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THEORETICAL AND METHODOLOGICAL BASIS OF MANAGEMENT OF THE BANK INVESTMENT PORTFOLIO IN THE CONDITIONS OF THE RUSSIA-UKRAINE WAR AND AFTER THE QUARANTINE VIRAL PANDEMIC OF COVID-19

***Cherep A.V., *Kotseruba A.V., **Kanabekova M.A.**
**Zaporizhzhia National University (Zaporizhzhia, Ukraine)*
***National Pedagogikal University (Almaty, Republic of Kazakhstan)*
cherep.av.znu@gmail.com, ranchman_89@ukr.net, kma.2372@mail.ru
ORCID ID: 0000-0001-5253-7481, 0000-0003-2392-0136

Key words:
efficiency, management, investment portfolio, investments, risk, assets, strategic goals, functions, principles, stages, securities

The types of investments used in the formation of the investment portfolio were supplemented and expanded. The principles of formation and use of the foundations of managing the investment portfolio of a commercial bank and the purpose of its strategic management were studied and augmented. It is justified that in the process of forming an investment portfolio in commercial banks, their investment attractiveness growths, which also leads to an raise in financial stability and makes it possible to increase their assets. It is noted that the efficiency and profitability of using the investment portfolio depends on the quality of performance of such functions of its management, namely: stabilization of the bank profits regardless of the phases of the business cycle; reduction of credit risk in the portfolio of bank loans; diversification of such loans taking into account the geographical coverage of clients; maintaining the level of liquidity; using a portfolio as collateral; insurance of banking activity against losses as a result of changes in exchange rates and interest rates; ensuring the flexibility of the bank portfolio of assets; increasing the financial indicators of the bank balance thanks to the quality of securities. The main goal of the formation and use of the commercial bank investment portfolio is determined, which is to ensure the implementation of its investment strategy by selecting the most effective and safe investment projects and financial instruments. It was established that the investment portfolio should be formed considering their current profitability; rates of capital cost growth; the risk of their value changing over time; financial instruments for managing such a portfolio. It has been proven that the effectiveness of the formation and use of an investment portfolio depends on the choice of its management strategy; influence of internal and external factors; an innovative approach to the speed of reaction of management personnel to such changes and the ability to constantly adjust the strategic management process; getting out of crisis situations with the least losses in the process of managing the investment portfolio.

ТЕОРЕТИКО-МЕТОДИЧНІ ОСНОВИ УПРАВЛІННЯ ІНВЕСТИЦІЙНИМ ПОРТФЕЛЕМ БАНКУ В УМОВАХ РОСІЙСЬКО- УКРАЇНСЬКОЇ ВІЙНИ ТА ПІСЛЯ КАРАНТИННОЇ ВІРУСНОЇ ПАНДЕМІЇ COVID-19

***Череп А.В., *Коцеруба А.В. **Канабекова М.А.**
**Запорізький національний університет (Запоріжжя, Україна)*
***Казахський національний педагогічний університет ім. Абая (м. Алмати, Казахстан)*

Ключові слова:
ефективність, управління, інвестиційний портфель, інвестиції, ризик, активи, стратегічні цілі, функції, принципи, етапи, цінні папери

Доповнено та розширено види інвестицій, які використовуються при формуванні інвестиційного портфеля Досліджено та розширено принципи формування та використання принципів управління інвестиційним портфелем комерційного банку та мети стратегічного управління ним. Обґрунтовано, що в процесі формування інвестиційного портфеля в комерційних банках підвищується їх інвестиційна привабливість, що призводить також до зростання фінансової стійкості та дають змогу збільшити їх активи. Зазначено, що ефективність і дохідність використання інвестиційного портфеля залежить від якості виконання таких функцій управління ним, а саме:

