

Nataliia Zachosova, PhD in Economics

Bohdan Khmelnytsky National University of Cherkasy, Ukraine

ECONOMIC SECURITY MANAGEMENT OF FINANCIAL INSTITUTIONS AND ITS EFFECTIVENESS EVALUATION

The necessity to evaluate effectiveness of the financial institutions economic security system management is grounded. It is established that the evaluation of the state or level of economic security and the effectiveness of the economic security management, are not identical concepts and processes. Traditional practice of evaluating the effectiveness of different management systems and processes are studied, and it was found out that there are no fundamental scientific approaches to measure effectiveness of economic security systems management for different business entities, including financial intermediaries. The list of indicators for evaluating effectiveness of the economic security system management for financial institutions is offered and the procedure by which this process should be performed is specified. The scale for determination the level of financial institutions economic security system management efficiency in quality form is offered.

Key words: economic security, financial institution, the management of economic security system, management effectiveness evaluation.

Introduction. The current state of Ukraine's financial market is characterized by a large number of negative trends that slow down its development and impede the functioning of its members. The decline in demand for financial services, volatility of the exchange rates and the devaluation of the national currency led to the depreciation of financial assets of financial institutions and caused the bankruptcy and liquidation of many of them.

The rapid growth in the number and intensity of threats affecting the activities of financial institutions in Ukraine force their owners and senior staff to recognize the importance of organizing complex systems of economic security. The limited financial resources, which characterize the current state of professional participants of the domestic financial market does not allow them to avoid unnecessary costs in the process to ensure their own economic security. Therefore, it is important to establish an effective management of economic security system, because in its absence even professionally organized protection of companies' corporate resources will be ineffective and will not bring benefit to the financial institution.

Analysis of sources. Many researchers recently paid attention to the problem of the economic security system state evaluation. For example, Kotov A.M. identifies particular qualities of the joint stock companies economic security assessment¹, Bilyk I.J. offers methodological support for the assessment of economic security of the enterprise², Levkovets N.P. explores the system of indicators to measure functional components of the enterprise economic security³. Taking into account the peculiarities of

¹ Котов, А.М. (2013). Особливості оцінки економічної безпеки акціонерного товариства. *Вісник економіки транспорту і промисловості*, 42, 312-315.

² Білик, І.Ю. (2013). Методичне забезпечення оцінки економічної безпеки підприємства. *Управління розвитком*, 12, 51-53.

³ Левковець, Н.П. (2010). Система показників оцінки економічної безпеки підприємства за її функціональними складовими. *Управління проектами, системний аналіз і логістика. Технічна серія*, 7, 297-304.

financial institutions Franchuk V.I. systematizes scientific and methodological approaches to assessing the level of the commercial bank economic security¹, Dudchenko N.V. offers the areas of improvement the tools for economic security system of banking institutions assessment², and Furman V.M. specifies the methodology approaches to formation the economic security evaluation tool for modern banks as the dominant type of financial institutions in Ukraine³.

Theoretical approaches to the management of the system of financial institutions economic security can be found in the works of such researchers as Bril M.S.⁴, Krill Y.M.⁵, Martynyuk O. A.⁶, Moiseenko I. P.⁷ Cherkasskiy I. B.⁸, Yaremenko S.M.⁹ However, it is a question of evaluating the effectiveness of the management of economic security in practice of the financial institutions that did not find coverage in the modern scientific literature.

The **goal of the article** is to identify methodical approaches to evaluation the effectiveness of the financial institutions economic security system management, and in case their absence – to offer the basics of the author's method of diagnostic the level of effectiveness of the financial institutions economic security system management in Ukraine.

Statement of the basic material. For this research, it is important to emphasize the fact that the assessment of the company's economic security system state and the evaluating of the effectiveness of the management system that it provides – are essentially different concepts and processes. Indeed, the assessment of the state of the financial institution economic security system provides the calculation of values of a certain set of indicators characterizing the performance and protection of corporate resources of various subsystems of the economic security system: human resources, financial, material, technical, technological, information subsystem. Moreover, our previous researches have shown that this list is not unaltered; every scientist that chosen the problems of economic security of enterprises, institutions or organization diagnostics as the object of scientific researches, offers its own set of indicators for analysis. In general, the assessment of economic security state is performed using calculation of the financial condition of the entity and by comparing the received data with standard values or the results of the competitors. Also productivity, turnover, number of violations committed by staff and other indicators of absolute and relative level of personnel security are taking into account. Information security status can be characterize by the incidence of data loss, its damage, theft, etc. Of course, the mentioned figures are only a small part of the tools used in the diagnosis of economic security state of domestic entities. Depending on the specifics of their activities, can be used specific parameters of economic security. Thus, for banks an important characteristic of a high level of economic security is their compliance with state banking regulation standards established by the National Bank of Ukraine. For insurance companies as a signal of the need to improve the economic security state may serve poor results in the early warning tests of bankruptcy. Traditional and specific indicators and methods of evaluation economic security state designed to determine the level of protection achieved by companies, institutions or organizations from existing or potential negative impact of various kinds of internal and external threats to the integrity of their corporate resources,

