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

MASTER'S QUALIFICATION WORK

Empowering financial resilience through Enhanced financial inclusion (based on JS CB "PrivatBank" case)

Master student of the 2nd year of study
Field of Study 07 – Management
and Administration
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Ph.D. in Economics

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Abstract

This research explores the enhancement of financial resilience through improved financial inclusion initiatives at Joint-Stock Commercial Bank "PrivatBank." The study provides a comprehensive theoretical and practical framework, examining the core elements of financial inclusivity - accessibility, consumer protection, and financial education - and their impact on financial resilience. The analysis reveals that to build greater financial resilience, financial systems must extend beyond mere access to financial instruments; they must also offer substantial education on these tools and practical financial management skills.

Utilizing data from "PrivatBank," the research delves into the bank's inclusivity strategies within its vast customer base and broad service offerings. It assesses the effectiveness of these strategies in fostering financial resilience among different demographic groups, including approaches like targeted educational programs and integration of innovative digital banking solutions.

Moreover, the paper addresses the external competitive environment of the Ukrainian banking sector and identifies potential improvements for PrivatBank's inclusivity efforts. Key recommendations include enhancing digital literacy, expanding financial education, and adapting services to meet the evolving needs of consumers. The analysis also evaluates the risks associated with implementing these initiatives, such as cybersecurity threats and engagement challenges, proposing strategic solutions to mitigate these risks effectively.

Keywords: financial inclusivity, financial resilience, PrivatBank, digital banking, consumer protection, financial education.

Анотація

Дослідження вивчає посилення фінансової стійкості шляхом покращення ініціатив фінансової інклюзивності в акціонерному комерційному банку «ПриватБанк». У роботі пропонується комплексна теоретична та практична база, яка розглядає основні елементи фінансової інклюзивності - доступність, захист прав споживачів та фінансову освіту - і їхній вплив на фінансову стійкість. Аналіз показує, що для побудови кращої фінансової стійкості фінансова система має виходити за рамки лише доступу до фінансових інструментів; вона також має забезпечити фундаментальні знання про ці інструменти та практичні навички управління фінансами.

Використовуючи дані «ПриватБанку», дослідження аналізує стратегії інклюзивності банку у його широкій клієнтській базі та спектрі послуг. Воно оцінює ефективність цих стратегій у зміцненні фінансової стійкості серед різних демографічних груп, зокрема підходи до цільових освітніх програм і впровадження інноваційних рішень цифрового банкінгу.

Крім того, робота охоплює зовнішнє конкурентне середовище банківського сектору України та визначає потенційні вдосконалення в зусиллях «ПриватБанку» щодо інклюзивності. Основні рекомендації включають підвищення цифрової грамотності, розширення фінансової освіти та адаптацію послуг для задоволення мінливих потреб споживачів. Аналіз також оцінює ризики впровадження цих ініціатив, такі як загрози кібербезпеці та труднощі залучення клієнтів, пропонуючи ефективні стратегії для пом’якшення цих ризиків.

Ключові слова: фінансова інклюзивність, фінансова стійкість, ПриватБанк, цифровий банкінг, захист споживачів, фінансова освіта.

PHEE-institute «Ukrainian-American Concordia University»

Faculty of Management and Business
Department of International Economic Relations, Business and Management

Educational level:	**Master degree**
Specialty	**073 «Management»**
Educational program	**"Business Administration"**

APPROVED
Head of Department ____________

Prof. Zharova L.V.
"10" May 2024

TASK
FOR MASTER'S QUALIFICATION WORK OF STUDENT

Bohdan Sklifas
(Name, Surname)

1. Topic of the master's qualification work **Empowering financial resilience through enhanced financial inclusion (based on JS CB "PrivatBank" case)**

Consultant of the master's qualification work **Tetiana Gordiienko., Ph.D. in Economics, Associate Professor,**
(surname, name, degree, academic rank)

Which approved by Order of University from ***"10" February 2024 №*** № 10-02/2024-1к

2. Deadline for master thesis submission ***"25" April 2024.***

3. Data-out to the master thesis The bachelor's qualification work scrutinizes the theoretical underpinnings of financial inclusion, elucidating its multifaceted dimensions and implications. By dissecting PrivatBank's operational strategies and outcomes, the study highlights the pivotal role of inclusive practices in fostering financial resilience and delineates actionable pathways for leveraging inclusive initiatives to mitigate socio-economic vulnerabilities, fostering a more inclusive and resilient financial landscape in the face of ongoing challenges.

4. Contents of the explanatory note (list of issues to be developed) Develop a comprehensive overview of the theoretical framework of Financial Inclusivity, examining its fundamental concepts and principles. Explore the various aspects of the financial resilience concept, particularly focusing on the role of financial literacy and personal finance in bolstering resilience. conduct an in-depth examination of financial literacy as a distinct factor within the context of financial inclusion, analyzing its significance and impact. Provide an overview of the operating environment of the bank under study, highlighting key factors that influence its strategies and operations. Analyze the strategies adopted by the institution, evaluating their strengths, weaknesses, and alignment with broader organizational objectives. Assess the financial results of the bank's strategy, examining key performance indicators and financial metrics to gauge the effectiveness of its approach. Conduct a thorough analysis of the external operating environment outside the company, identifying potential

challenges and opportunities for promoting financial inclusion and resilience. Integrate theoretical frameworks, research data, and the company's financial inclusivity initiatives within the context of an ongoing full-scale invasion, presenting a comprehensive analysis of the interconnected factors. Propose concrete ways and opportunities for improving financial resilience through inclusivity initiatives, offering actionable recommendations based on the combined insights derived from the preceding analyses.

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

Components of Financial Inclusion definition. Visualization of PFM categories. The Determinants of the Financial Resilience. PrivatBank's communication channels. Segmentation approach based on the bank's offerings. SWOT analysis of Privatbank as an organization from the position of marketing. Income and expenses. Interest income and expenses. Total assets and total liabilities of Privatbank. Assets structure of Privatbank. Cash and cash equivalents. Absolute value of assets compared by year. Dynamics of liabilities of PrivatBank. Top 10 Banks by Inflow-Outflow balance of individuals' fund. Awareness of financial products in Ukraine. The difference in the awareness of financial products between 2021 and 2018 by age. Current use of financial product. Undeveloped areas of the "Harazd" project. Benefits of launching the project to the bank. SWOT analysis for PrivatLearn initiative. SWOT analysis for PrivatLearn initiative. Risk categories. Ranking the risks. Risk Matrix. Strategies of dealing with each type of risk

6. Date of issue of the assignment

Time Schedule

№	The title of the parts of the qualification paper (work)	Deadlines	Notes
1.	I part of master thesis	*01.03.2024*	In time
2.	II part of master thesis	*20.03.2024*	In time
3.	III part of master thesis	*20.04.2024*	In time
4.	Introduction, conclusions, summary	*25.04.2024*	In time
5.	Pre-defense of the thesis	*30.04.2024*	In time

Student ______________ (signature)

Consultant ______________ (signature)

Conclusions (*general description of the work; participation in scientific conferences/ prepared scientific article; what grade does the student deserve*):

The work exemplifies the student's proficiency in integrating theoretical frameworks with empirical research to craft a comprehensive academic paper. Through meticulous analysis of financial inclusion, resilience, and the strategies of JS CB "PrivatBank," the student demonstrates analytical skills and a keen understanding of current economic trends within the realm of business management. The preparation of a scientific article based on this research underscores the student's dedication and expertise in academic inquiry. As such, the work could be graded as "excellent", reflecting the student's dedication and proficiency in academic inquiry.

Consultant ______________ (signature)

Contents:

Introduction

This paper focuses on the financial inclusivity initiatives of Joint-Stock Commercial Bank (JS CB) "PrivatBank", their role in strengthening financial resilience among its diverse customer base and the development opportunities. The study aims to provide a comprehensive analysis of these initiatives, exploring theoretical frameworks, current strategies, and potential improvements.

Financial inclusivity is a multidimensional concept that encompasses accessibility, consumer protection, and financial education. These elements are vital for building financial resilience, enabling individuals and businesses to withstand and recover from economic shocks. In the context of Ukraine, where economic stability has been frequently challenged by crises, enhancing financial inclusion is both a social imperative and a strategic necessity for sustainable growth.

The main question of the paper: How the current and potential financial inclusivity/education initiatives of PrivatBank can be improved to achieve a greater financial resilience.

The objectives of this research are divided into 3 three chapters. First, it will analyze theoretical approaches to financial inclusivity and financial resilience, defining key elements and the role of financial education. Second, it will provide an overview of PrivatBank’s operating environment and evaluate its inclusivity initiatives within the competitive landscape of the Ukrainian banking sector. Finally, the study will propose ways to improve these initiatives, focusing on practical implementation and risk management strategies.

Utilizing data from PrivatBank, the research delves into the bank’s inclusivity strategies, assessing their effectiveness in fostering financial resilience across different demographic groups. The study highlights opportunities for enhancing digital literacy, expanding financial education, and adapting services to meet evolving consumer needs. It also identifies potential threats such as customer retention challenges and increased competition, proposing strategic solutions to mitigate these risks effectively.

By addressing these elements, the research aims to contribute to the broader discourse on financial inclusion and resilience, offering insights that can guide both policy and practice in the banking sector. The findings underscore the importance of a holistic approach that integrates accessibility, education, and protection to empower individuals and businesses, thereby fostering a more inclusive and resilient financial system.

The Subject of the Research: Financial Inclusivity

The Object of the Research: Inclusivity initiatives of JS CB "PrivatBank"

The objectives of the research in corresponding to the chapter:

Analyze Theoretical Approaches to Financial Inclusivity:

1.1 Analyze the theoretical framework of inclusivity and its elements.

1.2 Analyze the theoretical framework of financial resilience and its elements.

1.3 Define the role of financial education in the context of financial inclusivity and financial resilience and formulate a hypothesis.

Provide a Comprehensive Overview of the Company and Operating Environment, with a Focus on Inclusivity Initiatives:

2.1 Provide an overview of the competitive environment external to the company.

2.2 Analyze current business approaches and results in the context of inclusivity and education.

2.3 Draw conclusions from the analysis that will serve as the basis for a SWOT analysis.

Analyze Ways to Improve Financial Inclusivity Initiatives currently operation and potentially launched by PrivatBank:

3.1 Examine the specifics of implementing financial inclusivity initiatives in Ukraine.

3.2 Analyze existing financial education initiatives offered by JS CB "PrivatBank" and other banks.

3.3 Provide an analysis of implementation risks and draw conclusions.

The methods of analysis include a literature review of papers available on the topic by Ukrainian and foreign scholars, analysis of statistical reports and financial data, as well as SWOT, PESTLE, and risk analysis.

CHAPTER 1: OVERVIEW OF THE THEORETICAL FRAMEWORK OF THE CONCEPTS OF FINANCIAL INCLUSION AND FINANCIAL RESILIENCE

1.1 The theoretical framework of financial inclusivity

Inclusion is broadly understood beyond the scope of individuals with disabilities and encompasses the entire spectrum of society, considering all citizen's unique abilities and contributions. This inclusive philosophy is integral to society's growth, accounting for varied physiological, psychological, and financial capabilities, alongside individuals' skills and knowledge. Inclusive growth is the concept that flows out of broad inclusion conception and implies that fair opportunities and equality for economic participants, accompanied by benefits brought to every sector of the economy and various strata of society. This approach expands traditional models of economic growth and includes a focus on equality in health, human capital, environmental condition, social protection, and food security as factors of global security in a broad sense. (Zakharkin et al., 2019) Therefore, the concept of inclusion acts at the first and determining stage of further development in any sphere.

Financial inclusion concept, derived from the broader concept of inclusion, varies be definitions across sources and research. The National Bank of Ukraine's Strategy for the Development of the Financial Sector by 2025 (The NBU, 2021) implements this concept by enhancing the accessibility and usage of financial services, bolstering consumer rights in financial services, and improving financial literacy among the populace. This approach encompasses stimulating payment infrastructure development, including in rural and remote areas, and enabling remote account opening. It also includes strengthening consumer rights protection and transparency regarding financial services and products, thus safeguarding depositors and investors, and promoting financial literacy through targeted educational initiatives.

Therefore, Financial Inclusion is very basic concept of any successful economy – then more resources financial system can attract, then higher growth rates it gets. In the terms of the developing countries that usually suffer of financial resources shortage, inclusivity might imply cheaper costs of resources attraction.

Recently, the development of financial inclusion in both our country and in developed nations has primarily been facilitated through basic account ownership for individuals. However, most of the population remains financially unaware and uninterested in banking products, lacking access to them. This leads to financial vulnerability among certain groups, contributing to a global issue of financial inequality that affects nearly half of the population.

Globally, financial inclusion subject and its aspects were studied by Ozili P.K. (2018, 2020, 2021), Sarma, M., & Pais, J. (2011), Sanderson, A., Mutandwa, L., & Le Roux, P. (2018), Demirgüç-Kunt, A., & Klapper, L. F. (2012, 2013, 2017), Fungáčová, Z., & Weill, L. (2015), Morgan, P., & Pontines, V. (2014). The subject of financial inclusion in the banking sphere was also explored by Chakrabarty, K. C. (2011, 2012), Danisman, G. O., & Tarazi, A. (2020), Iqbal, B. A., & Sami, S. (2017), Jain, C. A. (2015), and Wang, R., & Luo, H. R. (2022). Often, the study of financial inclusion is mentioned in the context of developing countries. For example, Wang, R., & Luo, H. R. analyzed the relationship between financial inclusion and bank stability in emerging economies. Sharma, A., & Kukreja, S. (2011, 2013) analyzed the overall relevance of financial inclusion in developing nations. Jain, C. A. examined the banking sector's initiatives toward financial inclusion in India. Iqbal, B. A., & Sami, S. analyzed the overall role of banking in financial inclusion in India.

Diving deeper, the most recent data shows a correlation between financial inclusion initiatives and the stability of banks. Wang, R., & Luo, H. R. (2020) conducted an investigation across 36 emerging economies, analyzing data from over 1500 commercial banks from 2004 to 2018. The findings consistently demonstrate that the development of financial inclusion enhances bank stability. Moreover, it reveals that the relationship between financial inclusion and bank stability is influenced by various factors including the business cycle, financial circumstances, government intensity, and policy environments. Specifically, a flourishing economy and robust policy frameworks bolster the positive effects of financial inclusion on bank stability. Conversely, stronger governmental influence and a more relaxed financial environment may increase risk-taking behaviors, potentially reducing bank stability during the process of financial inclusion. The research further explores mechanisms through which financial inclusion affects bank soundness, such as operational efficiency, risk management, and funding stability.

These findings are supported by Ozili, P. K. (2021). Also, the analysis suggests that financial inclusion is both impacted by and influences factors such as financial innovation, poverty levels, financial sector stability, economic conditions, financial literacy, and varying regulatory frameworks across different countries.

Analyzing the European experience, the study finds that financial inclusion, particularly through increased account ownership and the use of digital payments, contributes positively to the stability of the banking sector. It highlights that this stabilizing effect is predominantly due to the inclusion of disadvantaged adults, including those who are young, undereducated, unemployed, and residing in rural areas. This demographic targeting not only supports social benefits but also enhances the resilience of financial systems (Danisman, G. O., & Tarazi, A., 2020).

Another research analyzing the impact of financial inclusivity on financial stability states that there is some evidence that an increased share of lending to small and medium-sized enterprises (SMEs) aids financial stability, mainly by reducing non-performing loans (NPLs) and the probability of default by financial institutions (Morgan, P. J., & Pontines, V., 2014).

Based on the analyzed literature, we can state several facts. First, that the factor of financial inclusion should be included in the development program of a country. Second, that not only do governments benefit from a greater level of financial inclusivity, but commercial banks as well. Third, that having easier access to financial services is obviously beneficial for individuals as well. Therefore, we can conclude that a greater level of financial inclusivity in an economy benefits all parties involved.

From the perspective of international organizations, the World Bank includes Financial Inclusion in the 17 Goals of Sustainable Development. According to the Universal Financial Access 2020 initiative, approximately 2 billion individuals in the global workforce are not utilizing any financial services. (The World Bank, 2021) In response, the World Bank and the International Finance Corporation have established objectives to enhance financial inclusion. The World Bank aims to integrate 400 million adults into the financial system through technical and financial assistance, while the International Finance Corporation seeks to help 600 million adults gain access to investments and advisory services.