стабілізація прибутків банку незалежно від фаз ділового циклу; зниження кредитного ризику за портфелем банківських кредитів; диверсифікації таких кредитів з урахуванням географічного охоплення клієнтів; підтримка рівня ліквідності; використання портфеля в якості застави; страхування банківської діяльності від втрат у результаті зміни валютних курсів, процентних ставок; забезпечення гнучкості банківського портфеля активів; підвищення фінансових показників банківського балансу завдяки якості цінних паперів. Визначено головну мету формування та використання інвестиційного портфеля комерційного банку, якою виступає забезпечення реалізації її інвестиційної стратегії шляхом відбору найбільш ефективних і безпечних інвестиційних проектів і фінансових інструментів. Встановлено, що інвестиційний портфель повинен формуватися з урахуванням поточної їх дохідності; темпів проросту вартості капіталу; ризику зміни їх вартості в часі; фінансових інструментів управління таким портфелем. Доведено, що ефективність формування та використання інвестиційного портфеля залежить від вибору стратегії управління ним; впливу внутрішніх та зовнішніх факторів; інноваційному підходу швидкості реакції управлінського персоналу на такі зміни і умінню постійного корегування процесу стратегічного управління; виходу з кризових ситуацій з найменшими втратами в процесі управління інвестиційним портфелем.

The purpose of the article is to develop theoretical and methodological approaches to determining the types of investments that should be included in the investment portfolio; expansion of types, addition of stages and principles of formation of such investment portfolios of commercial banks in order to improve the efficiency of their activities.

Analysis of recent researches and publications

The practical application of the system of measures to increase the efficiency of investment portfolio management involves researching the functions, principles and essence of the investment portfolio, defining the expediency and profitability of the results of its use, analyzing the current state of the investment portfolio of a commercial institution, as well as practical recommendations for rising the efficiency of its management. Scientific works of scientists and financiers are devoted to the question of the formation and use of the investment portfolio by commercial banks, namely: Androsova O.F. [1], Bugai V.Z. [2; 3; 4; 5; 6; 7; 8], Harbar V.A. [9], Harbar Zh. V. [9], Horbunova A.V. [2; 3; 4; 5; 6; 7; 8], Lutsiv B.L. [10], Naumenko O.D.[12], Ozerchuk O.V. [11], Slobodianiuk N.O. [12], Cherep O.H. [2; 3; 4; 5; 6; 7; 8]. In the conditions of the Russia-Ukraine war and after the quarantine viral pandemic of COVID-19, there is an urgent need for an in-depth study of the theoretical and methodological foundations of the management of the bank investment portfolio, and it also indicates the relevance of the issues investigated in the article in a scientific and practical sense.

The results

Depending on the established strategic goals, certain types of investments should be included in the investment portfolio (Fig. 1).

The study of scientific sources regarding the establishment of the main types of investment portfolios (Fig. 2) shows that there is a single opinion concerning the following definitions: the portfolio of real investment

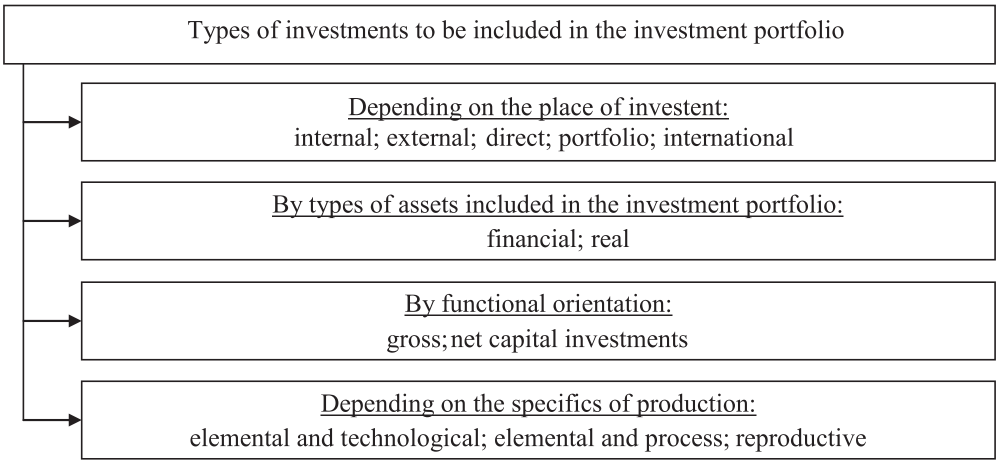

Fig. 1 – Types of investments that should be included in the investment portfolio
Source: grouped and supplemented by the author on the basis of [13, p. 114]