¹ Франчук, В.І., Мельник, С.І. (2012). Науково-методичні підходи до оцінки рівня економічної безпеки комерційного банку. *Науковий вісник Львівського державного університету внутрішніх справ, серія економічна*, 1, 48-58.

² Дудченко, Н.В. (2013). Вдосконалення інструментарію оцінки стану системи економічної безпеки банківських установ. *Інвестиції: практика та досвід*, № 18, 75-80.

³ Фурман, В.М., Зачосова, Н.В. (2015). Методичні підходи до формування інструментарію оцінки рівня економічної безпеки сучасних банків як домінуючого виду фінансових установ в Україні. *Економіка та держава*, 8, 17-20.

⁴ Бріль, М.С. (2015). Методика формування стратегічних альтернатив управління економічною безпекою комерційного банку. *Бізнес Інформ*, 2, 196-203.

⁵ Криль, Я.М., Овчаренко, Є.І. (2012). Вузько функціональний підхід в управлінні фінансово-економічною безпекою банківської установи. *Управління проектами та розвиток виробництва*, 4, 45-52.

⁶ Мартинюк, О.А. (2012). Інноваційні технології в управлінні економічною безпекою банку. *Науковий вісник Львівського державного університету внутрішніх справ. Серія економічна*, 1, 242-246.

⁷ *Ibid.*

⁸ Черкаський, І.Б., Ремньова, Л.М., Лебединська, Л.Д. (2013). Управління ризиками діяльності страхових компаній в контексті економічної безпеки. *Науковий вісник Чернігівського державного інституту економіки і управління. Серія 1 : Економіка*, 4, 16-23.

⁹ Яременко, С.М. (2011). Комплексна система економічної безпеки банку і управління нею. *Фінанси, облік і аудит*, 17, 209-216.

and their ability to continue to operate continuously. However, to determine whether effective or not was the way of economic security agents moved to reach its proper state, these figures can not help. They describe the final result, which is possibly to achieve through unnecessary expenses rather than through effective management of allocated to economic security resources. Thus, evaluating the effectiveness of economic security management of different entities, including financial institutions, requires specific methodical approaches and diagnostic tools.

The process of the financial institutions economic security system management can be described as a set of actions for planning, organization, coordination and control of the system of economic security in order to achieve the highest level of protection of corporate resources from external and internal threats. The conceptual scheme of the economic security management mechanism of Maslak A. I, Hryshko N. E distinguishes management effectiveness evaluation stage¹, but they do not give list of indicators for assessment. Thus, the creation of a list of indicators to measure the effectiveness of economic security system management remains relevant theoretical and methodical challenge.

To develop scientific tools for management effectiveness evaluation system of the financial institution economic security will be possible only after specifying what exactly is meant by efficiency management of economic security. Panamareva O. N., Bazhina D.V. note that efficiency is generalizing criterion of quality based on criteria such as accuracy, reliability, speed and stability, which in their turn are divided into integrated, detailed indicators². In the context of managing the system of economic security that means precision of execution the tasks to ensure the security of corporate resources of the company, the reliability of management personnel involved in this process, the speed of organization combating of the threats negative impact on the activities of institutions and compensation the loss that they had cause, and stability of all subsystems in integrated system of economic security of the financial institution functioning.

In general, the management effectiveness - is the entity management with minimal cost and maximum results. This approach is fair for the system of economic security management, the result of which should be the highest level of financial institutions corporate resources security, both their own and received from customers for the conservation and enhancement, with minimal costs incurred for that. In management allocate economic and social efficiency. The result of economic efficiency is economic impact, which is reflected in increasing profits, reducing costs, improving quality, and so on. Since the objective of management is the focused impact on the managed object for achieving the goals of management, the effectiveness of this process can be evaluated by degree of these goals achievement: by the final results of activity (the level of profits), by planning quality (improvement in budgeting), by the efficiency of investments (return on equity), by the increasing speed of turnover, etc.