The World Bank defines Financial Inclusion as follows: Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way. When countries take a strategic approach and develop national financial inclusion strategies which bring together financial regulators, telecommunications, competition and education ministries, The World Bank research indicates that when countries institute a national financial inclusion strategy, they increase the pace and impact of reforms. (Voica M.C., 2017)

The USAID provides the most comprehensive research on Financial Literacy, Financial Inclusion and Financial Well-Being in Ukraine (2021) in the recent years. During the paper, we will be utilizing statistical and other data of the report. Here I provide the most important recommendation from the report, based on the comprehensive statistical analysis:

1) **Targeted Financial Education Programs**. Given the variations in financial literacy across different demographic groups, the report likely advocates for tailored financial education programs. For instance, younger individuals, rural residents, and those with lower levels of education and income might benefit from specialized curricula that address their specific circumstances and needs. Programs

could include practical topics like budgeting, debt management, and understanding financial products, which are crucial for building a solid financial foundation. Furthermore, considering the minimal gender disparity in financial literacy found in the survey, continuing to promote and possibly expand gender-neutral financial education could be beneficial;

2) **Enhancing Financial Resilience**. The report probably underscores the need to improve financial resilience among Ukrainians, particularly in terms of savings and insurance against income loss. Recommendations could include encouraging the development of accessible savings products and insurance schemes tailored to lower-income groups. Additionally, promoting the importance of emergency funds through national campaigns could help individuals understand and mitigate the risks associated with income fluctuations;

3) **Strengthening Financial Safety Nets**. In light of the economic vulnerabilities exposed by the survey—such as the lower income levels and smaller financial safety margins compared to other countries—the OECD might recommend that the Ukrainian government strengthen financial safety nets. This could involve enhancing social security systems, providing better unemployment benefits, and creating incentives for both personal and employer-contributed pension plans. These measures would provide a buffer against financial shocks and reduce the stress associated with financial uncertainties;

4) **Utilizing Digital and Information Channels Effectively.** Considering the expansion of survey questions to include the use of information channels, the report likely suggests leveraging digital platforms to improve financial literacy. This could involve the creation of online learning tools, mobile applications for financial management, and interactive platforms that offer personalized financial advice. These digital solutions could significantly extend the reach and impact of financial education, making it more accessible to the wider population;

Speaking about the Ukrainian institutions, The National Bank of Ukraine underlines the low level of Financial Inclusivity and lack of Financial Awareness as significant barriers to growth of financial sector. Currently, The NBU holds several initiatives directed at popularization of Financial Education, but these initiatives remain to be unpopular among Ukrainians. Also, there is no clear nation-wide strategy of how the Financial Inclusivity and Awareness going to be improved step-by-step. The NBU aims to stimulate commercial banks to deal with their clients, from the perspective of the banks being first to benefit from Financial Inclusivity and Financial Awareness improvement.

For instance, according to Yevhen Stepanyuk, (2018) head of the NBU's financial sector reform department, "it is important to understand that the action program for financial inclusion in Ukraine is not just the prerogative of the NBU. All interested parties should be involved in this movement, including the government and direct market participants. The spread of financial inclusion should be facilitated by market mechanisms, primarily motivation, rather than administrative levers."

The USAID "Financial Sector Transformation" project, along with the National Bank of Ukraine (NBU) and the Independent Association of Ukrainian Banks, announced the "FinTech Challenge" to foster financial inclusivity in Ukraine. This competition, with a prize fund of 1.5 million hryvnias, aims to enhance financial literacy and safeguard against fraud, encouraging comfort with electronic financial products among Ukrainians. (the NBU, 2018)

The challenge targeted fintech developers to create solutions that improve financial inclusivity. It consists of three categories: developing educational programs for financial literacy, creating a digital application for consumer complaints, and promoting broader financial inclusivity goals such as service comparisons and small business support. Nonetheless, the challenge didn’t provide any significant and effective fintech solution to cope with stated problems.

The most recent Financial Education and Inclusivity initiatives are TALAN school for educators launched on August of 2022, and HARAZD web-site that provides free access to articles on different aspects of money management, that was launched on Autumn of 2023.

The TALAN is financial literacy summer school for educators. The primary goal of the initiative is to develop and support a community of financial literacy educators in Ukraine, proving useful for teachers working with both children and adults. The launch of this information platform aims to enhance the financial awareness of Ukrainians, improve the qualifications of educators in financial literacy, engage educators, children, and youth in NBU activities, and broaden the distribution of financial literacy educational materials. (The NBU, 2022)

The HARAZD educational site is a free online platform, thanks to which Ukrainians will be able to acquire a level of financial knowledge sufficient to make responsible decisions regarding personal finances. (The NBU, 2023) The aspects of this project will be analyzed in Chapter 3.

Recently, the NBU (2024) has published renewed strategy to enhance the financial sector, this strategy aims to ensure macroeconomic stability, modernize financial services, and enhance regulatory frameworks for better consumer protection and systemic resilience. Key initiatives include expanding access to modern digital financial services to underserved populations, aligning regulatory practices with European standards, and supporting vulnerable groups and SMEs with targeted financial programs. Additionally, the strategy focuses on building a robust financial infrastructure capable of withstanding adverse conditions, thereby maintaining financial stability and inclusivity across all segments of society. This holistic approach is designed to foster equitable economic growth and stability, supporting Ukraine's recovery efforts and European integration aspirations. Nonetheless, the strategy lacks specific steps and KPIs data to estimate the effectiveness of it on the national level.

Finally, financial inclusivity has long been a research focus in Ukraine, gaining increasing relevance against the backdrop of intensifying crises. Traditionally, aspects of financial inclusion in Ukraine were examined by such scholars as Akimova, O. V. (2015), Mazaraki, A. A. (2016), Naumenkova, S. V. (2014, 2019) Pavliuk, T. I. (2015) and Pakhnenko, O. M. (2017), Zakharkin, O. O., Boronos, V. M., Zakharkina, L. S., & Tverezovska, O. I. (2019), Mushenyk (2022), For example, in Naumenko`s research (2014), she states that the search for new approaches to ensure the balanced development of the financial sector, restore trust in financial intermediaries, and protect consumer rights has become particularly pressing. Economic turmoil in Ukraine, back then, has led to financial decentralization due to the enforced financial moratorium in certain regions, exacerbating the dispersal of banking infrastructure and accelerating deregulation and the shadow economy. In these circumstances, access to financial services for parts of the population is restricted, diminishing their savings opportunities.

Also, back then she stated the problem that remains significant even today, after 10 years - is whether to prioritize enhancing and diversifying financial services for those already with access, or to broaden the reach of fundamental financial services to underserved segments of the population.

In O.V. Akimova's study, financial inclusiveness is considered as "a characteristic of the population's integration into the official financial circulation, including access to services of officially registered financial institutions." (Akimova, 2015)

Also, Financial Inclusion must be considered as one of the main economic drivers of the economy, because it is a pillar of financial security of the country. In this context it implies a bunch of reforms – in the sphere of customers rights and financial markets regulations. Coupled with trust in the financial and credit system by the population and businesses, financial inclusion acts as a key stimulant for directing savings into investment areas, reducing the level of economic shadow activity, enhancing the financial resilience of enterprises, and consequently increasing government revenue and ensuring financial security. (Zakharkin et al., 2019), (Mushenyk, 2022)

In the context of post-war development, the sources of domestic lending will be extremely important and accessible ways of doing investments in Ukrainian economy will be extremely important. According to estimates from national and international expert institutions, Ukraine's GDP losses in 2022 due to Russian military aggression could range from 30% to 50%. In absolute figures at 2021 prices, this would correspond to 1.6 to 2.7 trillion hryvnias (56 to 92 billion US dollars) of "unproduced" production over the year. Additionally, material damages due to the extensive destruction of infrastructure and civil objects are estimated to be between 500 to 1000 billion US dollars. (Mushenyk, 2022)

The Components and Determinants of financial inclusion were studied by Timkiv, A. O. (2022), Dudynets, L. A. (2018), Vinnyk, R. (2021), Berezhna L.V. (2019) Ultimately, determinants of financial inclusion can be generalized to 3 elements – accessibility, financial literacy and consumer rights protection.

Table 1.1: Components of Financial Inclusion definition

<table>
<tr><td rowspan="6">Financial Inclusion</td><td rowspan="2">Accessability</td><td>Infrastructure</td></tr>
<tr><td>Affordable services</td></tr>
<tr><td rowspan="2">Consumer protection</td><td>Legal Frameworks</td></tr>
<tr><td>Transparency Requirements</td></tr>
<tr><td rowspan="2">Financial Education</td><td>Education Programs</td></tr>
<tr><td>Digital literacy</td></tr>
</table>

Source: Author's work, based on Timkiv, A. O. (2022), Dudynets, L. A. (2018), Vinnyk, R. (2021), Berezhna L.V. (2019)

Financial inclusion is critical in the post-war recovery of Ukraine, especially for reintegrating the populace of de-occupied territories into the broader economic system. The determinants of financial inclusion can provide a scaffold for rebuilding and enhancing the financial systems, ensuring that they are equipped to meet the varied needs of the population.

Accessibility is a crucial determinant of financial inclusion, especially in Ukraine's post-war context, where both the physical and economic landscapes have been significantly altered. Reconstructing the physical banking infrastructure is an immediate need in de-occupied areas. The rebuilding phase presents an opportunity not only to restore but also to improve the banking network with additional ATMs and bank branches to serve communities that may have been previously underserved or isolated due to the conflict.

However, accessibility extends beyond mere physical reach; it encompasses the ease and affordability of services. As the World Bank notes, financial services must be affordable to ensure inclusivity. For Ukrainians, the affordability of financial services and instruments is particularly important to foster economic participation and to prevent the risk of financial exclusion due to high service costs. Programs that offer fee waivers, reduced charges for basic transactions, and low-interest credit options can be a lifeline for war-impacted individuals and businesses, aiding their economic recovery. The government program "Affordable Credits 5-7-9%" is an example of an effective lending initiative, evidenced by the fact that most of the credits in the initial years of the war were taken under this initiative.

Moreover, digital platforms and mobile banking services are essential to complement the physical infrastructure. The development of user-friendly online banking services that are securely accessible on various devices can significantly enhance financial accessibility. This was evident at the beginning of the war when most transactions were handled online and were cashless. Furthermore, targeted measures to ensure these digital services are affordable will guarantee a broader reach, allowing even those in the most financially strained circumstances to engage with the banking system.

Consumer protection gains heightened importance in the aftermath of instability. Robust legal frameworks that ensure the rights and protections of financial consumers will be pivotal in restoring trust. Such frameworks must encompass clear transparency requirements, providing consumers with easy-to-understand information about financial products, the costs involved, and the mechanisms in place to address grievances. Transparency isn't just about making information available; it's about making it understandable to those who have been outside the formal financial system due to occupation or displacement.

Financial education programs are indispensable for ensuring that the populace is equipped to make informed financial choices. These should include comprehensive education on the basics of personal finance, understanding of financial products, and rights as consumers. Moreover, digital literacy becomes even more relevant as financial services increasingly move online. Education initiatives must therefore teach essential digital skills, enabling users to navigate online banking securely and efficiently. This approach will be particularly beneficial for residents in de-occupied territories, many of whom may have had limited access to modern digital banking services.

In the subchapter, we considered approaches to the financial inclusivity subject from perspectives of global studies and institutions, like the World Bank and USAID, and considered aspects of financial inclusivity subject in Ukraine. Were defined the components of financial inclusivity, which are accessibility, customer protection and financial education.

1.1 The Aspects of Financial Resilience Concept

The Organization for Economic Co-operation and Development (OECD) has extensively researched and detailed the multifaceted nature of financial resilience, defining it as an individual's ability to withstand and recover from financial shocks. (2021) This capacity is not solely a function of wealth but is characterized by several interrelated elements and factors that contribute to an individual's financial well-being.

At the core of financial resilience are the behaviors and strategies individuals employ to manage their money effectively. According to the OECD methodology, the evaluation of financial resilience encompasses six critical elements: maintaining control of finances, careful expenditure, planning personal finances, having a financial cushion, coping with a financial shortfall, and awareness of potential fraud. (USAID, 2021) Each of these elements represents a key facet of the broader financial resilience framework, which ultimately aims to enhance financial well-being.

Diving deeper, it becomes evident that different elements of Financial Resilience are linked to either Financial Literacy or Personal Finance Management. Elements such as maintaining control over finances, careful expenditure, planning, and establishing a financial cushion are integral to effective Personal Finance Management. On the other hand, awareness of fraud and the ability to cope with financial shortfalls are closely connected with Financial Literacy. Together, these competencies form the bedrock of financial resilience.

At the same time, Financial Resilience connected to the concept of Inclusion. Because it's not enough to provide clients with access to the newest financial instruments, like crypto assets; but also implies requires risk management techniques.

From the very beginning, important to notice, that foreign academics tend to use the term "Personal Finance" more commonly than "Household Finance" to describe the fundamental economic relationships of households. For sure, usage of Personal Finance term is better from the perspectives of a greater clarity. But when we will be speaking of Ukrainian literature and papers, its impossible to avoid "household finances" term just to give information the same way as it has been given by an author. Nonetheless, considering foreign literature, its rational to use Personal Finance term by the same logic.

Also, Ukrainian scholars rather examinate macroeconomic statistics of household finances, like disposable income or expenditure structure, than develop money-management approaches. The possible explanations may be low-income level leading to minimal savings (which we discuss later), an underdeveloped financial market and lack of financial instruments available, as well as a low level of financial literacy among the population. Therefore, consideration of the Personal Finance Management element as a separate topic rather undeveloped field in Ukrainian science.

All this background dictates specific approach to definition of the subject. First, we will look through the definitions of foreign authors and how they define "Personal Finance". Then, we move to Ukrainian scholars and through defining a household and how it considered in legislation and domestic science, we find a more appropriate term and definition.

Now, we can discuss persona finance as subject of foreign science. In general, personal finance refers to the management of an individual's financial resources, which includes income, expenses, savings, investments, assets, liabilities, and financial risks.

The main goal of personal finance management is to achieve financial stability and long-term financial security, as well as to meet financial goals and objectives. This involves making financial decisions related to budgeting, investing, saving, and borrowing, among others, and implementing strategies to manage financial resources effectively. Therefore, personal finance is a crucial aspect of overall financial well-being and plays an important role in an individual's financial future.

One of the most sited textbooks on related topic on Google scholar is “Personal finance” (Garman, et al., 2014) The textbook provides a comprehensive overview of different financial topics, from financial institutions and loans to investing and insurance.

The authors give the following definition: “Personal Finance is the study of personal and family resources considered important in achieving financial success; it involves how people spend, save, protect, and invest their financial resources. Topics in personal finance include financial and career planning, budgeting, tax management, cash management, credit cards, borrowing, major expenditures, risk management, investments, retirement planning, and estate planning.” The advantage of this definition is covers and reveals all aspects related to the finance management.

Another definition we consider was given by Agarwal & Driscoll: "Personal finance refers to the set of financial decisions and activities that individuals engage in to manage their financial resources, including income, expenses, assets, liabilities, and investments, in order to achieve their financial goals and objectives". (Agarwal et al., 2013) Interesting that this definition sounds pretty like that one given by T. Kizyma (2008), which we will discuss later.

Robbins and Coulter, in the textbook ‘Fundamentals of Management’ give the following definition: "Personal finance is the process of planning, organizing, directing, and controlling financial resources, including income, expenses, assets, liabilities, and investments, to achieve financial goals and objectives". (Robbins, et al., 2019) This one is good in terms of management, because it specifies jobs to be done during the management process.

Further we move to the Ukrainian studies of Personal Finance, or, Household Finance. Households, as well as private property both serve as the basis for the functioning of the market economy of the state. On the one hand, they are producers of products, on the other, consumers of products. The structure of household demand and consumption, as well as how they direct financial flows, forms a picture of the country's further socio-economic development. Also, households are the owners of most of the resources in the national economy, producers and suppliers of human capital and, at the same time are the main consumers in the market of goods and services. All these properties give households an important role in the economy of the state. (Frolov et al., 2021)

Nevertheless, scientists also point out that domestic science pays insufficient attention to household finances and their impact on the state's economy. (Kizyma, 2008), (Kushnir, 2012), (Honchar, 2016)

For the first time in Ukrainian legislation, the term "household" appeared during the transition of the System of National Accounts to the international accounting and classification system by the resolution of the Council of Ministers of Ukraine dated May 4, 1993 No. 326 "About the Concept of Building National Statistics of Ukraine and the State Program of Transition to the International System of Accounting and Statistics". Thus, the system of national accounts defines that a household is a subject of economy, and they can consist of either one person or a group of persons (not necessarily relatives) united by a common budget. (Verkhovna Rada of Ukraine, 1993)

In turn, financiers and economists offer a narrower interpretation of this term.

For example, T. Kizyma researching the methodology of defining households by the state system of statistics and with an overview of the specifics of the formation of a household in Ukraine, offers the following definition: "a household is a small group of persons (or one person) who live together in one residential premises, share common life and jointly make economic decisions regarding the formation of their incomes and the implementation of basic expenses in order to meet their own needs." (Kizyma T., 2008)

This definition reveals the role of the household as a unit but does not reveal the economic essence of that unit. Also, household members, even sharing a common life, do not always have a common goal for all household members and, as a consequence, do not always make joint economic decisions. In a more complex way, the essence of economic relations of HH (households) reflects the concept of "household finances". Such domestic scientists as Nahaichuk, N. (2014), Kizyma, T. (2008), O. Kalambet S. (2015) Honchar T. H (2016). were engaged in the study of household finances and their essence.

S. Kalambet (2015) asserted the necessity of categorizing the concept of "household finance" as it not only emphasizes distributional and redistributive relations, but also transfers the essential purpose of this economic category to them, contributing to the understanding of the subject and its role in the system of state finances. Also, the concept of household finances makes it possible to make a distinction between Individual Finance and Family Finance. The necessity of such separation is also confirmed by Kushnir, Y. (2012) and N. Nahaichuk (2014), which is the result of the distributive function of household finances, where the received income is distributed among members of the household, and therefore introducing Individual or Personal Finance concept.