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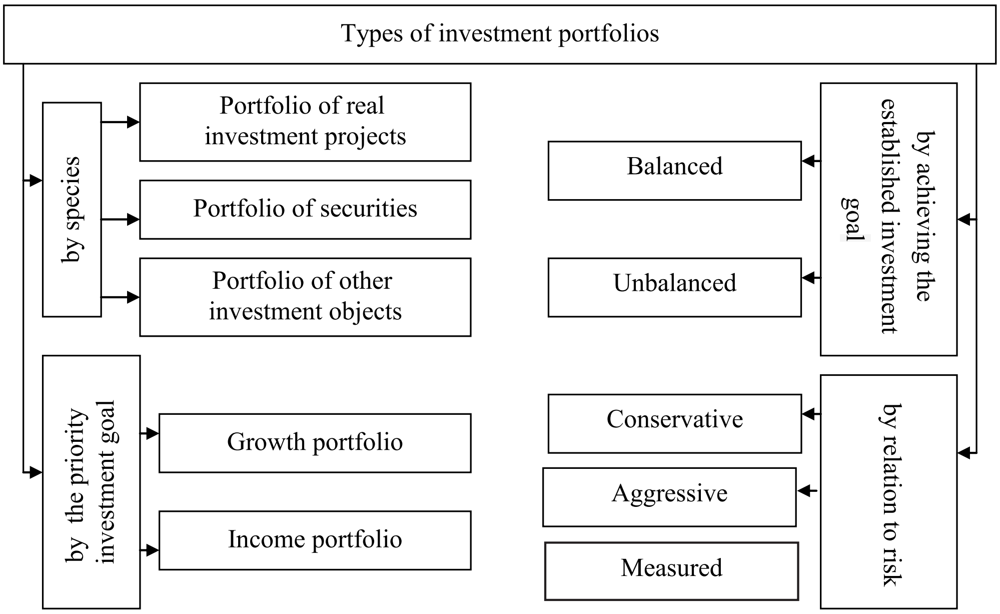

Fig. 2 – Types of investment portfolios

Source: grouped and supplemented by the author

projects is formed at the expense of real investment objects of all types; the growth portfolio is formed at the expense of investment objects that ensure the achievement of high rates of capital growth (with high risk); the income portfolio is made mainly at the expense of investment objects that provide the accomplishment of high rates of income growth (for which the level of risk is also quite high); a balanced portfolio is characterized by the full implementation of the goals of its formation by selecting investment projects or financial investment instruments that most fully meet these purposes; an unbalanced portfolio is specified by the inconsistency of the composition of its investment projects or financial investment instruments with the goals of its formation; conservative portfolio contains the least number of risks, implies a smaller profit; aggressive one is suitable for people who are not afraid to take risks; measured is a portfolio in which both indicators – stability and risk – take equal shares.

An investment portfolio is the tool by which the investor is provided with the optimal ratio of profitability and investment risk. Since all financial investments (securities) differ in terms of profitability and risk, their possible combinations in the portfolio change these characteristics, and in the case of their optimal combination, it is possible to achieve a significant reduction in the risk of the investment portfolio. The principle of diversification is well-known in the formation of an investment portfolio, according to which an increase in the number of types of securities included in the portfolio, leads to a decrease in the risk of this portfolio.

The main goal of forming the investment portfolio of a commercial bank is to ensure the implementation of its investment strategy by selecting the most effective and safe investment projects and financial instruments. Taking into account the chosen strategy of the development of a commercial bank and the features of investment activity, the specific goal of forming an investment portfolio can be to ensure: high rates of capital growth; high rates of income increase; minimization of investment risks; sufficient liquidity of the investment portfolio.

The formation of the investment portfolio is carried out after ensuring the prerequisites for investing, namely: satisfaction of life needs (of a legal entity or an individual); formation of a minimum reserve of cash on the account or liquid assets in case of an acute need for cash; provision of insurance against accidents and other contingencies.

The analysis of scientific works [14; 15; 16; 17, etc.], devoted to the problem of determining the main stages of the formation of an investment portfolio in accordance with the needs of a commercial bank, allows us to distinguish several key stages: determination of investment goals and type of portfolio; definition of portfolio management strategy; analysis of securities and formation of a portfolio; assessment of portfolio efficiency; portfolio revision (Fig. 3).