The result of social effectiveness is the social impact. That is the increase of employee satisfaction from the work, the working conditions improve, the welfare of employees of the entity improve. For financial institutions social effect can be expressed in improving the welfare of people who have used their services. In addition, notable may be the social impact at the state level, because when the financial institution is able to guarantee a high level of own economic security it does not drive its customers to apply to the Fund Deposit Guarantee (for banks) or to complain to various public authorities, that resulting in budget spending, increases panic in society, leads to the decline of public confidence not only in financial intermediaries, but also in the government as a whole.

Generally accepted evaluation criteria of effective management is the multiplicity of indicators of the efficiency of operating systems or subsystems. In the construction of a financial institution integrated system of economic security, such subsystems often are: financial subsystem, intellectual and human resources subsystem, technical and technological subsystem, material (physical) subsystem, legal subsystem, information and analytical subsystem. The most common practice in the management considered the following indicators evaluating its efficiency: economic - revenue, profitability,; integrated - labor productivity, management system performance. However, they are not enough to assess in the whole the effectiveness of the management of the entire complex system of economic security of the financial institution.

Calculation of the efficiency is often reduced to calculating the coefficients that reflect the actual implementation of the plan for the period and costs. There are elected any natural or relative indicators

¹ Маслак, О.І., Гришко, Н.Є. (2013). Управління економічною безпекою підприємства на принципах забезпечення її раціонального рівня. *Маркетинг і менеджмент інновацій*, 1, 198-208.

² Панамарева, О.Н., Бажина Д.В. (2012). Критерии эффективности управления организацией как социальной системой. *Общество: политика, экономика, право*, 1, 110-118.

characterizing the state of a subsystem of economic security and their targets compared with the actual values. However, this method can be used only for entities that develop a specific plan to ensure their own economic security, but the introduction of the practice of professional domestic financial market participants doing business demonstrate that such a document in their information support is absent. To develop it is a difficult task because it needs to predict the results of likely impact on the state of economic security of financial institutions of many risks and threats. Their number and the negative consequences are the unpredictable values, especially in the economic and political instability, which is typical for the Ukraine today. The development of such plans would require additional expenditure of financial and human resources, which are already limited for domestic financial intermediaries. Therefore, this approach is unlikely to be popular with financial institutions in the near future.

Traditionally there are four functions of management - planning, organization, coordination and monitoring. The evaluation of the management effectiveness should be carried out separately for each functional direction. Thus, the effectiveness of planning needs to answer the question if the financial institution plans to protect its own and attracted resources from customers are achievable. Evaluation of the effectiveness of the system of economic security of the financial institution organization let to make a conclusion if the chosen structure of economic security is rational. In general, the assessment of economic security, which methods are offer by modern scholars, is the evaluation of its system organization. So we can offer to use this element of the management efficiency of financial institution economic security system diagnostic, on condition of concretization the list of assessment indices according to the specifics of the object of research. Effectiveness of coordination can be assessed by comparing the results of ensuring the state of financial, personnel, information and other subsystems of financial institution economic security. The effectiveness of control in general is assessed by comparing the costs of staff, who had to control the system of economic security functions and those expenses incurred by reason of the fact that a number of risks and threats for the financial institution could not be avoided.

The following list of indicators for evaluation the effectiveness of the financial institutions economic security system management is offered. They are:

- the ratio of remuneration of personnel involved in the system of economic security of the expected size of losses that are avoided by minimizing the impact of threats on the business result of the institution;
- comparison of the ROI to its baseline value (for it accepted indicator of profitability of the last year, when the company operated without economic security system);
- the time between the decision of the necessity of certain actions in the system of economic security and their actual implementation;
- quantity of the updates in documenting providing the functioning of the security system (the concept of economic security, economic security strategy, etc.);
- turnover, (people, working in economic security sphere);
- the ratio of people involved in the system of economic security of the total number of employees of the institution;
- the absolute amount of the costs of running the system of economic security (estimated in dynamics or compared to other financial institutions);
- for large financial institutions - the number of applications from branches and representations to the department of economic security (in dynamics);
- coefficient of use the specialists in economic security sphere.

Of course, the offered list is not exhaustive and it is only a recommendation. In general, it can be used for any entity, however, this list is invited as a basis for assessing management effectiveness of the system of economic security of financial institutions, and it needs adding specific indicators according to the particularities of the operation of different types of financial intermediary.