Also, the scientist provides the following definition of household finances: "Household finances are understood as the sum of activities of household members to create, preserve, increase, use and administer both joint funds of money and individual (personal, personal) funds." (Nahaichuk, 2014)

In turn, T. Kizyma reveals this concept as "a set of economic relations of households regarding the formation, distribution and use of cash funds." (Kizyma, 2008)

Kalambet reveals the concept of "household finance" as follows: "it characterizes the relations that mediate the formation, use, distribution and redistribution of property or (and) income of household members in order to ensure and reproduce their life activities" (Kalambet, 2015)

At first glance, the given definitions are similar, but S. Kalambet's definition places greater emphasis on household finances as a direct factor in determining the direction of formation, use, distribution and redistribution. Thus, this definition better reflects the essential role of household finances in an economy machine.

Concluding, I’d propose the following definition that unites the best features of those given by foreign and domestic scholars: Personal finance refers to the process of planning, organizing, directing, and controlling financial resources, which includes income, expenses, assets, liabilities, and investments, to achieve specific financial goals and objectives, while taking into account individual life activities and circumstances.

Now, we move from the definitions to factors affecting the subject. The aim of this part of the paper is covering the whole picture of factors affecting PFM and generalizing on the related literature, which provides a deeper insight in each category. These factors can be various, like personal experience and cultural background, accessibility to financial instruments, stage business cycle or even behavioral patterns that force us making unplanned purchases. Classification of those will serve the basis for a deeper understanding of the subject.

The categories include individual, socio-economic, psychological, and technological ones. While these factors can be grouped into broad categories, it is important to note that they are not mutually exclusive and often overlap. For example, an individual’s attitude towards money can be shaped by cultural, socio-economic and psychological factors.

The following sections will explore each of these factors in detail, drawing on relevant scientific literature to provide insights into their impact on PFM. By doing so, this chapter aims to offer a comprehensive understanding of the various factors that can influence PFM, and to provide evidence-based strategies managing personal finances effectively.

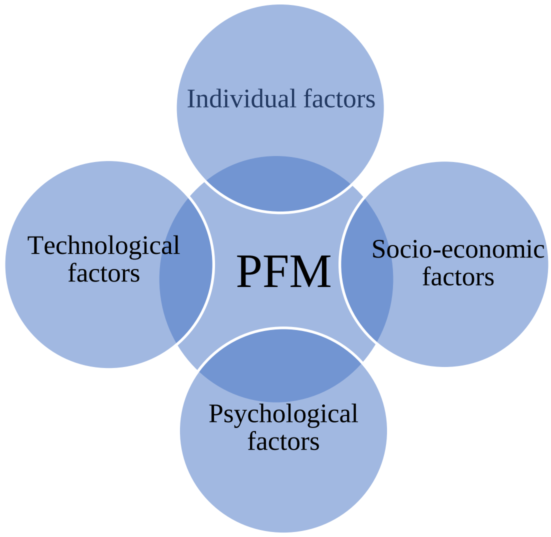


Figure 1.1: Visualization of PFM categories
Source: Author's work

Individual factors: This category unites cultural background, that shapes personal values and priorities, same as knowledge obtained through both experience and financial courses. All these factors shape priorities in consumer behavior.

Basically, all scholars agree that personal finance management strategies can differ among households, depending on factors such as risk tolerance, income and expenses, and individual priorities.

In the field of financial education, there are debates between scholars who argue for the effectiveness of financial education and those who believe that behavioral factors play a more significant role in consumption decisions than education, which renders financial education ineffective.

Annamaria Lusardi is supporter of the efficiency of financial education, and devoted many papers (Lusardi et al., 1996, 2011, 2014) to the examinations of financial education, literacy and consumer behavior.

The opponents of this statement are Fernandes D., Lynch G. In the paper, stated that correlational studies that look at how much people know about managing money tend to show that people who know more about money management tend to make better financial decisions. However, when they conduct more detailed studies that take into account other factors like a person's psychological traits or using a tool to measure financial literacy more accurately, we find that the impact of financial literacy on financial behavior is not as strong as previously thought. (Fernandes, et al., 2014)

Finally, Shim, S., Barber, B. L., Card, N. A., Xiao, J. J., & Serido, J. (2009) have conducted a survey of of 2,098 first-year college students and found that parental financial behaviors and attitudes had a significant impact on their children's financial behaviors and attitudes.

The study also found that work experiences and financial education had positive effects on financial behaviors, while education alone did not have a significant impact. The authors suggest that financial education programs should be designed to include practical experiences, such as work or internships, and should involve parents as partners in the process.

Psychological factors: unlike individual factors that generalize values and knowledge, psychological factors are those related to an individual's emotional states, such as their level of stress, anxiety, and impulse control. Examples of psychological factors that can affect PFM include emotional responses to financial situations, such as overspending when feeling stressed or anxious, and difficulty controlling impulses to make impulsive purchases.

We've already touched debates on psychological factors, and Fernandes, D., Lynch, J. G., & Netemeyer, R. G. (2014) state, that financial education isn't that effective in long term, when we take psychological traits into consideration. If so, can we say that a high level of self-control can serve as a predictor of financial well-being?

The relation between self-control and financial outcome has been observed by Strömbäck, C., Lind, T., Skagerlund, K., Västfjäll, D., & Tinghög, G. (2017) The paper investigates the relationship between self-control, financial behavior, and financial well-being. The authors conducted two studies involving a total of 600 participants in Sweden.

In the first study which was a survey, found out that higher self-control was associated with positive financial behaviors and higher financial well-being. Study

2 which was a laboratory task aimed to measure self-control and a hypothetical financial decision-making task to measure financial behavior found, that higher self-control was associated with making financially beneficial decisions in a laboratory task.

Summarizing, the authors made a conclusion that self-control is an important predictor of financial behavior and financial well-being.

Socio-economic factors: These are factors that are related to an individual's broader socio-economic context, such as their income level, employment status, and general economic trends. Examples of socio-economic factors that can affect PFM include business cycle, income inequality and social mobility, and government policies and regulations related to financial services and consumer protection.

Technological factors: These are factors that are related to the use of technology and digital tools in personal finance management. Examples of technological factors that can affect PFM include the availability and accessibility of digital financial tools and services, such as budgeting apps, investment platforms, and online banking, as well as the impact of technology on financial decision-making and behavior.

As already was mentioned, there is a continuous tendency of “small investors” getting engaged in stock markets or even more risky assets. For example, most of crypto exchanges do not ask for any documents being provided to open an account. Therefore, increasing accessibility to financial services via apps and web-sites causes a stream of uneducated investors to join risky games.

On the other hand, article by Haikel-Elsabeh, M., Nouet, S., & Nayaradou, M. (2016) shows that after getting more knowledge and experience in money management, customers tend to use more of online banking services. In details, the study explores the impact of personal finance management on consumers' motivations and behavior regarding online banking services. The authors conducted a study of French consumers and found that consumers who were more financially literate and engaged in PFM were more likely to use online banking services. The study also found that PFM positively influenced consumers' trust in online banking services, and that trust and PFM were important predictors of consumers' adoption and continued use of online banking services.

You might notice that the factors mentioned are similar to those related to financial inclusion. Indeed, these factors and concepts are deeply interwoven. Financial inclusion is a core concept that encompasses accessibility, consumer rights, and financial literacy. We have just considered a set of factors affecting Personal Finance Management strategies.

However, the central factor of effective PFM is financial literacy, because determinants such as individual, psychological, and technological ones can be effectively addressed through financial education. Therefore, the financial inclusion factor of accessibility implies not only the presence of bank infrastructure within close reach but also the ability to use the provided infrastructure effectively.

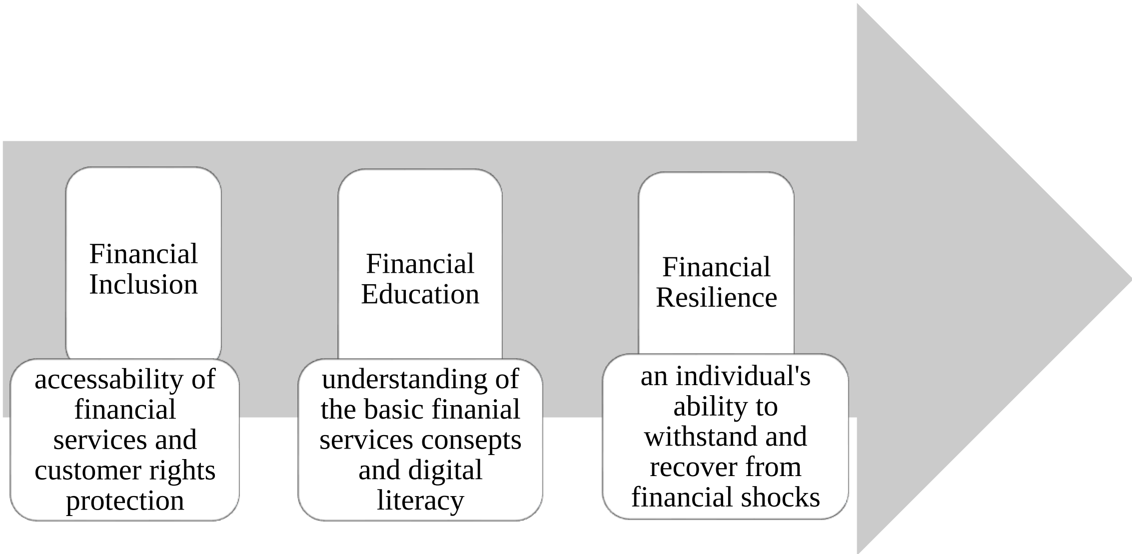


Figure 1.2: The Determinants of the Financial Resilience

Source: Author’s work

After carefully considering the concepts of Financial Inclusion and Financial Resilience, we will re-conceptualize and unite them for greater clarity. The illustration above shows that the gap between Financial Literacy and Financial Resilience is filled by Financial Education. This means that while you can provide access to financial infrastructure to as many clients as possible, this alone does not automatically enhance their financial resilience. Therefore, during the process of Financial Education, an individual must overcome barriers to greater financial resilience such as digital illiteracy, financial illiteracy, and impulsive money management (like avoiding impulsive spending or uninformed financial decisions). In fact, all these barriers can be addressed with the right educational approach.

1.3 Overview of Financial Literacy as driving factor in the context of Financial Inclusion

Unlike the Personal Finance definition, financial literacy viewed mostly similar by Ukrainian and Foreign scholars. Financial Literacy is an essential skill that empowers individuals to make informed financial decisions, involving a comprehensive understanding of financial concepts, effective management of personal finances, and adept financial planning. It integrates the knowledge of various financial products and the ability to assess and mitigate risks, increasingly intertwined with the savvy use of technology. Theoretical frameworks like behavioral economics highlight the influence of psychological factors on economic choices, whereas information processing theory looks at how individuals interpret financial data. Social learning and adult learning theories also play a significant role in the development of financial literacy, emphasizing the impact of societal interactions and the need for adult-specific learning modalities. Assessing financial literacy through frameworks such as the OECD's assessments aids in tailoring education programs that address the varied needs of different demographics, with the ultimate goal of fostering a financially informed populace that can navigate the complexities of the financial world, ensuring personal and communal financial well-being. (USAID, 2021)

The elements of financial literacy involve a multifaceted spectrum of competencies, including the ability to understand financial concepts, apply financial planning, manage personal finances, and make strategic investment choices. Each element is crucial, serving as a pillar for the economic empowerment of individuals and, by extension, the nation.

Improvement of financial literacy in Ukraine could follow the blueprint laid out by scholars such as Annamaria Lusardi and Olivia S. Mitchell, (2011), (2014) whose seminal work underscores the economic importance of financial literacy. Their research draws a clear line connecting financial literacy to positive outcomes such as higher savings rates, astute investment choices, and robust retirement planning. This correlation has also been observed in the realm of stock market participation, where financial literacy serves as a key driver.

Domestic scholars, acknowledging these findings, have suggested various methods to elevate the financial aptitude of the Ukrainian populace. L. Ptashchenko, (2021) for instance, have studied the approaches adopted in the EU to combat low financial awareness. Their insights, alongside those from other Ukrainian academics, shape a suite of recommendations for a national financial literacy program:

- Establishment of a State Authority: This body would focus on nurturing a culture of savings and investment while promoting anti-consumerist ideologies.
- Personalized Educational Technologies: Adapting financial literacy training to accommodate the age and life stages of citizens can enhance learning efficacy.
- Access to Independent Financial Advice: Offering free consultations to assist individuals in developing personal finances and augmenting savings.
- Educational Platforms: Drawing inspiration from Australia, Ukraine could benefit from creating educational platforms for children, youth, and adults, including university-based courses and local public organization initiatives.
- Innovative and Interactive Education: The integration of innovative, game-based technologies and trainings into the educational process can enrich the learning experience.

However, the need for a comprehensive, systematic, and long-term approach to financial literacy education is evident. The effectiveness of incorporating IT and game-based learning highlighted by scholars such as Antoniuk, D., Vakaliuk, T., and Oliinyk, O. (2020), (2021), (2022) speaks to the potential of simulations to teach personal finance management skills. This approach is especially valuable in countries with underdeveloped financial markets, where conventional training programs may fall short.

Antoniuk's research over four years on financial simulators illustrates that while many applications focus on management, there is a significant opportunity for simulators that are educative in nature. The use of machine learning to refine such simulators indicates a progressive direction for PFM education.

In conclusion, the development of a structured course on Financial Literacy and Personal Finance Management, and a national program encompassing these subjects, is important any developing country, like for Ukraine. Academics concur on the necessity of such a program and largely agree on the recommendations. However, tailoring the program to address the diverse needs of different socio-economic strata remains a challenge. For adults, in particular, the motivation to learn hinges on the perceived value and applicability of PFM education to their specific financial circumstances. Consequently, the development of adaptive educational models that cater to varying needs and goals is a crucial next step in Ukraine's journey to elevate financial literacy and empower its citizens economically.

The absence of a coherent national program for financial literacy is a significant obstacle to stability of the financial system. After exploring the aspects related to the financial education as a part of financial inclusion and greater financial resilience, these points can be brought out for :

- Integrate Financial Education: As suggested by various studies, financial education should be integrated into the school curriculum, especially targeting the critical age group of 18-19-year-olds.
- Consumer Rights Protection: Strengthening the framework for consumer rights protection will instill greater trust in the financial system. Some progress was made, as we will see in the following chapters, but greater

consumer rights protection remains one of the main factors in the strategy of financial sector development (The NBU, 2024)

- Fintech Innovation: Leveraging Fintech as identified by researchers like Frolov (2021) could provide alternative avenues for investment and saving, breaking the cycle of high consumption and low savings.
- Strengthening Financial Institutions: Building the capacity of financial institutions to act ethically and responsibly towards consumers is essential for long-term trust and system stability.

Although bank deposits are unreliable during times of war and inflation, alternative saving instruments must be developed and popularized. A national dialogue, led by experts and backed by research from domestic and foreign scientists, could pave the way for innovative financial products tailored to the needs of Ukrainian consumers.

CHAPTER 2: THE STUDY OF JS CM “PRIVATBANK” AND ITS FINANCIAL INCLUSION STRATEGY

2.1 Overview of the company’s operating environment

The Ukrainian banking system operates on two levels:

- The National Bank of Ukraine (NBU)
- Commercial Banks

The NBU is the state regulatory body authorized to conduct monetary policy in Ukraine, and it oversees and controls commercial banks. All banks are subject to NBU licensing and supervision. Additionally, all banks are members of the Deposit Guarantee Fund of Ukraine, which guarantees deposits (money on current and deposit accounts) up to 600,000 UAH (DGF, 2024) per person in case of bank insolvency. However, deposits of legal entities are not guaranteed by the Deposit Guarantee Fund. Oshadbank is excluded from this fund, as Ukraine guarantees its deposits directly according to Article 57 of the Law of Ukraine “On Banks and Banking Activity.” Furthermore, on December 20, 2016, the Ukrainian Parliament adopted a law guaranteeing 100% of retail deposits in all state banks, including Ukreximbank and PrivatBank. (The National Bank of Ukraine, 2016)
The National Bank of Ukraine is responsible for securing the stability of the national currency, the Hryvnia (UAH), and maintaining stability in the banking system and price levels. Among its main functions are:

- Determining and implementing Ukraine’s monetary policy
- Issuing the national currency on a monopoly basis
- Acting as the lender of last resort for banks and organizing the refinancing system
- Exercising foreign exchange regulation and establishing procedures for transactions in foreign currency
- Organizing and exercising foreign exchange control over banks and other financial institutions
- Regulating activities of the payment and settlement systems in Ukraine

- Determining the procedure and forms of payments, including at the interbank level
- Exercising banking regulation and supervision
- Licensing banking activities

The highest governing body of the NBU is the 9-member Council, with four members appointed by the Ukrainian Parliament (Verkhovna Rada) and another four by the President. The Head of the NBU, nominated by the President and appointed by the Verkhovna Rada, acts ex officio as the 9th member of the Council. (ContactUkraine, 2017) The Council is responsible for developing the principles of Ukraine’s monetary policy and overseeing their implementation.
Speaking of the most recent banking sector overview, in the fourth quarter of 2023, Ukraine's banking sector maintained stability with 63 operational banks, the same number as the previous quarter. Throughout the year, four banks - Forward, Ibox, Concord, and Ukrbudinvest - were liquidated, but their combined assets represented less than 1% of the sector, so their exit had minimal impact. State-owned banks increased their net asset share by 0.3 percentage points to 53.6%, largely due to Sense Bank's transition to a state bank. Overall, the net assets of solvent banks grew by 11.1% in the fourth quarter and by 25% over the year. (The National Bank of Ukraine, 2024)

Corporate lending in local currency rebounded in the last two quarters, with loans to SMEs growing the fastest. Net retail credit portfolios expanded for the third consecutive quarter, driven by active card lending and a significant increase in mortgage loans supported by the "єОселя" program. According to the NBU analysis, the quality of loan portfolios improved, with the share of non-performing loans decreasing to 37.4% by the end of the year, mainly due to the write-off of non-performing retail loans.