In Figure 3, the first stage of the formation of the investment portfolio of a commercial bank is the definition of investment goals, which is primarily related to the need to define portfolio tools. Before setting investment goals, it is necessary to determine: for an individual – the required level of income after retirement, for a legal entity – the stability and sustainability of one's financial position in the long term. The main goals can be, in particular, the safety of investments, their profitability, capital growth. The priority of certain goals determines the type of portfolio [18, c. 58].

At the second stage of the formation of the commercial bank investment portfolio, it is necessary to determine the portfolio management strategy (active or passive; own management or transfer of the portfolio to trust management; portfolio management technologies and rules for making decisions about buying and selling securities).

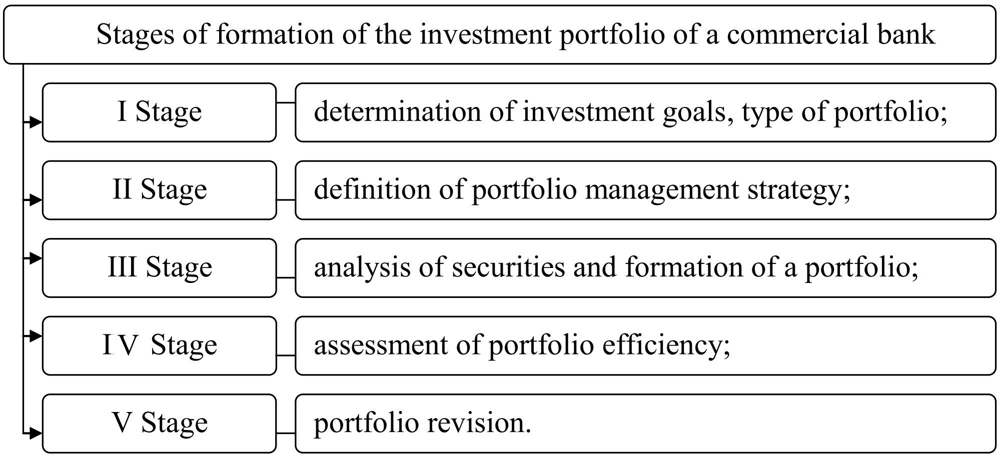

Fig. 3 – Stages of formation of the investment portfolio of a commercial bank

Source: grouped by the author

The third stage of portfolio formation involves the analysis of securities and their acquisition. The success of investments depends entirely on information about the future profitability of certain stocks. Stock exchange rates almost instantly reflect everything that happens in the most remote corners of the world. When Los Angeles imposes legal restrictions on the activities of tobacco companies, it affects the prices of cigarettes around the world. If there is an explosion at oil refineries in Brazil, the share price of English chemical companies, which are only benefited because of this misfortune, immediately soars [19, c.123].

The fourth stage of the securities portfolio management process (assessment of portfolio efficiency) is related to the periodic evaluation of the portfolio performance from the point of view of the actual income received and the risk to which the investor was exposed, and the comparison of the obtained results with the goals of the client (investor). For this purpose, indicators of profitability and reliability of the portfolio are calculated and compared with the accepted criteria of its efficiency.

The last, but no less important stage of the formation of the investment portfolio of a commercial bank in fig. 3, the revision of the portfolio is indicated in order to remove contradictions with changes in economic circumstances that do not depend on the bank.

During the formation of an investment portfolio, commercial banks should determine the priority goals of investment activity, since to a large extent the specific purposes of the organization of an investment portfolio are alternative. In turn, the established goals can be used as a basis for defining indicators when forming a portfolio [20, c. 121].

Formation of the investment portfolio of a commercial bank is based on five principles (Fig. 4).

The principle of ensuring the implementation of the investment strategy follows from the continuity of long-term and medium-term planning of investment activities of a commercial bank and the subordination of medium-term planning tasks to long-term strategic goals. The goals of the formed portfolio of a commercial bank must be correlated with the purposes of its investment strategy.