To grant for received in the process of evaluating the effectiveness of the economic security system management results the clarity, intelligibility, information value and convenience for their better use in the process of management, it is necessary to develop the scale of assessment. It will transform the results of calculations in the qualitative characteristics of management efficiency.

In the guidelines for the calculation of economic security of Ukraine, approved by the Ministry of Economic Development and Trade of Ukraine in October 29, 2013, it is offered to allocate six levels of economic security: minimal or absolutely dangerous level of economic security, the critical level of economic security, dangerous level of economic security, poor level of economic security satisfactory level of economic security, optimal level of economic security. Of course, you can use the offered scale for

qualitative evaluation to determine the effectiveness of the management of economic security system. However, it has several disadvantages. Overall, six levels of evaluation - too much to use in practice, it will lead to confusion and the need for further explanation about the real management efficiency characteristic of each level. In addition, it is not quite clear what means the concept of the absolute dangerous level of economic security - essentially, it means an absolute lack of economic security, and therefore the lack of the object of evaluation. The wording "insecure level of economic security" also is not good, especially for foreigners, including investors who may be interested in efficient management of economic security in facility, which will be invested by their financial assets. Therefore, it is offered to evaluate the effectiveness of the management of economic security system of the financial institution using a four level scale with distribution of effective management of the critical, unsatisfactory, satisfactory and optimal level.

The evaluation of economic security system of financial institutions management effectiveness should be performed in the following order:

- the first phase is to determine the list of persons who will conduct the assessment. This should be a person not included in the list of people responsible for economic security. Otherwise the assessment can be subjective and uninformative. Also at this stage, analysts need to be provided by methodical and information materials, as they will have to guide them by the process of evaluation, and determine in what form shall submit a report with the results;

- in the second phase people, responsible for the evaluation had to make the calculation of indicators of economic security system of financial institutions management effectiveness. For this, they should be provided with access to various functional units of the institutions, and also be given the power to obtain all the data and information necessary for the assessment procedures;

- in the third phase using expert method passes analytical processing and systematic of the quantitative and qualitative indicators, and according to the scale of economic security system management efficiency is determined its level, which was achieved through the implementation of activities to ensure economic security;

- in the fourth phase the report about the level of effectiveness of the economic security system management are forming. It serves to uncover for owners and top-management of the company, as well as for responsible for its economic security people the state of economic security system management efficiency. The report must be accompanied by the offers for improving the value of analyzed indicators and their predictive values calculation provided taking the offered measures. In the future, it is offered to provide this report for review to the public authority that makes supervision and control over the financial market (this may be the National Bank of Ukraine, the National Commission of Securities and Stock Exchange or the National Commission for State Regulation of Financial Services Markets).

It should be noted that the existence of such a report and its dissemination in the media will not only be the evidence of transparency and openness of the financial institution, which for a long time trying to reach government authorities in Ukraine, but also it will be an effective tool in the competitive fight. In addition, the introduction of the process of domestic financial institutions practice of evaluating the effectiveness of the economic security system management will allow them to minimize management costs, optimize the use of labor, time and information resources, identify weaknesses in their own defense mechanism against external and internal threats and identify the reserves to stabilize the financial condition and the economic security state of financial institutions.

Conclusions and recommendations for further research. The research of methodical approaches to evaluation the effectiveness of the financial institutions economic security system management allowed to make the following important conclusions.

First, the analysis of traditional practices of evaluating the effectiveness of different management systems and processes revealed that now there is no fundamental scientific approaches to the measurement of effectiveness of the financial institutions economic security system management for different business entities, including financial intermediaries. Evaluation of the effectiveness of economic security system management must be structured, and include diagnostic efficiency of planning, organization, coordination and control systems of economic security as four main management functions.

Second, the list of indicators for evaluating the effectiveness of the economic security system of financial institutions management is offered. The offered list is not exhaustive and it is only a recommendation. In general, it can be used for any entity, however, this list is invited as a basis for assessing management effectiveness of the system of economic security of financial institutions, and it needs adding specific indicators according to the particularities of the operation of different types of

financial intermediary. It is also offered to evaluate the effectiveness of the management of economic security system using a four level scale with distribution of effective management of the critical, unsatisfactory, satisfactory and optimal level.

Thirdly, the evaluation of effectiveness of the financial institutions economic security system management should be performed in the such order as: determination the list of persons who will conduct the assessment; making the calculation of indicators of economic security system of financial institutions management effectiveness; analytical processing and systematic of the quantitative and qualitative indicators, and according to the scale of economic security system management efficiency its level determination; forming the report about the level of effectiveness of the economic security system management.