Customer funds increased steadily, contributing to a record high share of 91% in liabilities, while the share of NBU refinancing dropped to its lowest level since 2006. The NBU reduced the key interest rate twice in the fourth quarter, lowering it to 15% per annum. Despite some fluctuations in income from payment operations, the sector maintained high operational efficiency and recorded a net profit of 86.5 billion UAH for 2023, demonstrating resilience and profitability amid economic challenges. (The National Bank of Ukraine, 2024)

In Ukraine's banking sector, state-owned institutions hold a significant position, with PrivatBank and Oshadbank being among the most prominent. State banks collectively control 53.6% of the sector's net assets, with PrivatBank alone managing a notable 23.3% share. This substantial share reflects PrivatBank's considerable influence and market penetration. When analyzing the distribution of client funds, state banks, including PrivatBank, oversee 64.5% of all individual funds in the sector. Within this share, PrivatBank maintains an impressive 36.2% portion, demonstrating its dominance in retail banking. (Annex A)
PrivatBank's accessibility range includes an extensive offline and online infrastructure. It manages 28 million active credit cards and boasts a wide network of over 1,100 branches, 5,000 ATMs, and 10,000 self-service terminals across Ukraine. (JS CB “PrivatBank”, 2024) This infrastructure positions PrivatBank alongside Oshadbank in controlling nearly 50% of the country's entire banking offline infrastructure. Such a robust presence underscores PrivatBank's pivotal role in reaching customers and providing accessible banking services nationwide.
Considering business models, PrivatBank operates as a universal bank, prioritizing retail customers while also actively promoting services for small and medium-sized enterprises (SMEs). It selectively works in the corporate sector, backed by a strong resource base that includes national currency funds from individuals and businesses. This approach, with a greater emphasis on retail and SMEs, was adopted due to risk management mechanisms and a diversification strategy. (JS CB “PrivatBank”, 2024)
Oshadbank's strategy prescribes its continued role as a universal bank, maintaining robust positions in retail, micro, small, and medium-sized businesses (MSMEs), and corporate segments. The bank aims to expand its business volume and market

share within the retail and MSME sectors, shifting the corporate business focus from the public to the private sector. Its strategic goal is to become a profitable, commercially oriented bank with high business resilience, leading in innovation and customer satisfaction. Through this approach, Oshadbank aspires to strengthen its competitive edge and sustain its comprehensive presence across multiple business segments. (JSC “OshadBank”, 2024)

Universal Bank, legally known as AT "UNIVERSAL BANK," is another major player in Ukraine's retail banking sector. Designated as a "Systematically Important Bank" by the National Bank of Ukraine in 2018, Universal Bank engages in a wide range of banking operations, including domestic and international financial activities. It offers services such as cash management, treasury operations, and investment banking, supporting both individual and corporate clients. (JSC “UniversalBank”, 2024)

One of the bank's standout projects is "MoboBank," a mobile banking platform that exemplifies its commitment to digital innovation. This service allows customers to carry out a variety of financial transactions and access banking services via a smartphone application. The app provides functionalities like credit issuance, foreign currency operations, and various payment services, thereby enhancing customer convenience and expanding the bank's reach in retail banking. (JSC “UniversalBank”, 2024)

Concluding, Ukraine's banking system, regulated by the NBU, demonstrated resilience and growth in the fourth quarter of 2023. Despite the liquidation of four minor banks, state-owned institutions like PrivatBank and Oshadbank increased their market share. PrivatBank, with its extensive network and significant share of individual funds, remains a dominant force in retail banking. Oshadbank continues to focus on expanding its retail and SME segments.

Universal Bank, recognized as a "Systematically Important Bank," leads in digital innovation with its "MoboBank" platform. Positive trends in lending, particularly in SME and mortgage loans, along with improvements in loan quality and increased customer funds, underscore the sector's stability.

Nonetheless, the lending volume rate remains almost half of what it was before the war. Now, after observing the external environment, we analyze PrivatBank in greater detail as an institution.

2.2 Analysis of strategies of the institution

PrivatBank is a commercial bank founded in 1992, is the country's banking market leader. According to the CBR Ukraine survey, 62% of Ukrainians over the age of 16 cooperate with the bank in the fourth quarter of 2020. The 49.4% of clients name Privatbank as their main financial services supplier. (JS CB PrivatBank, 2020)

Today the bank employs over 20,500 thousand people. PrivatBank introduces itself as a socially oriented bank that employs people with disabilities (4% of the total number of employees). In addition, PrivatBank provides employees with a full social package, annual paid leave for 24 calendar days.

Privatbank is a Joint-Stock Commercial Bank, with 100% of ownership rights belonging to the Cabinet of Ministers of Ukraine from 2016.

The bank underlines, that improving the quality of customer service processes, with mandatory compliance with the law, development of lending while maintaining a high-quality loan portfolio, improvement and development of banking products / services, optimization of infrastructure have been and remain priority areas in the Bank’s activities.

Products of the bank include Distance Banking (management of your account not physically visiting the bank) through SMS technology, and special planform Privat24 which enables to manage your account 24 hours a day, and available in App Store and Play Market.

Now, let’s analyse the business model in a greater detail. As it was mentioned, the Bank provides universal service to a wide range of customers, being the leader of the Ukrainian market in the retail segment, actively promoting services for small and medium-sized businesses and selectively working in the corporate sector. The basis of the resource base of the bank are funds of individuals in the national currency, with a significant share of current accounts.

The mission of the Bank is "To help the economy develop, businesses grow, and private clients realize their dreams by providing financial services of the highest quality." or “economically strong country.” The Slogan is "Bank for those who move forward."

The strategic goal of the Bank is increase the quality loan portfolio of retail loans and SME loans. The Bank has a transaction platform Privat24, which allows efficient servicing of customer account operations of all segments and causes a high level of commission income. Along with online services, the Bank has an extensive network of branches, ATMs and self-service terminals that allow to provide services throughout the country. (JS CB PrivatBank, 2022)

Throughout its history, the PrivatBank distinguished itself as a pioneer by being among the first to implement SMS and telephone banking services in Ukraine, addressing accessibility. From its inception, the bank has focused on delivering fast and service-oriented banking solutions. In its positioning the bank underlines its position of the innovative and secure leader, that takes an active social position toward its employees, customers and ecology of the country.

As previously noted, financial inclusion involves the availability of a wide array of financial services designed to accommodate the needs of the population, along with a strong and accessible financial infrastructure. To begin with, we will analyze the communication channels at PrivatBank.

Table 2.1: PrivatBank’s Communication Channels

Communication Channel	**Description**
Online Services	
Website	Provides Information on products and services, transaction capabilities, and account management
Mobile Application	Allows for banking operations such as transfers, payments, balance checks, and card management
Offline Services	
Branches and Offices	Offers personal consultations, cash deposits and withdrawals, account openings, and other banking transactions
ATMs and Self-service Terminals	Used for cash withdrawals, payments, transfers, and other operations.

Telephone Support	
Call Center	Available for customer inquiries, consultations, and emergency assistance.
Social Media and Messaging Platforms	
Messenger Chats	Active communication channels on platforms like Viber and Telegram for quick responses to customer inquiries.
Social Media	Maintains presence on platforms like Facebook and Instagram, providing updates and promotional information.
Email Communications	Customers can send inquiries or receive notifications and newsletters via email.

Source: Author's analysis based on PrivatBank's web-side and Privat24 platform

PrivatBank's multi-channel communication strategy, encompasses online services, offline branches, telephone support, and social media platforms, ensures comprehensive and efficient customer support. (table 2.1) By catering to various customer preferences, the bank enhances overall user experience and strengthens customer relationships, demonstrating its commitment to accessible and effective banking services.

The targeting strategy doesn't suppose a precise aim at specific auditory. Privat is the bank for everyone, but generalizing, the bank's main consumers are working individuals aged 18 to 60 and SME. The bank proposes services to corporate clients, but rather as exception prescribed by the risk-management strategy.

Table 2.2: Segmentation approach based on the bank's offerings

Segment	The bank's offering	Features
Children	Junior card	Parent's control over spendings, healthy financial habits
Low class population	Universal credit card	Usual Banking services
Middle class	Gold credit card	Personal bank manager services, services for urgencies
Upper-middle	Platinum card	faster clients' service response, access to business school "JuniorBank" for children

Source: PrivatBank official web-site

PrivatBank's approach in offering a diverse range of financial products is designed to cater to the unique needs of various customer segments, from young children acquiring their first savings accounts to retirees managing their pensions. This targeted strategy is instrumental in promoting financial inclusion, as it ensures that individuals from different economic backgrounds and life stages can access tailored financial services.

Also, there is bundle of other financial services. For retirees and the socially vulnerable, the bank offers favorable conditions, including special offers and discounts on certain insurance types. For car owners, there are distinct insurance options. These options become especially appealing due to discounts on long-term policies or increased payouts when using specific services, such as "topdrive" and "OSCPV".

For the younger generation, the bank provides access to internet banking through "Privat24", allowing them to purchase tickets anytime and anywhere. Additionally, the support services can be reached via chatting apps.

Speaking about the accessibility, we divide it into offline and online infrustructure. The offline bank's infrastructure across the country comprises over 2,500 branches, 7,000 ATMs, and 12,500 self-service terminals. All this infrastructure makes Privat and Oshadbank together owning almost 50% of all banking infrastructure in Ukraine.

The Ukrainian banking sector is currently passing through several transformative trends, chief among them being the rapid digitalization of processes. Online banking, mobile apps, and other digital platforms have become vital, offering customers banking services in 24/7 basis. The National Bank of Ukraine underlines the importance of offline and online services during the wartime as well. For the accessibility of online banking was launched “PowerBanking” initiative that is aimed at banking services provision via internet even during blackouts. Offline offices also have a set of requirements relative to the accessibility for the people with disabilities.

Currently, in the context of the war the PrivatBank several useful initiatives in the context of blackouts and other war-related issues. The two highest esteemed services from the PrivatBank in 2022 were “Credit holidays” and "Cash at Checkout", which enabled the clients to withdraw the money from the bank account at supermarkets. These services especially caters to the population living at recently de-occupied regions.

Let’s make an intermediate conclusion. PrivatBank’s activities, particularly in the context of the Ukrainian banking sector's digital transformation and evolving needs, highlight a strategic approach to enhancing financial inclusion and resilience. By leveraging digital platforms, the bank ensures 24/7 access to financial services, crucial for maintaining financial stability in the wartime.

Its inclusive targeting strategy, encapsulated in its mission and broad customer demographic, underlines a commitment to supporting a diverse range of financial needs. This is further evidenced by its product offerings, which cater to various segments, from children to the elderly, and from low-income individuals to the upper-middle class. Such segmentation ensures that specific financial solutions are accessible, promoting healthy financial habits and emergency preparedness.

The Bank's extensive physical infrastructure complements its digital services, ensuring broad access to financial services across urban and rural areas. The bank's responsive product development, especially in times of crisis, illustrates a client-centered approach, prioritizing the financial well-being and resilience of its clients. Through these multifaceted activities, PrivatBank not only reinforces its role as a leader in the financial sector but also significantly contributes to the economic strength and stability of Ukraine.

Also, amid the challenges of war, these actions by PrivatBank, particularly the introduction of services like “Credit holidays” and "Cash at Checkout," ease access to essential financial resources during blackouts and for the population living at recently de-occupied cities.

Recently, the PrivatBank being a leader in the Ukrainian financial market, has published its development strategy up to 2024, focusing on creating a strong and competitive bank capable of ensuring financial stability and high profitability for its investors. According to the strategy approved by the Cabinet of Ministers of Ukraine, the bank aims to become an attractive object for investment, emphasizing the importance of optimizing its operational model and increasing efficiency. The main focus is on development in the small and medium-sized business (SMB) segment, anticipating a significant increase in SMB lending by 150%, including through the support of government programs such as "Affordable Loans 5-7-9%". (PrivatBank, 2023) This aligns with the bank's overall strategy of expanding its product offerings and deepening relationships with existing clients, rather than simply increasing its customer base. PrivatBank also plans to strengthen its positions in e-commerce and card business, aiming to retain leadership in these segments through accessible physical and digital channels.

In addition, PrivatBank intends to ensure operational efficiency and a sustainable level of profitability, aiming to achieve a projected net profit of over 30 billion UAH. This will contribute to improving the cost-to-income ratio, which is important for the bank's long-term financial stability. The strategy also pays attention to risk management and optimization of credit processes, highlighting the significance of improved credit underwriting practices. Innovative products and services, as well as adapting IT systems to international standards and regulatory requirements, are key directions for maintaining the bank's competitiveness in the market.

In the context of managing non-performing assets, PrivatBank is implementing a strict strategy aimed at reducing their share to less than 20%. This demonstrates a purposeful approach to improving the bank's financial condition and capital adequacy. Finally, the bank is exploring various privatization options, indicating a desire to strengthen its market position and attract new investments for further growth and development.

This strategy reflects a deep understanding of current market trends and customer needs in the war context, and allows PrivatBank not only to strengthen its positions but also to contribute to improving the financial stability of its clients through expanded and more accessible financial services. Based on PrivatBank's development strategy up to 2024, a clear correlation can be seen between the proposed development directions and the overall financial stability in Ukraine. In the context of ongoing conflict and a significant share of the shadow economy, highlighted by researchers like Shemaeva (2020), strengthening the financial system through the development of personal finances and increasing financial inclusion becomes critically important. PrivatBank, striving to strengthen its positions in the SMB segment and e-commerce, simultaneously contributes to the development of households, identified by Kizyma (2011), (2020) and Shevchuk (2020), as potential sources of internal investments.

Considering that the Ukrainian financial landscape is characterized by high consumer spending against the backdrop of low wages (Vorobets, 2020), enhancing household financial stability through expanding access to financial services and improving financial literacy becomes a key task. The growth of trust in banks, which is the result of the National Bank of Ukraine (NBU) efforts, along with the introduction of a partially floating exchange rate, represents a significant step towards stabilizing market expectations and strengthening the financial system.

However, despite the improvement in financial literacy, as indicated by the USAID report (USAID, 2021), there is a lack of a coordinated national financial literacy program. PrivatBank, by implementing its strategy with a focus on SMB and fintech innovations, can contribute not only to the improvement of financial services but also to the development of a culture of saving and responsible borrowing among the population. This is especially important in the context of the population's low creditworthiness and low level of savings (Kizyma, 2020), (Frolov et al., 2021).

Therefore, creating an online educational platform integrated with PrivatBank's services offers a dual benefit. It aligns with the bank's strategy to enhance the financial literacy and stability of its clients, which is crucial given the high consumer spending against low wages in Ukraine. By deepening the engagement with existing clients through educational resources, the bank not only fosters trust but also stimulates the use of its financial products, potentially leading to increased SMB lending and investment. This integration forms an ecosystem that unites the bank’s various services and enhances operational efficiency. For the convenience, we will be calling such a platform ‘PrivatLearn’ in the following chapters.

The next chapter analyses financial outcomes and summarises all analysis made into SWOT analysis structure.

2.3 Analysis of the Bank’s financial outcomes and SWOT analysis

Analyzing the bank's financial operations reveals a strategic calibration of income and expense mechanisms. Interest income, the bank's primary revenue source, saw a consistent increase from 33,841 million UAH in 2020 to 43,686 million UAH in 2022, highlighting effective asset utilization and customer acquisition strategies. Concurrently, interest expenses markedly decreased from -11,961 million UAH in 2020 to -3,788 million UAH in 2022, underpinning cost-effective financial management and enhanced credit risk assessment. This financial maneuvering, reflected in the Net Interest Income's substantial growth (28.9% from 2020 to 2021 and a staggering increase in 2022), evidence PrivatBank's tactical response to market dynamics and its emphasis on profitability and resilience.

Table 2.3: Analysis of key items of income and expenses, in millions of UAH

	2020	2021	2022	2021-2020	2022-2021
Interest income	33841	33563	43686	-278	10123
Interest expenses	-11961	-6537	-3788	5424	2749
Net interest income	19667	21602	39918	1935	18316
Comission income	24575	27649	32945	3074	5296
Comission expenses	-6386	-8888	-12595	-2502	-3707
Administrative and other operational expenses	-14915	-18006	-22541	-3091	-4535
Net income (year)	32609	24302	30198	-8307	5896

Source: Based on JS CB PrivatBank, Annual Report, 2022

From 2020 to 2022, PrivatBank saw its interest income increase while interest expenses decreased. In 2020, the interest income was 33,841 million UAH and expenses were -11,961 million UAH. In 2021, income slightly decreased to 33,563 million UAH, but expenses significantly dropped to -6,537 million UAH. By 2022, income increased to 43,686 million UAH, with expenses further reducing to -3,788 million UAH. This trend shows the bank's effectiveness in increasing income and reducing costs over the years.

