4 to the highest possible 51059.7 by 5% deposit rate.
- It is possible to predict that Ukrsibbank in 2027 will have a deposit amount in mln UAH from the lowest possible 51329.8 to the highest possible 56009.1 by 7% deposit rate.
- It is possible to predict that Ukrsibbank in 2028 will have a deposit amount in mln UAH from the lowest possible 57247.9 to the highest possible 61927.3 by 11% deposit rate.

In conclusion, the multiple linear regression model that was performed is  $\text{Deposit amount} = -8018599,9 + 3980,7 * \text{Year} + 48435,3 * \text{deposit rate}$ . The Regression Model coefficients (Year and Deposit Rate) are appropriate for this model and they should be included, except intercept because it has no meaningful interpretation. Using F-test,  $H_0$  was rejected because there is sufficient evidence that Year and Deposit rate affects the Deposit amount. Analyzing the Coefficient of Determination  $R^2(93\%)$  and Adjusted

Coefficient of Determination (90%) the regression line fits or explains the data almost perfectly and the estimated regression equation fits or explains the relationship between Year, Deposit rate and Deposit amount. Calculating predicted values results showed that each next Year with higher Deposit range the higher the Deposit amount. The model is very reliable because  $R^2=93\%$  is fairly close to 100%. In addition, comparing to the previous model it is even more reliable since the  $R^2$  is higher and also new independent variable was added. These forecasting has proved that Ukrsibbank should increase the deposit rate using the previously proposed strategy to gain more profit.

## CONCLUSIONS AND RECOMMENDATIONS

Pricing policy is the most essential mechanism that provides many opportunities for the economic development of the enterprise. It significantly influences the volume of the enterprise's operational activity, the formation of its image, and the level of its financial welfare as a whole. The price policy is an effective tool for competition in the commodity market. First, the company determines what goal it should pursue. In the next stage, internal market research is carried out. The company examines its pricing policy, how flexible it is and how it is formed, what price range is set for similar products, and how market factors change consumer preferences. Then The company decides how it will set the retail price of goods.

Many internal (costs, predetermined goals, firm image, product life cycle, advertising activities) and external (competition, consumers, government control, economic conditions, channel intermediaries) factors significantly affect the process of pricing in the organization, creating certain boundaries in which the company has the opportunity to act. These factors affect the degree of discretion the organization has in pricing its products. The following price risks are distinguished: calculation risks, risks from the market reaction, and risks from the terms of delivery and payment, payment risks, dispositional risks.

Cost-based pricing ensures that the enterprise always generates profit, is simple to understand and apply, covers all production and overhead costs, enables generating consistent margins, useful to find the cost of customized products, and helps companies to bid on large projects.

Value-based pricing is determined based on the customer's perceived value of a product and is regarded as a pricing strategy that, in the majority of circumstances, satisfies both parties: the firm aiming at the increased profitability, and the consumer concerning the value and benefit of the items.

Demand-based pricing method is used when the price is tied to demand and its dynamics. If the demand for products increases, then the price should rise, and vice versa - if the demand decreases, the price should also decrease.

A pricing strategy based on competition uses prices from other businesses to determine its rates. It is ideal to employ competition-based pricing since it functions whenever the company or producer of the goods is inconsequential to consumers, and this method is most appropriate for goods that can be completely substituted.

There are several pricing strategies used in the international market. Dumping in international trade means selling goods at low prices, at prices significantly below-market prices, and sometimes even lower than the cost of goods or services in a different country. The method of market penetration is one of the methods of pricing, based on the establishment of reduced prices for goods and services at the beginning to quickly win a part of the market. Price skimming is designed to help companies maximize sales of new products and services and involves setting high rates in the initial production phase.

JSC UKRSIBBANK is among the five largest banks in Ukraine, taking into account the indicators of capital, assets, and loan portfolio. UKRSIBBANK offers both legal entities and private customers a vast array of goods and services. Main services for individuals: packages of services (current and savings accounts, payment cards), term deposits (with interest paid monthly and at the end of the term), and credit cards. Main services for legal entities: working capital loans, investment loans for cars, business, and agricultural receipts. BNP Paribas has a 60% of stake in UKRSIBBANK, and 40% is owned by European Bank for Reconstruction and Development. According to the results of 2021, JSC "UKRSIBBANK" received a net income of UAH 1.480 billion, which is 12.80% more than the income received by the Bank in the results of 2020.

The highest commission for cash withdrawal in UKRSIBBANK is 2.11%. Perhaps in this way, the bank wants to keep customers using only its services. Ukrsibbank has in a stable competitive position in the banking market. Its loan rate is one of the highest, so it is not very attractive. According to the performed analysis of the bank's competitiveness, it is possible to conclude that Ukrsibbank is the most competitive because it has 2.28 points, which is much higher than other competitors. The strongest positions of this bank are crediting terms and stress resistance. The bank with the



highest ROI compared to other is Raiffeisen Bank showing 67%. The third place is taken by Ukrsibbank covering 8,7%, which is a good result in the Ukrainian bank industry. The worst result was presented by Oschadbank by 0.86%.

It will be necessary to advise Ukrsibbank focusing on the competitive market situation or competition-based price. Competitive pricing analysis is an evaluation of the market's response to new prices based on market research, consumer surveys, and historical data. Deposits are growing at a slower pace than loans. The concept of diversification and increasing the rate of deposits determines the initial path of development for deposit policy, and this path can be taken in either direction.

In forecasting the efficiency of the proposed strategy two ways of forecasting: scenario and ANOVA function were used. In a pessimistic scenario, the deposit increase will be only by 2% from 2021 to 2022. This number was taken since the invasion in Ukraine happened and the demand for deposits dropped. Due to the unstable situation in the country, there are still a lot of opportunities for Ukrsibbank to overcome the threats and at least not lose its position and continue with stable growth. The optimistic scenario is showing an increase in deposit amount by 25% from 2021 to 2022, with the prediction that during wartime and crisis times, many banks will go bankrupt. However, people would have the same demand to cover and find another bank to save the money in. This bank can be Ukrsibbank. It is possible to predict (using the ANOVA function without deposit rate value) that Ukrsibbank in 2023 will have a deposit amount in mln UAH from the lowest possible 30839,8 to the highest possible 35030,2. It is possible to predict (using the ANOVA function with deposit rate value) that Ukrsibbank in 2023 will have a deposit amount in mln UAH from the lowest possible 32500.9 to the highest possible 37180.2 by 1% deposit rate. The second model shows to be more reliable since  $R^2=93\%$  and the independent variable as deposit rate was added. Therefore, it is better to choose the ANOVA function with deposit rate value since it will give more information and the model is more reliable. In addition, it is possible to use this function by adding new independent variables to make it more reliable.

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