To achieve significant results in improving the effectiveness of the financial institutions economic security system management there is a need in new principles, methods, tools. Currently prerequisites for their development and use are the legal basis and the level of science and technology evolution in the country. So the prospects for further research are in determining the list of areas of legal regulation of professional participants of the financial market economic security and developing offers for its documentary support, including the preparation of the strategy for financial or economic security of Ukraine.

References

1. Kotov, A.M. (2013). Osobly`vosti ocinky` ekonomichnoyi bezpeky` akcionernogo tovary`stva. *Visny`k ekonomiky` transportu i promy`slovosti*, 42, 312-315.
2. Bily`k, I.Yu. (2013). Metody`chne zabezpechennya ocinky` ekonomichnoyi bezpeky` pidpry`yemstva. *Upravlinnya rozvy`tkom*, 12, 51-53.
3. Levkovecz`, N.P. (2010). Sy`stema pokazny`kiv ocinky` ekonomichnoyi bezpeky` pidpry`yemstva za yiyi funkcional`ny`my` skladovy`my`. *Upravlinnya proektamy`, sy`stemny`j analiz i logisty`ka. Texnichna seriya*, 7, 297-304.
4. Franchuk, V.I., Mel`ny`k, S.I. (2012). Naukovo-metody`chni pidxody` do ocinky` rivnya ekonomichnoyi bezpeky` komercijnogo banku. *Naukovy`j visny`k L`vivs`kogo derzhavnogo universy`tetu vnutrishnix sprav, seriya ekonomichna*, 1, 48-58.
5. Dudchenko, N.V. (2013). Vdoskonalennya instrumentariyu ocinky` stanu sy`stemy` ekonomichnoyi bezpeky` bankivs`ky`x ustanov. *Investy`ciyi: prakty`ka ta dosvid*, 18, 75-80.
6. Furman, V. M., Zachosova, N.V. (2015). Metody`chni pidxody` do formuvannya instrumentariyu ocinky` rivnya ekonomichnoyi bezpeky` suchasny`x bankiv yak dominuyuchogo vy`du finansovy`x ustanov v Ukraini. *Ekonomika ta derzhava*, 8, 17-20.
7. Bril`, M.S. (2015). Metody`ka formuvannya strategichny`x al`ternaty`v upravlinnya ekonomichnoyu bezpekoyu komercijnogo banku. *Biznes Inform*, 2, 196-203.
8. Kry`l`, Ya.M., Ovcharenko, Ye.I. (2012). Vuz`kofunkcional`ny`j pidxid v upravlinni finansovo-ekonomichnoyu bezpekoyu bankivs`koyi ustanovy`. *Upravlinnya proektamy` ta rozvy`tok vy`robny`cztva*, 4, 45-52.
9. Marty`nyuk, O.A. (2012). Innovacijni tehnologiyi v upravlinni ekonomichnoyu bezpekoyu banku. *Naukovy`j visny`k L`vivs`kogo derzhavnogo universy`tetu vnutrishnix sprav. Seriya ekonomichna*, 1, 242-246.
10. Mojseyenko, I.P., Gandzyuk, D.D. (2015). Osnovy` sy`stemnogo upravlinnya ekonomichnoyu bezpekoyu banku. *Zbirny`k naukovy`x prac` Bukovy`ns`kogo universy`tetu. Ekonomichni nauky`*, 11, 94-102.
11. Cherkas`ky`j, I.B., Remn`ova, L.M., Lebedy`ns`ka, L.D. (2013). Upravlinnya ry`zy`kamy` diyal`nosti straxovy`x kompanij v konteksti ekonomichnoyi bezpeky`. *Naukovy`j visny`k Chernigivs`kogo derzhavnogo insty`tutu ekonomiky` i upravlinnya. Seriya 1 : Ekonomika*, 4, 16-23.
12. Yaremenko, S.M. (2011). Kompleksna sy`stema ekonomichnoyi bezpeky` banku i upravlinnya neyu. *Finansy`, oblik i audy`t*, 17, 209-216.
13. Maslak, O.I., Hryshko, N.Ye. (2013). Upravlinnya ekonomichnoyu bezpekoyu pidpryemstva na pryntsypakh zabezpechennya yiyi ratsional`noho rivnya. *Marketynh i menezhment innovatsiy*, 1, 198-208.
14. Panamareva, O.N., Bazhina, D.V. (2012). Kriterii ehfektivnosti upravleniya organizaciej kak socialnoj sistemoj. *Obshchestvo, politika, ehkonomika, pravo*, 1, 110-118.