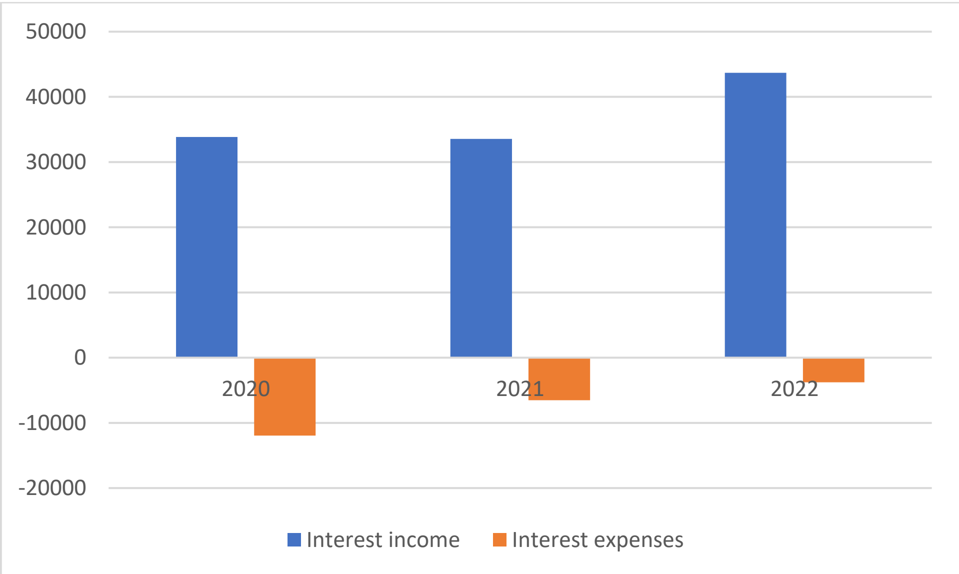


Figure 2.1: Dynamics of Interest income and expenses, in millions of UAH
Source: Based on JS CB PrivatBank, Annual Report 2020-2023

The Figure 2.1 illustrates the dynamics of interest income and expenses for JS CB "PrivatBank" from 2020 to 2022, measured in millions of UAH. Over the three-year period, the bank consistently generated substantial interest income, with a noticeable increase each year. In 2020, interest income was approximately 35,000 million UAH, which slightly decreased in 2021 to around 32,000 million UAH, before rising significantly in 2022 to nearly 45,000 million UAH. On the other hand, interest expenses remained considerably lower than interest income throughout the period. In 2020, the bank incurred interest expenses of about 10,000 million UAH, which decreased to roughly 8,000 million UAH in 2021, and further reduced to around 6,000 million UAH in 2022. This consistent reduction in interest expenses, combined with increasing interest income, indicates an improving profitability scenario for PrivatBank. The widening gap between interest income and expenses over the years might suggest effective cost management and a successful strategy in generating revenue from interest-earning assets.

Table 2.4: Total Assets and Total Liabilities of Privatbank, 2019-2022, in millions of UAH

	2019	**2020**	**2021**	**2022**
Total Assets	309 723	382 525	401 296	540 596
Total Liabilities	255 194	329 700	334 681	482 807
TA-TL	54 529	52 825	66 615	57 789

Source: Based on JS CB PrivatBank, Annual Reports 2020-2023

The bank's assets and liabilities trajectory mirrors its financial strengthening over the period. Total assets swelled by 34.7% in 2022, reaching 540,596 million UAH, an ascent attributable to increased financial inclusion, customer trust, and diversified asset acquisition. The liabilities trend, while ascending, particularly with a 44.2% increase in 2022, also points towards heightened deposit inflows—a mark of customer confidence and successful financial outreach. This is visually corroborated in the growth patterns illustrated in Graph 2 and Graph 3, showcasing the bank's robust asset accumulation and liability management, which are critical for financial resilience.

Table 2.5: Assets structure of Privatbank in 2019-2022, by 5 biggest categories, in millions UAH

Assets structure	2019	2020	2021	2022	2022 to 2021 in %
Cash and cash equivalents	45 894	49 911	52 835	96 380	82,42
Loan to Banks	27 118	25 059	26 243	103 837	295,68
Loan to clients	59 544	55 021	68 128	68 084	-0,06

Investments in securities including:	152 157	221 661	222 277	239 752	7,86

Source: Based on JS CB PrivatBank, Annual Reports (2020-2023)

An in-depth look at the bank's asset composition reveals strategic allocations contributing to its resilience. The explosive growth in loans to banks (almost 300%) and the significant rise in cash and cash equivalents (82%) from 2021 to 2022 underline PrivatBank's strategic liquidity management and risk diversification.

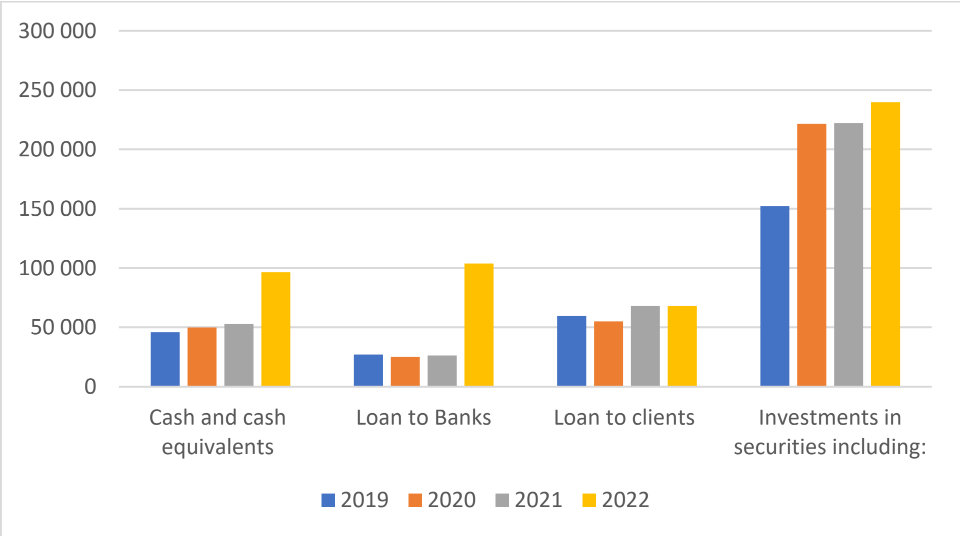


Figure 2.2: Absolute value of assets compared by year, 2019-2022, in millions of UAH

Source: Based on JS CB PrivatBank, Annual Reports (2020-2023)

Figure 4 details the trends from Table 6, showing the increase in interest income alongside the deliberate rise in asset categories that bolster liquidity and financial stability.

The biggest gainer in assets in 2022 was Loan to banks category. Most of loans (100 126 of 103 837 million) are financed via the NBU deposit certificates. Just like the majority of central banks globally, the NBU extensively utilizes deposit operations with banks as a tool for its monetary policy to achieve the set goal of price stability. This approach is due to current banking systems operating in an environment of excessive liquidity. As a result, banks place this excess liquidity with central banks and receive a specific interest rate in return.

On the other hand, while an increase in assets is generally seen as positive, the pronounced increase in liabilities in 2022 suggests the bank may have accrued additional debt or other financial commitments caused by the military aggression start. At a matter of fact, most of the liabilities of the bank are clients' funds.

Figure 2.3: Dynamics of liabilities of PrivatBank, in millions of UAH

Source: Based on JS CB PrivatBank, Annual Reports (2020-2023)

Over the past four years, PrivatBank has experienced a notable increase in clients' funds, reflecting a growing client trust. At the beginning of the war, the bank experienced significant inflow of customers' funds. (Figure 6)

There can be several factors determining this:

- Clients' trust. At the first days of the war banks expected outflow of clients' funds, which didn't happen. The biggest banks got inflow of funds, and Privat accumulated the greatest amount of funds among those. Inflow of money to the biggest banks can be seen as the result of successful NBU policy and the right direction of changes set at 2015.
- But PrivatBank experienced the biggest inflow of money compared to other system institutions. This phenomenon can we explained through the PrivatBank's established brand which is recognizable, state ownership and wide range of local branches throughout the country.

The trust factor is significantly pronounced, with PrivatBank experiencing the highest inflow of clients' funds among Ukrainian banks during early 2022, as depicted in Graph 4. This inflow, especially during the onset of the war, underscores the bank’s successful financial inclusion strategies and public confidence. The bank’s ability to attract and retain customer deposits during crisis periods not only demonstrates financial stability but also emphasizes the effectiveness of the NBU's reform policies initiated in 2015.

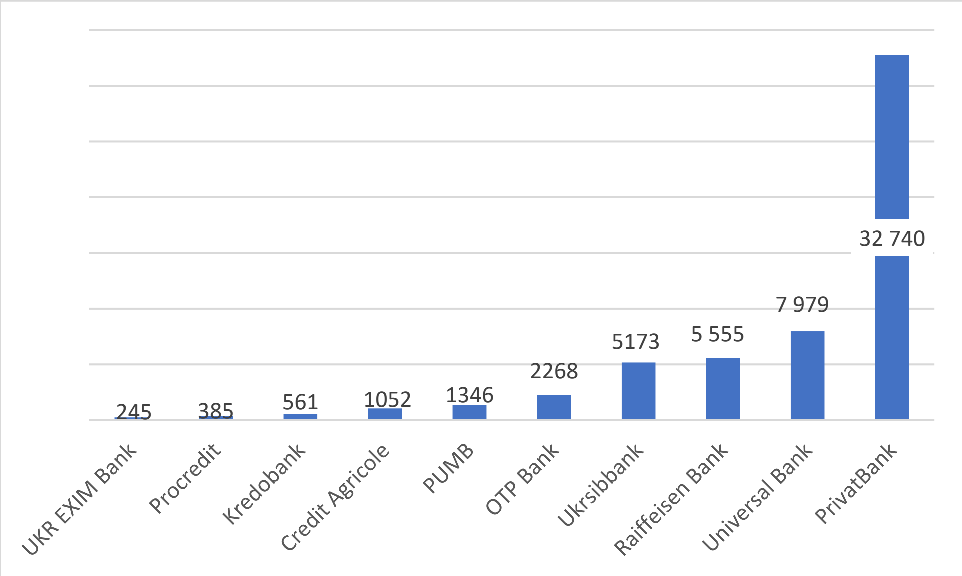


Figure 2.4: Top 10 Banks by Inflow-Outflow balance of Individuals’ Funds in February-March 2022, in millions UAH

Source: based on NBU data, 2022

The examination of the bank's financial data between 2020 and 2022 reveals its effective role in boosting financial resilience and inclusion among its clients. The bank showed a marked growth in interest income, especially in 2022, which reflects its robust capacity to generate revenue. Also, it managed to lower interest expenses, underlining its adept financial management that bolstered its overall stability and resilience. PrivatBank has been proactive in broadening its financial products and services, catering to a diverse client base, including during periods of conflict, thereby facilitating access to flexible financial solutions. The notable expansion in its assets, especially through increased loans to banks and cash, alongside a rise in liabilities driven by customer deposits, signifies a growing trust in its services, crucial for promoting financial inclusion. Moreover, during wartime, the bank’s strategic engagements with international financial entities and the NBU have showcased effective risk management.

However, from the given data we can conclude, that the bank’s heavy emphasis on digitalization could marginalize non-tech-savvy individuals or those without reliable internet access, (which was a significant issue during blackouts. The National Bank of Ukraine addressed this challenge by launching the "Power Banking" project, which we will discuss later) highlighting the need for inclusive, user-friendly banking services. The dependency on state ownership, while offering stability, may risk complacency, necessitating continuous innovation and responsiveness to market dynamics. Increasing digital banking services introduces cybersecurity and fraud risks (will be discussed later, as well), demanding enhanced protective measures. Furthermore, financial inclusion extends beyond service access to understanding and utilizing these services effectively, calling for improved financial literacy and client support programs. Lastly, PrivatBank's responsiveness to crises, demonstrated during wartime, must evolve to ensure the provision of flexible financial solutions and contingency plans to uphold clients’ financial resilience under various conditions.

Based on the results of strategic and financial analysis, let’s make SWOT analysis of the institution

SWOT analysis of Privatbank as an organization from the position of marketing

Strong	Weak
Comprehensive Infrastructure: PrivatBank benefits from a strong online and offline infrastructure that supports its broad reach. **Large Customer Base**: With 19 million active individual and corporate clients, the bank commands a significant market presence. **Strong Brand Identity**: PrivatBank has cultivated a recognizable brand, known for its reliability and trustworthiness.	**Low Adoption of Additional Services:** Many clients are hesitant to use the bank's supplementary financial instruments or services. **Secondary Banking Role:** Some clients treat PrivatBank as a secondary option, primarily using it for saving purposes rather than for daily banking needs.

Universal Banking Services: The bank offers a diverse range of services that cater to all customer categories.	
Expansion of Service Utilization: With a vast customer base that tends to underutilize additional banking services, there is a significant opportunity to increase engagement through targeted marketing campaigns, educational programs, and incentives that demonstrate the benefits and ease of using these services. **Digital Innovation:** Leveraging its broad online and offline infrastructure, PrivatBank can introduce more innovative digital banking services to meet the increasing demand for tech-driven financial solutions. This could include enhanced mobile banking features, personalized financial management tools, or blockchain technology applications. **Cros-Selling Products:** Given its status as a universal bank with a wide range of client offerings, PrivatBank has the opportunity to cross-sell more products to its existing customer base. By integrating these offerings more deeply into the daily financial activities of its clients, the bank could enhance customer retention and increase revenues. **Partnerships and Collaborations:** The bank could explore partnerships with fintech companies or other sectors such as retail or telecommunications to create new value-added services that encourage daily usage among its clients.	**Customer Retention Challenges**: If clients perceive PrivatBank as a secondary option, the threat of them switching to competing banks for their primary banking needs increases, especially if competitors offer more compelling or comprehensive daily banking services. **Market Competition:** The banking sector is highly competitive, with many players vying for customer loyalty through better rates, customer service, and product offerings. Increased competition could potentially erode PrivatBank's market share if it does not continuously innovate and adapt to customer needs.
Opportunity	Threat

Source: author’s analysis

The bank's nation-wide offline and online infrastructure supports its wide reach, while its 19 million active individual and corporate clients showcase a large customer base. Also, its strong brand identity and universal banking services establish a firm foundation to leverage new opportunities. These include expanding the adoption of underused additional services through targeted marketing and educational initiatives, introducing digital innovations such as enhanced mobile banking features or blockchain applications, cross-selling products to better integrate into customers' daily financial activities, and forming partnerships with fintech, retail, and telecommunications sectors to encourage frequent use. An example of such co-operation can be Monobank – a result of the Universal Bank and a Fintech start up project.

Despite these advantages, weaknesses in the form of low adoption of additional services and being perceived as a secondary bank highlight key threat. Customer retention could be affected if competitors offer more compelling daily banking solutions. The highly competitive market landscape means PrivatBank must continuously innovate and adapt to shifting customer needs. Additionally, fluctuating economic conditions and potential regulatory changes could further impact banking operations and profitability.

CHAPTER 3: CONSIDERATION OF WAYS OF EMPOWERING FINANCIAL RESILIENCE THROUGH ENHANCED FINANCIAL INCLUSION

3.1 The Aspects of Application of the Financial Inclusivity Initiatives in Ukraine

In assessing the integration of financial services with socio-economic development in Ukraine, particularly through the lens of empowering financial resilience and inclusion, the focus shifts to how these services have evolved and been strategically employed in response to various crises, including the global financial crisis of 2008, the domestic turmoil of 2014, and the more recent COVID-19 pandemic and full-scale invasion conditions.

Ukraine's National Bank faced significant challenges following the 2008 global financial crisis and our own crisis in 2014. At that time, the national currency lost more than 50% of its value. A series of political and economic events made 2014 one of the hardest years in Ukraine’s history, with the financial sector's cumulative losses nearing 53 billion hryvnias. Over the course of the year, banks saw a withdrawal of 23% of deposits in hryvnia and 49% of deposits in US dollars. After the 2014 crisis, the subsequent year was marked by a massive clean-up of the banking sector, targeting low-liquidity banks that threatened the stability of the economy. The aim of the reform was improved supervision for problematic banks, enhanced transparency and greater client’s protection.

The reform introduced a new philosophy of the National Bank. In its strategic document, states its purpose as provision of appropriate conditions for everyone to have access to high quality and safe financial services. (NBU, 2021)

Another strategic goal, as it stated in “The National Bank of Ukraine Strategy 2025” was support of the national economy after the Covid19 pandemic and world trade activity fall. Today, in the wartime the main purpose is only one – support financial and fiscal stability. (fiscal support has been conducted with the Ministry of Finance, via purchase of wartime bonds by NBU, but this initiative was terminated in 2023 to decrease arising financial risks.)

As an independent institution, the National Bank is not allowed to finance the budget deficit through lending. However, on March 4, the President of Ukraine issued a decree titled "On Financial Maintenance of Measures of a Legal Mode of Martial Law," which recommended that the NBU finance the deficit through military bonds. Then, on March 8 the NBU approved fiscal support through military bonds but emphasized that this measure is temporary and will only be in place during the martial law regime. The NBU plans to immediately return to its target inflation and free float regime model once the war ends.

The NBU underlines, that during the war, the role of state banks has intensified. In the context of high military risks and significant uncertainty, state banks support lending, including to state enterprises, maintain accounts for state payments, and ensure access to banking services through the widest network of branches. This leads to a significant increase in the share of state banks in all major indicators of the banking system.

In the first years of the war, Ukrainian banks successfully overcame operational difficulties, adapted to new working conditions and focused their efforts on restoring lending and supporting their business models in the context of a prolonged war. PrivatBank was the most prominent as we discussed earlier, because of enormous surge in clients' funds at the first months of the war.

Despite a high level of liquidity in the sector, the increase in risks for banks due to the further reduction of term funds forces the National Bank to tighten reserve requirements for demand deposits, requiring banks to pay more attention to liquidity management. In 2023, the NBU starts stress testing of twelve the largest financial institutions, and in early 2024 banks that in need of capital will develop capital recovery programs. Currently, the share of state banks, including PrivatBank is 53%. (NBU, June 2023)

One of the risks of the financial system noted is that the demand for credit from the population and businesses during the war has significantly weakened. In February 2023 credit demand of individual clients fell by 20% compared to the year ago. In February of 2024 demand grew by 12% relatively to 2023, but still in 30%

lower then the pre-war level. (NBU, 2023, 2024) Additionally, the destruction of energy and other civil infrastructure and slower economic recovery increase credit risk. In 2022, business lending occurred almost exclusively within the "Affordable Credits 5-7-9%" program: its share in the net hryvnia corporate portfolio reached 26%.

Another noticeable aspect of this was is increased importance of cashless transactions. The volume of cashless transactions is growing, and the list of financial operations that are carried out remotely is expanding. The full-scale war has created challenging conditions for the proper functioning of the payment infrastructure. At the same time, thanks to the coordinated actions of the NBU, the Deposit Guarantee Fund for Banks, banks, and non-bank financial institutions, the stability of the payment infrastructure has been preserved, which still functions effectively today, ensuring timely payments, settlements, and unhindered access for users to payment services and their funds, savings.

Also, in the report NBU aligns technological advancements in financial sphere with the widening of financial inclusivity programs. The development of new technologies increases the accessibility of financial services both in the banking and non-banking segments of the financial market. To make more active use of electronic payment means, further development of the infrastructure is planned, as well as the promotion of financial literacy programs. The development of innovative technologies according to changes in consumer preferences for financial services, the spread of virtual service channels, personalized financial services, mobile solutions, the development of open banking, and the spread of cooperation between traditional financial institutions and FinTech companies will better meet customer needs.(Arner D.W. et al., 2020), (Philippon T., 2019) The expansion of opportunities for the implementation of innovations during the provision of financial services by professional participants in the capital markets will be facilitated by further development of changes to the regulatory legal acts of the National Commission on Securities and Stock Market regarding depository activities, trading in financial instruments, and the functioning of organized market operators.

Summarizing, accessibility of financial services, a greater level of inclusion and protection of clients was one of the development goals for the NBU. The war didn’t change the ideological direction of the NBU, but some trends were significantly forced by its outbreak. Cashless transactions became the cure for pain, when you can’t physically do some payments or transactions to relatives. At the same time, the demand for credits from individual clients side remains low compared to the pre-war level. The demand may stay low because of economic uncertainty and demographic changes.

Also, last decade was characterized by rapid digitalization and expansion of Fintech solutions for financial services as well. That is, in the last 6 years in Ukraine became widespread payment by QR code and contactless payment. These technologies increased accessibility of financial services.

In the context of this paper, Fintech solutions may serve the backbone for further financial inclusion initiatives, because technologies affect accessibility, which in turn affects inclusion. As we know from previous chapter, PrivatBank has comprehensive experience in developing innovative solutions.

Further, in the backdrop of an ongoing conflict, the financial resilience of Ukrainian households has become more than a matter of personal security; it is a matter of national urgency. The state relies on a robust financial system to sustain its operations and support its defense capabilities. This chapter explores the specifics of implementing activities to enhance financial resilience in Ukraine, particularly in the context of personal finance development within the nation's challenging financial system.

The financial system in Ukraine has significant shadow economy part and a fragile tax control system, as outlined by scholars like Shemaieva (2020), sets a complex stage for personal finance development. Household finances, researched by Kizyma (2011), (2020), Shevchuk (2020), and others, have been identified as potential sources of domestic investment, highlighting the crucial role they play in the economy of the country.

High consumption expenditures, driven by some of the lowest wages in Europe, characterize the Ukrainian financial landscape (Vorobets, 2020). This consumption-focused behavior, coupled with low trust in financial institutions and a lack of suitable financial products, has led to minimal savings and a reluctance to invest, thereby stymieing the growth of household financial resilience. In recent years, however, trust in the banks has grown, which is a result of the National Bank of Ukraine's (NBU) consistent efforts to shape market expectations. Today, the NBU manages the largest reserves in its history. The most important of recent strategic decision of the National Bank was introduction of partially-fluctable exchange rate.

Despite the situation, opportunities for advancing personal finance development abound. The USAID report (USAID, 2021) points to a gradual improvement in financial literacy, suggesting a foundation upon which to build. Recommendations include targeting youth financial education and enhancing the role of financial regulators and institutions in protecting consumers and promoting transparency.

The National Bank of Ukraine has responded by integrating goals such as increasing financial inclusion and consumer rights protection into its 2025 strategy (The NBU, 2021). However, a detailed roadmap for boosting financial literacy remains undisclosed.

Shadow banking, with its roots in the demand for microcredit services, highlights the populace's low creditworthiness and risk assessment skills. (Frolov et al., 2021) This, coupled with the general low savings rate (Kizyma, 2020), indicates a dire need for strategies that not only address financial literacy but also cultivate a culture of saving and responsible borrowing.

So, why the resilience of the clients' base matters for a commercial bank. As it was discussed in subchapter 1.1, the recent studies on Financial Inclusion in the context of banks examined by Wang, R., & Luo, H. R. (2020) highlight the clear benefits of financial inclusion for the banking sector. By examining over 1500 commercial banks from 2004 to 2018, the research consistently found that financial inclusion directly enhances bank stability. This link is evident through various factors such as the business cycle, financial conditions, governmental policies, and economic environment. A thriving economy and strong policy frameworks amplify the stabilizing effects of financial inclusion, making it a key factor in fostering a robust banking environment.

Further research supports these findings. For example, Ozili (2021) points out that financial inclusion not only improves but is also improved by factors like financial innovation, poverty alleviation, economic conditions, and financial literacy. These elements collectively contribute to a more stable financial sector. Specifically, the European experience underscores the importance of including disadvantaged groups in financial services. The inclusion of groups such as the young, undereducated, unemployed, and those in rural areas has not only social benefits but also strengthens the resilience of financial systems, as highlighted by Danisman and Tarazi (2020). This demographic targeting ensures that more individuals have access to banking services, which in turn supports wider economic stability and growth.

Additionally, the focus on small and medium-sized enterprises (SMEs) as part of financial inclusion efforts has proven particularly beneficial. Research by Morgan and Pontines (2014) demonstrates that increasing lending to SMEs can significantly reduce non-performing loans and the likelihood of defaults. This is crucial for maintaining a healthy loan portfolio and overall financial stability of banks. By facilitating easier access to financial services for SMEs, banks not only aid in the economic development of a region but also secure their own financial health.

Therefore, personalized financial services and educational programs aimed at improving personal and business finance management help clients better cope with economic challenges and contribute to their financial resilience. Thus, banks that adopt a client-centric approach and invest in their clients' financial stability not only strengthen their relationships with clients but also create a more stable and sustainable economic environment, ultimately leading to increased revenues and reduced financial risks.

In the context of PrivatBank, one of the largest banks with an extensive client base in Ukraine, a customer-centric approach based on enhancing financial inclusion and resilience takes on special significance. First, working with the existing client base is more profitable compared to attracting new clients from other banks. According to PrivatBank's development strategy, increasing the use of even one additional product per customer can lead to significant profit growth — by 8 billion UAH. (PrivatBank, 2023) Second, enhancing the financial resilience of clients leads to increased demand for new or existent products and services of the bank, further strengthening their financial position. The third important aspect is the improvement of the bank's credit portfolio characteristics, reducing risks, and enhancing the quality of assets.

Furthermore, focusing on improving clients' financial resilience directly impacts increasing customer orientation and improving the overall customer experience, which is one of the key goals in PrivatBank's development strategy. (PrivatBank, 2023) This not only enhances customer loyalty but also strengthens the bank's reputation as a reliable partner focused on the long-term interests of its clients. Finally, a strategy oriented towards self-service and digitalization of services aligns with the bank's goals of reducing physical branches and transitioning to digital service channels. This allows for cost reduction and increased service efficiency, providing clients with tools to manage their finances in a more convenient and accessible form.

Therefore, strengthening the financial resilience of PrivatBank's clients not only responds to contemporary economic challenges but is also strategically advantageous for the bank, contributing to its sustainable growth and strengthening its market position.

At this point, we will analyze the USAID report on financial literacy and resilience in Ukraine. (2021) It compares data from 2018 and 2021, offering a unique perspective on the progress and challenges in financial inclusion during a period marked by significant social and economic changes. (USAID, 2021) This is the most recent and comprehensive statistical research on the topic. The war couldn’t affect the awareness of financial product, but definitely affected the use of financial products. This chapter delves into the report's findings, analyzing the awareness and usage of financial products, identifying general trends that existed before the war, and discusses implications for enhancing financial resilience in Ukraine, particularly through the lens of PrivatBank's strategic initiatives.

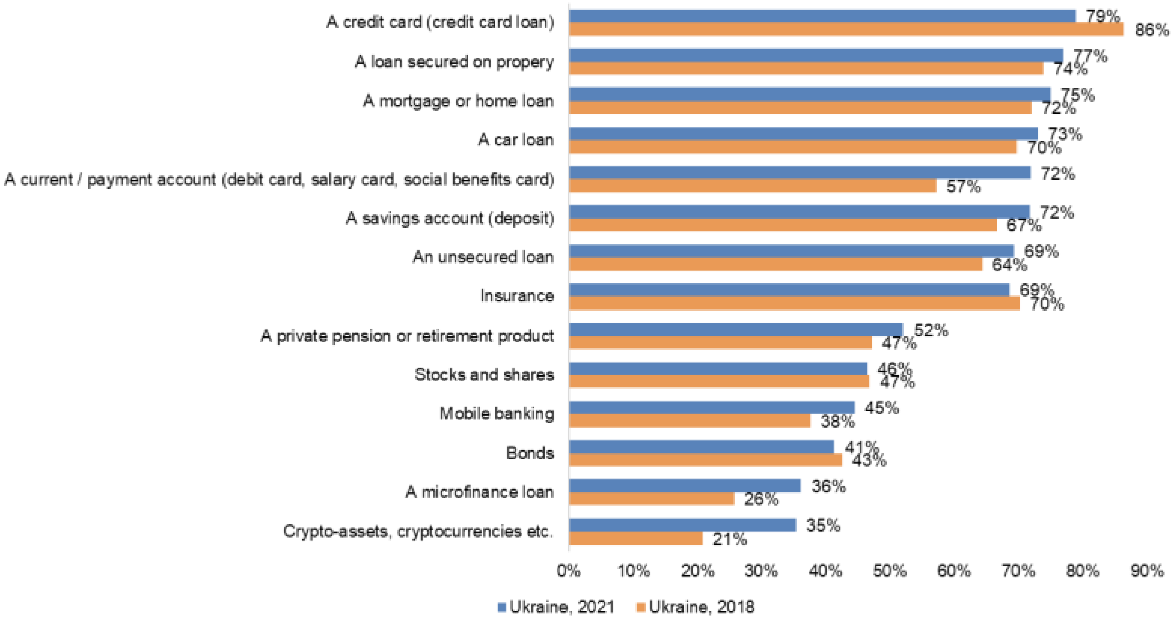


Figure 3.1: Awareness of Financial Products in Ukraine, 2018-2021

Source: USAID report (2021)

According to Figure 3.1 from the USAID report, the awareness of financial products among Ukrainians has seen an overall increase. Remarkably, the understanding of credit cards and current/payment accounts has jumped by 15 percentage points each. This surge indicates a successful dissemination of information and possibly the adoption of these financial products. Moreover, the substantial increase in awareness of crypto-assets suggests a growing interest in alternative financial instruments, reflecting global financial trends and the potential for digital transformation in Ukraine's financial sector.

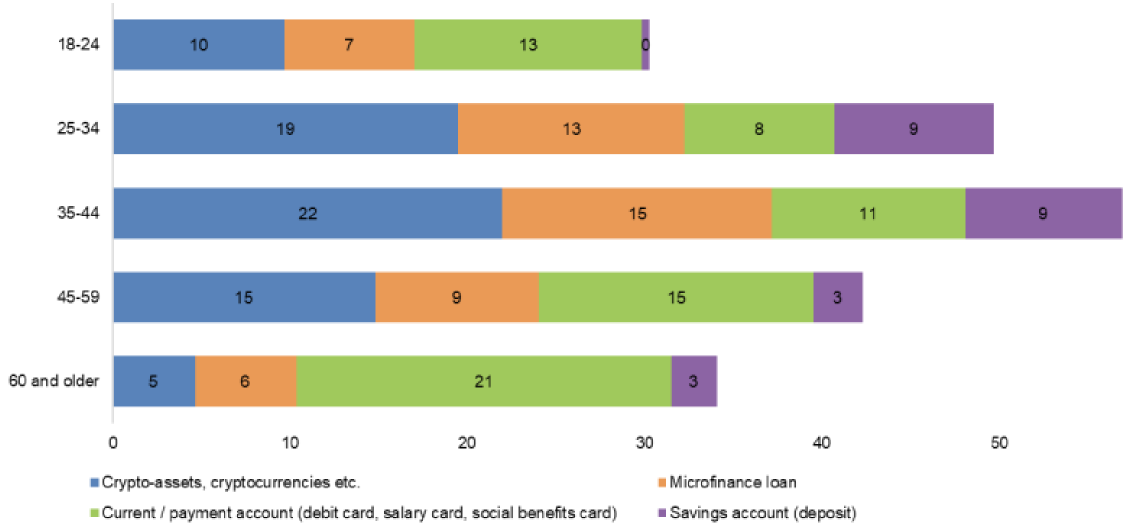
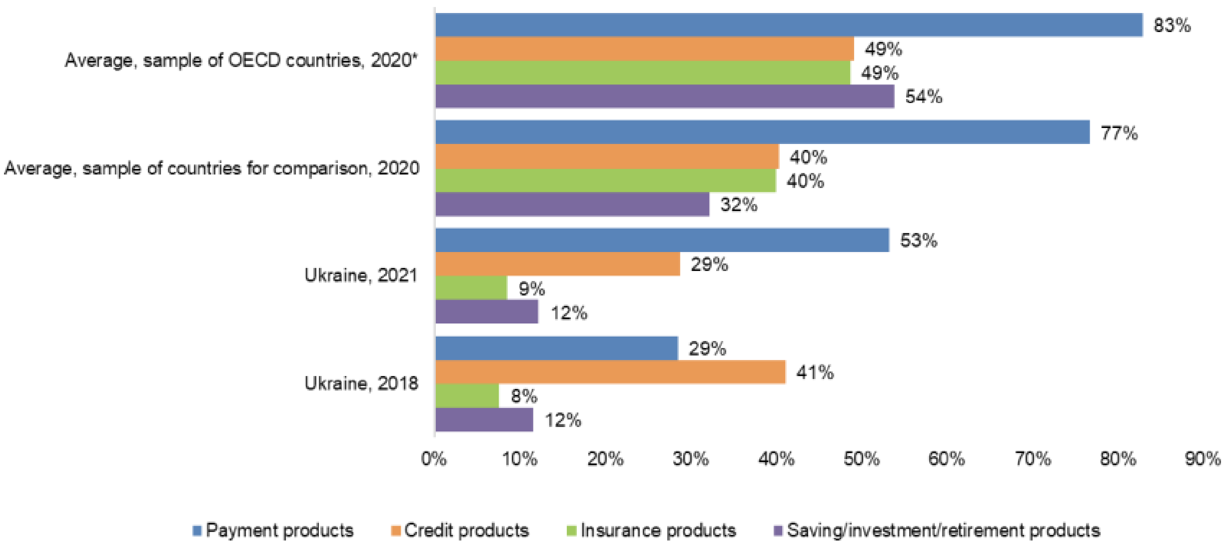


Figure 3.2: The difference in the awareness of financial products between 2021 and 2018 by age, pp

Source: USAID report (2021)

The data stratified by age groups (Figure 3.2) reveals the awareness gap between the young, the middle-aged, and the older audience. Younger generations in Ukraine show a substantial increase in financial product awareness, especially regarding digital and crypto-based offerings. Based on the differences in financial product awareness by age as depicted in the chart provided, PrivatLearn could offer a highly customizable experience tailored to the varying levels of knowledge and interests of its use.

Figure 3.3: Current use of financial product



Source: USAID report (2021)

The analysis of the current use of financial products (Figure 3.3) paints a contrasting picture to the observed awareness. Despite high levels of awareness, the actual use of payment products in Ukraine (53%) lags behind OECD countries (83%) and the sample of comparison countries (77%). The gap is even more pronounced in savings, investment, and retirement products, where Ukraine's usage rate stands at 29% compared to the OECD average of 49% and the comparison countries at 54%. This disparity suggests significant room for growth and indicates potential strategic avenues for PrivatBank to increase product adoption.

The insights from the USAID report hold strategic implications for PrivatBank. There is a clear opportunity to bridge the gap between awareness and usage of financial products. PrivatBank can capitalize on the high levels of awareness and interest in digital financial services by launching targeted financial literacy campaigns for difference age segments and user-friendly digital banking solutions. Tailoring these initiatives to the needs and preferences of different demographic groups, could lead to higher adoption rates and foster greater financial resilience.

Furthermore, the bank can develop innovative products and services that cater to the less penetrated segments of the market, such as savings and investment instruments. Collaborating with fintech companies could also be a viable strategy to introduce more sophisticated financial products, leveraging technology to simplify their use and make them more accessible to the broader population. (Kuznetsova A., et al., 2022)

Summarizing, the USAID report highlights both the trends and the opportunities ahead for financial inclusion in Ukraine. For PrivatBank, the path forward involves not only building on the heightened awareness of financial products but also addressing the clear need to convert this awareness into usage. By focusing on tailored financial education, product innovation, and strategic partnerships, PrivatBank can play a role in enhancing financial resilience and inclusion, laying a foundation for a more stable financial ecosystem in Ukraine.

Now, let’s analyze the financial behavior of Ukrainians researched by USAID, and complement the result with the most recent comprehensive statistical analysis conducted by the Rating Group (2023). Prior to the conflict, there was a noticeable trend toward decreased financial planning, particularly among lower-income individuals, which was partly attributed to the immediate pressures of survival and an inability to save. However, this period also witnessed positive developments, such as the increased use of digital financial tools and a diverse approach to savings, demonstrating a willingness to embrace technology and alternative financial instruments.

With the war's advent, the landscape of financial behavior has further shifted. The Ukrainian populace's "planning horizon" remains contracted, with a 45% not planning at all, reflective of the ongoing uncertainty and a pivot to short-term financial strategies. This has solidified a culture of self-restraint and prudence, with the majority of Ukrainians adopting frugality in the face of the war's economic impacts, such as job loss and salary cuts. Yet, there’s an adaptive resilience, as many seek additional income streams, despite the challenges this poses, particularly to older citizens. (The Rating Group, 2023)

The continuity of trust-based decision-making is evident; recommendations from personal networks remain influential, with an increased reliance on friends and family for financial advice, as the war heightens the sense of communal reliance and interpersonal trust. (The Rating Group, 2023) This enduring preference highlights an opportunity for PrivatBank's PrivatLearn platform to harness the power of community and trusted networks in financial education.

Summarizing, empowering financial resilience through financial inclusion is critical in Ukraine's socio-economic development context, especially given the country's recent history of crises, including the global financial crisis of 2008, the domestic upheaval of 2014, the COVID-19 pandemic, and ongoing conflict. The strategic evolution of financial services in response to these crises highlights the critical role of the National Bank of Ukraine and key financial institutions like PrivatBank, Oshadbank, and UniversalBank in fostering resilience and inclusion.

The NBU has led significant reforms aimed at stabilizing the financial sector, improving transparency, and protecting clients. These reforms have laid the groundwork for increased financial inclusion, ensuring that more individuals and businesses have access to essential financial services. State commercial banks, particularly

The insights from the USAID report highlight the progress made in financial literacy and the gaps that still exist in the usage of financial products. PrivatBank has a unique opportunity to bridge this gap by leveraging its extensive network and innovative solutions to enhance financial resilience among its clients.

PrivatBank, have been instrumental in maintaining stability and enhancing financial literacy through initiatives like JuniorBank. This program, aimed at young clients, underscores the importance of early financial education in building a resilient population.

Oshadbank and UniversalBank contribute to this goal through educational events and digital innovations, further promoting financial inclusion. The "Harazd" project by the NBU also plays a significant role, although it could benefit from more comprehensive and engaging content to fully support advanced users.

In the next subchapter, we observe existing financial inclusivity projects by commercial banks and by NBU and estimate pros and cons of those.

3.2 Overview of existing financial education initiatives by PrivatBank and other banks

In this chapter will be analyzed existing financial education platforms by PrivatBank and other banks, and from the National Bank of Ukraine. The plaatforms will be analysed be the categories of content depth and diversity, learning tools, frequency and relevance of updates, personalization and stimulation. The relevant materials can be found in tables 3.1 and 3.2.

PrivatBank, in partnership with the National Bank, the Ministry of Finance, and the Ministry of Education of Ukraine, has developed an educational project named

JuniorBank aimed at young clients aged 6 to 17 years. The program is structured into seven modules covering essential financial literacy topics such as budgeting, financial cushioning, leadership, planning, and business basics. Each module is divided into subchapters, featuring short videos, presentations, and quizzes to reinforce learning.

Table 3.1: Analysis of ‘JuniorBank’ initiative

Category	**Description**
Content Depth and Diversity	JuniorBank provides foundational financial education tailored for children and teenagers. The platform might be extended to cater a broader range of population
Interactive Learning Tools	However, incorporating more interactive elements like financial simulations, interactive games, or scenario-based learning could significantly enhance engagement and understanding. Interactive tools can provide hands-on experience with financial decision-making, making the learning process more engaging and practical.
Frequency and Relevance of Updates	Regular updates are crucial to maintain the accuracy and relevance of educational content, especially in a field like finance where economic conditions can change rapidly even in peaceful times.
Personalization	JuniorBank’s current structure doesn't fully cater to individual learning paths. To enhance personalization, the program could use adaptive learning techniques that customize the content based on each user’s progress, strengths, and weaknesses.

Stimulation	The platform lacks stimulation mechanisms. It might be reasonable consider adding leaderboards to foster healthy competition or badges and certificates that mark the completion of various milestones.

Source: Author’s analysis

However, there are some areas where JuniorBank could improve. The curriculum could be diversified to encompass more advanced topics like investment and complex budgeting, catering to a broader range within the target demographic (6-17 years). Enhancing interactive learning tools such as financial simulations and scenario-based learning would offer a more practical experience of financial decision-making.

Additionally, more frequent content updates would ensure that the material remains accurate and relevant in a rapidly changing financial landscape, given the last significant information update was in 2021. Personalization could be improved by adapting the educational content to each student's progress, ensuring tailored learning that targets individual strengths and weaknesses. Finally, expanding the motivation mechanisms beyond prizes and events to include leaderboards, badges, and challenges would foster healthy competition and maintain learner engagement throughout their educational journey.

Another financial education platform called the “Harazd” project and was presented in August of 2023.The website provides tools aimed at enhancing financial literacy. “Its launch is one of the steps towards enhancing financial awareness and protecting the rights of financial institution clients, which are priorities for the National Bank.” – the NBU, 2023

Table 3.2: Analysis of the ‘Harazd’ Project

Category	**Description**

Content Depth and Diversity	The site provides basic educational articles and financial tips but may lack in-depth coverage of more complex financial topics, which could benefit more advanced users.
Interactive Learning Tools	The site includes a test for assessing financial knowledge but might lack a variety of engaging interactive tools like games or simulations.
Frequency and Relevance of Updates	The newsletter implies regular updates, but the actual frequency and relevance to users' evolving financial needs may be limited.
Personalization	Personalized article recommendations are available after taking the test, but the site might not offer a fully personalized learning path that adjusts based on user feedback.
Stimulation	The project lacks stimulation mechanism for users.

Source: Author's analysis

Ultimately, the TA of the platform is as wide as it can reach, unlike PrivatBank's project that was aimed specifically at children and teenagers. The functional includes educational articles on financial topics like cash transactions, non-cash transactions, inflation, and practical financial tips. This is how "Harazd" describes services provided: "On the "Harazd" website, can be found comprehensive information about the most common financial services in Ukraine. We help you navigate complex financial issues by explaining them in a simple and accessible way. All the provided information is aimed at helping you effectively manage your personal budget or family finances and make well-considered financial decisions." – website, about us page

Moving on to the analysis, (table 3.2) while it provides foundational resources suitable for broad audiences, it lacks more comprehensive and detailed coverage that could benefit advanced users. Additionally, its interactive tools are limited to a financial knowledge test, missing more engaging learning mechanisms like simulations or games.

In comparison to PrivatBank's JuniorBank, which also emphasizes foundational financial literacy, "Harazd" doesn't deliver the same structured learning path divided into modules and lacks deepness of information. Although "Harazd" sends regular newsletters, their actual frequency and relevance may not fully align with evolving user needs. Personalized article recommendations are based on test results, but the site could further refine this by adjusting the learning path based on user feedback.

Also, "Harazd" lacks engaging stimulation mechanisms (there is no any mechanism, basically), while JuniorBank incorporates through prize incentives and events. By adopting more creative and interactive approaches, like games or financial challenges, the project could attract and retain users more effectively.

Moving forward to other financial literacy platforms, unlike PrivatBank, OshadBank and UniversalBank do not provide structured educational materials but focuse on organizing educational events. A recent event titled "My financial education with Roblox," co-hosted with GolTeens, The NBU, Mastercard and OshadBank, integrated financial education with interactive quests in the videogame, offering prizes to engage participants.

3.3 Establishment of ways and opportunities of improving Financial Resilience, through inclusivity initiatives

After analyzing existing financial education projects, we can outline the most vital aspects of such projects implementation. With these conclusions we will build hypothetical “PrivatLearn” platform. It is an innovative educational platform developed to advance financial inclusion by fostering financial literacy among its users. This platform integrates seamlessly with PrivatBank’s existing digital services, offering personalized educational content that is accessible and engaging. PrivatLearn utilizes interactive tools and real-time feedback to educate users on various financial topics, from basic budgeting to complex investment strategies. The initiative is designed not only to educate but also to empower users by providing them with the knowledge and skills necessary to make informed financial decisions.

PrivatLearn is tailored to address the needs of a broad spectrum of the population, from young adults just starting their financial journeys to older individuals seeking to manage their finances more effectively. The platform aims to bridge the gap in financial knowledge that can lead to increased economic vulnerability and reduced opportunities for personal and professional growth. Obviously, the platform should be highly customizable to specific needs of different segments of clients.

Integrating finding from previous chapters, I can say that in developing PrivatLearn, insights from subchapters 3.1 and 3.2 suggest a multi-faceted approach: the platform should offer short-term financial planning tools and education to align with current behaviors while encouraging a gradual shift towards long-term thinking as stability returns. It should emphasize community features, enabling users to share insights and advice, mirroring the trust-based decision-making prevalent in Ukrainian society. Additionally, PrivatLearn must be sensitive to the economic hardships faced by many, providing actionable strategies for immediate financial relief, such as guides for supplementary income generation or budgeting during times of reduced earnings.

To cater to the increased digital engagement, PrivatLearn could integrate with other PrivatBank apps like Privat24, UniorBank, Skarbnichka, My Deposits, To Pay a Portion, ensuring a customizable and seamless user experience for tracking expenses, automating payments, and accessing financial products. Given the rise of digital tool usage, this integration could facilitate the practical application of learned financial concepts directly within users’ banking activities.

Thus, in the development of PrivatLearn, acknowledging these shifts and embedding the new financial realities into its educational content and toolset will be paramount in ensuring relevance and utility for its users, ultimately supporting PrivatBank's goal of empowering financial resilience through enhanced financial inclusion.

The problems addressed by PrivatLearn include:

- Low Financial Literacy: By providing accessible and engaging educational content, PrivatLearn aims to improve understanding of financial concepts across various demographics.
- Address Short-Term Thinking: The war influenced the financial decisions of individual clients, leading to a preference for short-term choices.
- Navigational Challenges in Financial Decisions: PrivatLearn offers guidance and support to help users navigate complex financial landscapes, thereby reducing the stress associated with financial decision-making.

Launching an educational platform like PrivatLearn offers several strategic benefits to PrivatBank, particularly when it comes to integrating such a platform with existing banking services and utilizing it to analyze customer behavior and decision-making patterns.

Table 3.3: Benefits of launching the project to the bank, by category

Operational Categories	Specific Benefits
Customer	Enhanced Customer Engagement and Loyalty
	Increased Customer Retention
Credit and Risk Management	Improved Credit Scoring Accuracy
	Advanced Risk Management
Marketing and Sales	Cross Selling Opportunities

Source: Author's work

After presenting the concept and benefit for the bank, let's move to the SWOT, PESTLE and Risk Matrix analysis.

These analyses provide strategic insights for PrivatBank, informing the development of the PrivatLearn platform to enhance financial literacy and inclusion. The proposed mitigation strategies for high-risk areas aim to ensure the effective and secure implementation of this innovative educational initiative.

SWOT analysis for PrivatLearn initiative concept

Strengths	Weaknesses
1. Integration with PrivatBank Services; 2. Customizable Educational Experience; 3. Strong Brand Support	1. Challenges in Reaching All offline auditory; 2. Limited Initial Content;
1. Increasing Interest in the Bank's Products; 2. Innovative Product Development; 3. Targeted Financial Literacy Campaigns; 4.Community Features;	1. Competitive Market; 2. Rapid Technological Change; 3. Cybersecurity Risks;
Opportunities	**Threats**

Source: Author’s work

Having explored the strengths, weaknesses, opportunities, and threats facing the PrivatLearn initiative through SWOT analysis, we now turn our attention to the broader contextual factors. The subsequent PESTEL analysis will examine the political, economic, social, technological, legal, and environmental factors that may influence the initiative's success, providing a comprehensive view of the external landscape in which PrivatLearn will operate. This will ensure a strategic approach that is well-rounded and responsive to the dynamic market conditions.

Table 3.4: PESTEL analysis for PrivatLearn initiative concept

Political	Economic	Social	Technological	Legal	Environmental
1. Governmental Policies on digital education and banking; 2. Regulatory Changes affecting online financial services	1. Economic stability affecting consumer spendings on banking and education; 2. Market demand for financial literacy in	1. Public interest in digital financial education; 2. Demographic trends influencing learning preferences;	1. Advances in educational technology and online platforms; 2. Cybersecurity risks associated with digital learning and banking;	1. Compliance requirements for digital educational content; 2. Data protection laws affecting user information on digital platforms	1. Increasing emphasis on digital solutions reducing environmental impact;

	the context of wartime				

Source: Author's work

The analysis of the PESTLE factors reveals several critical insights into the financial inclusivity and education initiatives at JS CB "PrivatBank." Supportive governmental policies on digital education and banking can significantly boost these initiatives, while regulatory changes may present both opportunities and challenges, requiring compliance to enhance consumer trust. Economic stability influences consumer confidence and spending on financial services and education, especially in the times of war. Social factors, such as growing public interest in digital financial education and varying demographic preferences for learning platforms, underscore the importance of tailored educational content. Technological advancements offer new tools and platforms for effective financial education, but cybersecurity risks must be managed to protect user data and maintain trust. Legal requirements for compliance and data protection necessitate stringent measures to safeguard user information. Environmental considerations highlight the benefits of digital solutions in reducing the environmental impact, appealing to environmentally conscious consumers. In summary, PrivatBank must adapt to regulatory changes, leverage economic trends, meet evolving technological and social demands, ensure compliance and robust cybersecurity, and capitalize on the public interest in digital financial education. Emphasizing the environmental benefits of digital solutions can further strengthen the bank's commitment to sustainability and attract a broader customer base. Further, on the basis of SWOT and PESTLE, we identify potential risks, impacts and likelihood:

Table 3.5: Risk Categories

Risk Category	**Risk Description**	**Likelihood (1-10)**	**Impact (1-10)**	**Total Score (L+I)**
Technological	Rapid Tech Obsolescence	7	6	13
Technological	Cybersecurity Threats	8	9	17

Market Adoption	Low User Engagement	6	8	14
Market Adoption	Resistance to Digital Transition	5	7	12
Regulatory	Regulatory Compliance Failure	4	9	13
Regulatory	Changes in Financial Services Laws	5	8	13
Economic	Economic Downturn Impact	6	7	13
Economic	Budget Overruns	5	6	11
Social & Cultural	Cultural Misalignment	4	5	9
Social & Cultural	Digital Divide	6	7	13
Legal	Intellectual Property Violations	3	8	11
Legal	Data Privacy Breaches	7	9	16
Environmental	Impact of Environmental Regulations	4	5	9
Environmental	Infrastructure Sustainability	3	4	7

Source: Author’s work, based on SWOT, PESTLE analyses, The Rating Group staristical report (2023) and USAID report on Financial Literacy in Ukraine (2021)

Next, risks will from the Table 3.3 will be ranked by the total score. On the basis of the score will be provided Risk Matrix analysis to visualize the risks distribution and figure out the most significant of those risks.

Table 3.6: Ranking the risks

No.	Risk Name	Total Score
1	Cybersecurity Threats	17
2	Data Privacy Breaches	16
3	Low User Engagement	14
4	Regulatory Compliance Failure	13

5	Changes in Financial Services Laws	13
6	Economic Downturn Impact	13
7	Digital Divide	13
8	Rapid Tech Obsolescence	13
9	Resistance to Digital Transition	12
10	Budget Overruns	11
11	Intellectual Property Violations	11
12	Cultural Misalignment	9
13	Impact of Environmental Regulations	9
14	Infrastructure Sustainability	7

Then, as mentioned, we move to the risk matrix distribution

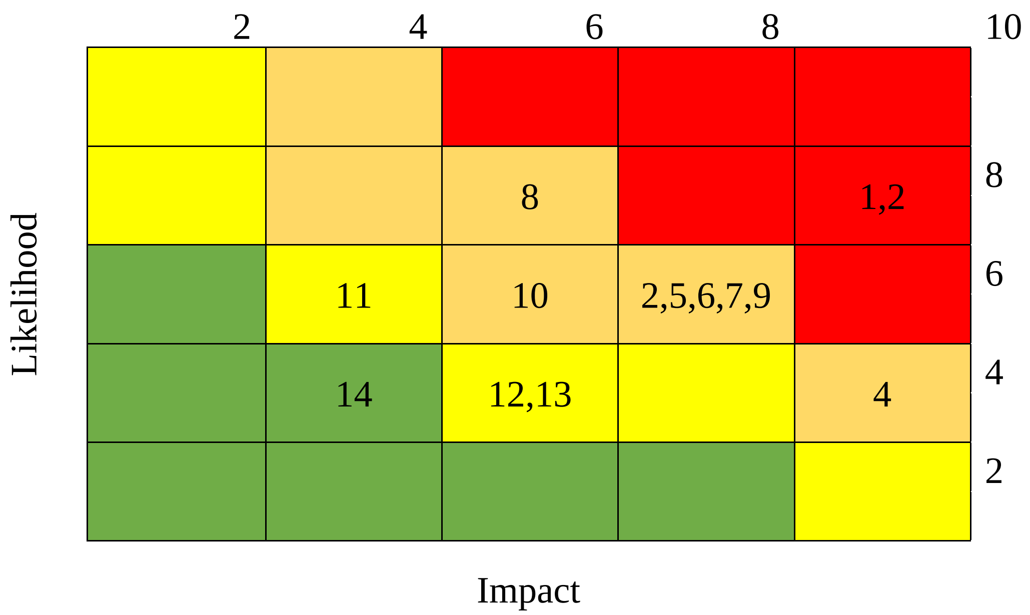


Figure 3.4: Risk Matrix

The risk analysis matrix for the PrivatLearn initiative concept, therefore, provides a visual representation of the potential challenges faced by the project. It is evident from the analysis that cybersecurity threats and data privacy breaches are the most critical risks, both having high likelihood and impact. These risks demand immediate and strategic attention to safeguard user data and maintain the integrity of the platform.

Low user engagement follows closely, suggesting a significant need for engaging and relevant content to ensure sustained user participation. Additionally, regulatory compliance failure and changes in financial services laws, with moderate likelihood and substantial impact, require ongoing monitoring and agility to adapt to the evolving legal landscape.

The matrix also shows that the economic downturn has a moderate likelihood of occurrence but could have a significant impact, highlighting the importance of robust financial planning and management. The digital divide and rapid technology obsolescence are depicted as considerable concerns, emphasizing the need for inclusive design and continuous innovation.

Resistance to digital transition and budget overruns are risks that the project must be prepared to manage, indicating the necessity of change management strategies and meticulous budgetary control. Intellectual property violations also pose a considerable risk, necessitating strict adherence to copyright laws and diligent content curation.

Cultural misalignment and the impact of environmental regulations are less likely but still significant, pointing to the need for culturally sensitive material and eco-friendly practices. Infrastructure sustainability, although the least likely risk, is still an essential factor for long-term viability.

The table below provides mitigation strategies for high and severe risks, as they seem the most impacting and probable to appear.

Table 3.7: Strategies of dealing with each type of risk

Category	Strategies
Cybersecurity Threats	- Implement robust encryption methods and secure access protocols. - Conduct regular security audits and penetration testing. - Offer continuous cybersecurity training for all staff involved in the project

Data Privacy Breaches	- Ensure compliance with GDPR and other privacy regulations. - Establish strict data access controls and monitoring systems. - Create an incident response plan for potential data breaches.
Low User Engagement	- Develop interactive and personalized content tailored to user preferences. - Introduce gamification to incentivize user participation. - Engage users with regular updates and feedback mechanisms.
Regulatory Compliance Failure	- Stay updated with changes in educational and financial regulations. - Consult regularly with legal experts to ensure all platform activities are compliant. - Train staff on regulatory requirements and compliance procedures.
Changes in Financial Services Laws	- Build flexibility into the platform's architecture to adapt quickly to legal changes. - Establish a legal advisory committee to monitor and interpret new laws.- Update terms of service and user agreements in accordance with new regulations.
Economic Downturn Impact:	- Diversify revenue streams to reduce dependence on any single source. - Develop a contingency budget to weather economic challenges. - Analyze economic trends and adjust business strategies accordingly.
Digital Divide	- Ensure the platform is accessible on various devices and internet speeds. - Partner with NGOs to provide access to disadvantaged groups.

	- Offer offline capabilities or alternative access solutions.
Rapid Tech Obsolescence	- Adopt agile development practices to integrate new technologies quickly. - Allocate a dedicated budget for technology updates and innovation. - Collaborate with tech partners for early access to emerging tech solutions.
Resistance to Digital Transition	- Provide user-friendly tutorials and support for new users. - Communicate the benefits of digital learning platforms clearly to all stakeholders. - Offer incentives for early adopters and success stories.
Budget Overruns	- Use project management tools for real-time budget tracking. - Review financial plans regularly and adjust forecasts based on actual spend

Source: Author's work

Table 3.5 provides a comprehensive framework for mitigating various risks associated with financial education initiatives, ensuring the robustness and sustainability of educational platforms in an ever-changing environment. To address cybersecurity threats, robust encryption, secure access protocols, and regular security audits are essential. Ensuring data privacy involves strict compliance with regulations, data access controls, and having a response plan for breaches. Low user engagement can be mitigated by developing interactive, personalized content and incorporating gamification.

Regulatory compliance requires staying updated with regulations and consulting legal experts, while flexibility in the platform's architecture helps adapt to changes in financial services laws. Economic downturn impacts can be managed by diversifying revenue streams and developing a contingency budget. Bridging the digital divide involves making the platform accessible on various devices and partnering with NGOs.

To combat rapid tech obsolescence, adopting agile development practices and collaborating with tech partners are key. Resistance to digital transition can be eased with user-friendly tutorials, clear communication of benefits, and incentives for early adopters. Finally, budget overruns can be prevented through real-time budget tracking and regular financial plan reviews.

By proactively implementing these strategies, institutions can enhance their platforms' resilience and effectiveness, fostering a sustainable and inclusive educational environment that advances financial literacy and empowerment.

Also, at the end of 2023 year, the nationwide mobile operator Kyivstar was subjected to a severe cyberattack that affected every single user. PrivatBank was also partially impacted, as some terminals could not operate without a mobile network. This incident highlighted once again the importance of diversifying risks, especially in the context of war. In such projects, cybersecurity, stability, and database safety are critical risks that need to be thoroughly addressed.

Additionally, cybersecurity and data breach risks can be mitigated with blockchain technology. Blockchain is a system that transmits transactions while also encrypting them across the web using IoT, but without a centralized authority, ensuring transparency is maintained through independent ledgers (Khatwani et al., 2023). By implementing blockchain-based databases, the project can protect sensitive transactional and personal data against cyber threats. Furthermore, blockchain ensures data privacy and integrity by separating transactional information from personally identifiable data, thus minimizing the risk of breaches (Raddatz et al., 2023).

Blockchain's decentralized nature also makes it highly resistant to cyber-attacks. Unlike traditional centralized systems, where a single point of failure can be exploited by hackers, blockchain's distributed ledger ensures that all data is replicated across multiple nodes. This redundancy makes it exceedingly difficult for malicious actors to alter or tamper with the information without being detected. Each transaction is time-stamped and linked to the previous one, creating an immutable chain of records.

In addition, blockchain technology can be used to enhance identity verification processes. By creating a decentralized and secure method for verifying identities, blockchain reduces the risks associated with traditional identity management systems, such as identity theft and fraud. Users can maintain control over their personal data and share it selectively with trusted parties, ensuring higher levels of security and privacy.

CONCLUSIONS AND PROPOSALS

Finally, the paper has explored the critical role of financial inclusivity initiatives in empowering financial resilience, focusing on the case of JS CB "PrivatBank." The study has highlighted the importance of accessibility, consumer protection, and financial education as foundational elements of financial resilience. Additionally, through various analytical methods, including SWOT, PESTLE, and risk analysis, the paper has identified key strengths, weaknesses, opportunities, and threats facing PrivatBank's initiatives. The findings emphasize the necessity for continuous adaptation to regulatory changes, technological advancements, and evolving consumer needs to ensure the effectiveness and sustainability of financial inclusivity efforts. The subsequent sections will summarize the main findings, discuss their implications, and provide actionable recommendations to further strengthen PrivatBank's role in promoting financial resilience through enhanced inclusivity.

Each conclusion, corresponding to the aim for each chapter:

Analyze Theoretical Approaches to Financial Inclusivity:

1.1 The theoretical approaches to financial inclusivity have been analyzed, defining its elements as accessibility, consumer protection, and financial education.

1.2 The theoretical framework of financial resilience has been studied, identifying that it consists of personal finance management skills. These skills include not only risk strategies but also technological and behavioral elements.

1.3 Therefore, the role of financial education has been established as an essential part of financial resilience. For greater financial resilience, the financial system should not only provide access to financial instruments but also impart knowledge of those instruments and practical financial management skills.

Provide a Comprehensive Overview of the Company and Operating Environment, with a Focus on Inclusivity Initiatives:

2.1 An overview has been conducted of the three main banks in Ukraine's banking sector: JS CB "PrivatBank," JS CB "Oshadbank," and JS CB "Universal Bank" with its innovative and rapidly growing product, Monobank.
2.2 PrivatBank's business approaches have been analyzed, including product target audience, communication channels, customer segmentation, and the bank's offerings to each category. It was concluded that the bank’s current strategy aims to meet the needs of all demographic categories, from school-age children to older adults. With 28 million active client cards, the bank's strategy prescribes that selling at least one product per client would result in an 8 billion UAH profit increase.
2.3 The SWOT analysis revealed the bank's key strengths and weaknesses. Given its solid customer base and extensive infrastructure, opportunities include cross-selling, expanding service usage, digital innovations, and collaboration with fintech startups. Weaknesses include low interest in additional banking services and the bank's secondary role for some clients. Threats involve customer retention challenges and increased competition, which could reduce PrivatBank’s market share.
Analyze Ways to Improve Financial Inclusivity Initiatives currently operation and potentially launched by PrivatBank:
3.1 Aspects of implementing financial inclusivity initiatives were analyzed, including both long-term trends that predate the war and short-term trends that emerged after the full-scale invasion. Post-invasion aspects include changing financial behavior patterns; since 2023, lending has been increasing among individuals and businesses but remains lower than pre-war levels. Planning horizons and decision-making have also shifted to short-term. Long-term aspects include a significant shadow economy, high consumption expenditure due to low wages, low savings, and reliance on microcredit.
3.2 JuniorBank by PrivatBank and the NBU's Harazd project were analyzed based on content depth and diversity, learning tools, update frequency and relevance, personalization, and stimulation. The analysis indicates that JuniorBank targets a

limited audience, lacks factual information updates and articles, and does not adapt to individual needs. The Harazd project lacks depth, updates, stimulation mechanisms, and customization to cater to diverse needs.

3.3 A risk analysis of the hypothetical project was conducted with attention to implementation factors outlined in sections 3.1 and 3.2. Cybersecurity threats, data privacy breaches, and low user engagement were identified as the most significant risks. Solutions provided include using decentralized blockchain technology to mitigate cybersecurity and data privacy risks. Blockchain technology prevents storing all data on one server that can be easily targeted by DDoS attacks.

Recommendations:

The main question of this paper was: how the current and potential financial inclusivity/education initiatives of PrivatBank can be improved to achieve a greater financial resilience.

To improve PrivatBank's current and potential financial inclusivity and education initiatives for greater financial resilience, several key enhancements can be made:

- First, accessibility should be a priority, with comprehensive digital literacy programs for less digital educated users and expanded educational reach in underserved regions. Diversifying content is also vital, with tailored learning paths that cater to different age groups and practical skills like risk management and personal finance. Regular reviews and timely updates of the educational materials will ensure content remains relevant in a fast-changing financial landscape.
- To foster engagement, incorporating gamified learning tools such as quizzes and leaderboards, alongside incentive programs with rewards, can keep users motivated. Personalization should also be improved through adaptive learning systems and customer segmentation data, providing tailored financial education and product recommendations.

- Collaborating with fintech companies and NGOs will help co-develop inclusive financial programs, while cybersecurity measures like blockchain technology will secure data. Monitoring engagement patterns will provide insights for improving content, enhancing retention, and boosting user satisfaction.

These strategies will reinforce PrivatBank's financial education initiatives and strengthen its clients' financial resilience.

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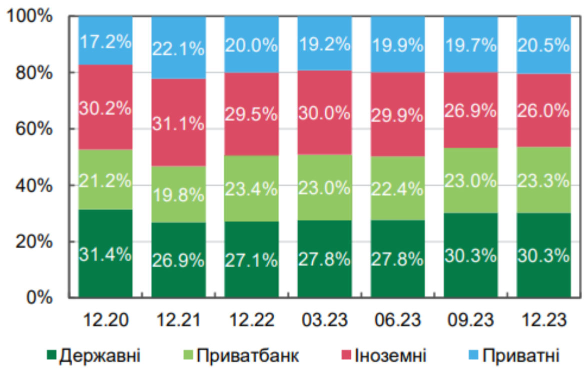
Annexes

Annex A

The structure of the banking sector in Ukraine and banking infrastructure (NBU, 2024)

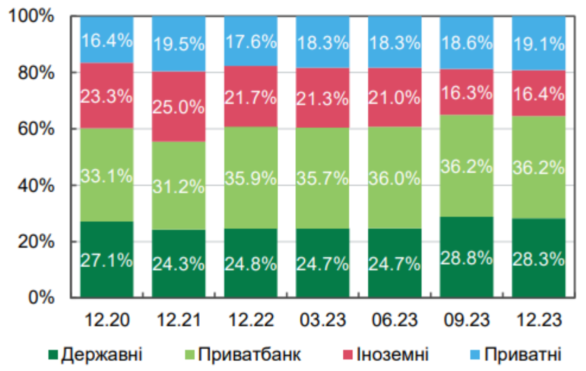
Державні банки, включно з Приватбанком та Сенс Банком, володіють 53.6% чистих активів сектору та 64.5% коштів населення.

Графік 2. Розподіл чистих активів за групами банків*

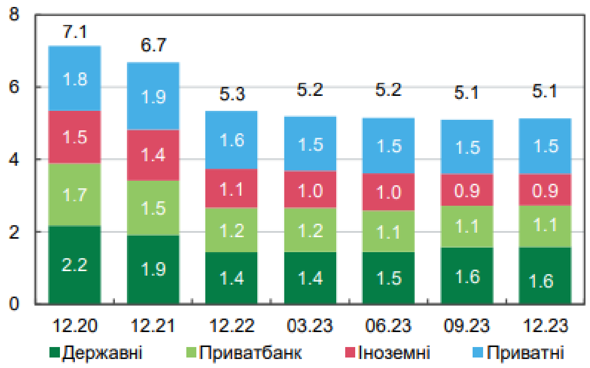


* На кінець кварталу з урахуванням коригуючих проводок.

Графік 3. Розподіл депозитів фізичних осіб за групами банків

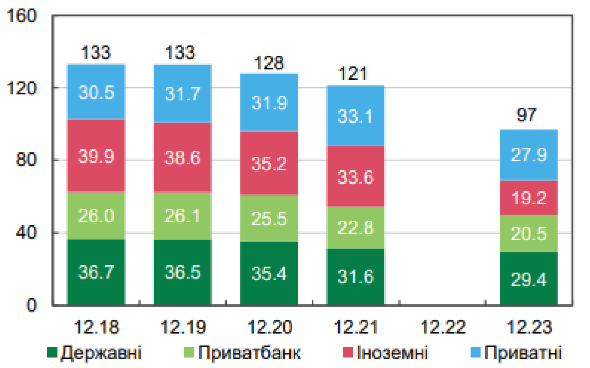


Графік 6. Кількість структурних підрозділів банків*, тис. од.



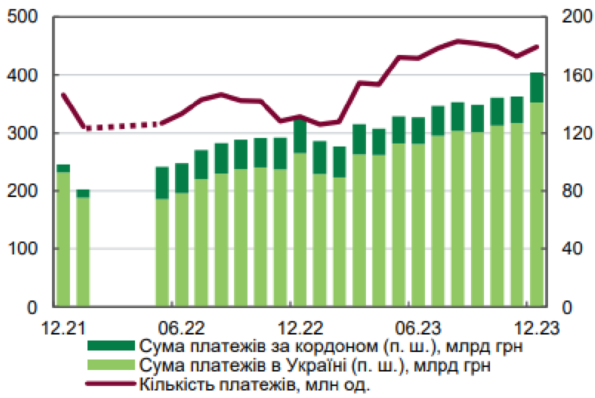
* Відокремлені структурні підрозділи й головні офіси.

Графік 7. Облікова чисельність штатних працівників банків*, тис. осіб



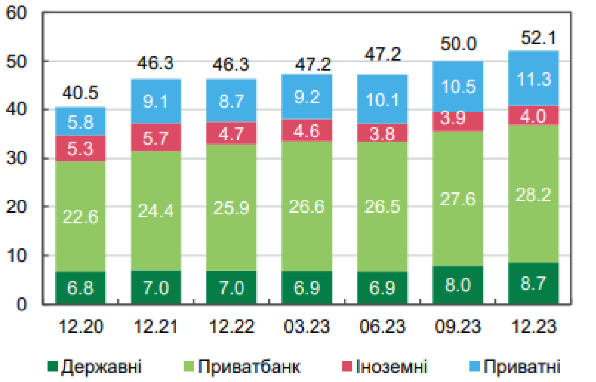
* З I кв. 2022 року по III кв. 2023 року статистичні дані не збиралися.

Графік 8. Розрахунки платіжними картками в торговельній мережі



Упродовж лютого – квітня 2022 року статистичні дані не збиралися.

Графік 9. Кількість активних платіжних карток за групами банків*, млн од.



* Також НоваПей емітувала 8 232 активні платіжні картки.