The principle of ensuring compliance of the portfolio with investment resources means the need for a strict correlation of the total capital intensity selected for the

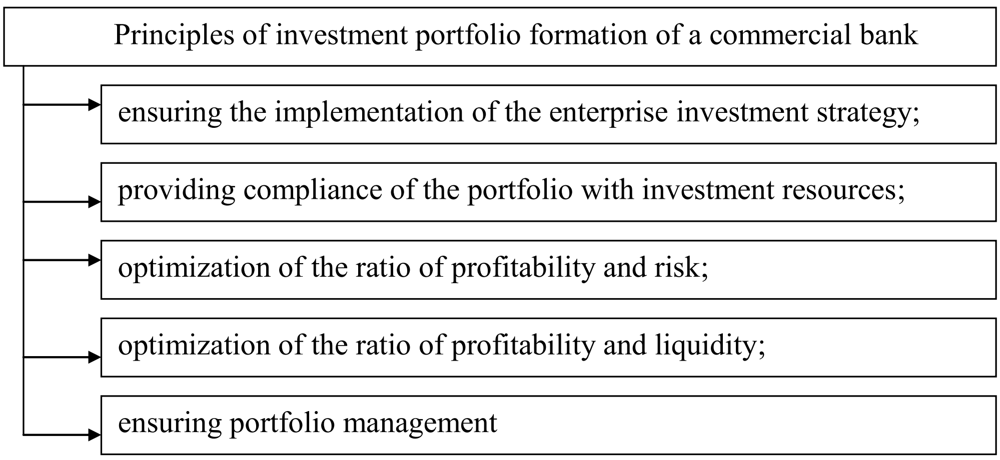

Fig. 4 – Principles of investment portfolio formation of a commercial bank

Source: grouped by the author

portfolio of instruments and objects with the amount of available investment resources. The implementation of this principle determines the limited possibilities of financing the objects selected for the portfolio [21, c.58].

The principle of optimizing the ratio of profitability and risk is related to specific priority goals of portfolio formation. Optimal proportions between risk and income indicators are achieved through portfolio diversification. The principle of optimizing the ratio of profitability and liquidity also determines the necessary proportions between these indicators, based on the priority goals of forming an investment portfolio. At the same time, the optimization should take into account ensuring the financial stability and current solvency of the commercial bank.

The regulation of providing portfolio management means the need to consider the capabilities of the personnel of a commercial bank for operational portfolio management, its monitoring, auditing and the necessary reinvestment of funds.

Based on the direction and scale of investment activity, the investment portfolio of a commercial bank includes a portfolio of capital investments (real investment projects) and a portfolio of securities (Fig. 5).

The formation of a portfolio of capital investments can act as a kind of typical model of making investment decisions, which is inextricably linked with the internal environment of a commercial bank. It is the view of the formation of the portfolio as a process of making investment decisions that fit organically into the internal environment of a commercial bank, which allows us to consider ideas about capital investments arising from employees of a commercial bank at different levels of management as potential investment projects to be implemented. It is important to emphasize that all investment projects are potentially intended for inclusion in the portfolio and should not contradict the strategic plans of the commercial bank, because they determine the general direction of the bank activities [22, c. 15].

The formation of a portfolio of capital investments includes three main stages:

1) search for projects (allows to create a solid database of projects ready for processing, evaluation and analysis);

2) formulation, initial assessment and selection of projects (necessary information is prepared to obtain a clear formulation of the project (for example, technical information, notes on supplier prices, marketing research, etc.);

3) analysis and final selection of projects for the portfolio (a final decision is made on whether money will be invested in investment projects chosen for the portfolio).

Conclusions

It was established that the level and efficiency of strategic management of a commercial bank directly depends on the complete compliance with the principles of profitability, safety of investments, growth of investments and the possibility of quick and painless conversion of securities.

Investors are constantly forced to make various decisions. In some cases, this choice may not affect the further fate of his case, in others, everything may depend on it. In order to make an informed decision, an investor must have certain experience, knowledge and information. However, this is not always possible, so they have to take risks.

Commercial banks are increasingly faced with the problem of forming an optimal investment portfolio. First of all, this is due to the appearance of a large number of issuers on the Ukrainian market. Under such conditions, it becomes increasingly difficult for commercial banks to make the right decisions and not to make mistakes by investing in a commercial bank that in the future will refuse to fulfill its own obligations, that is, declare default. In addition, the investment activity of commercial banks is somewhat limited by the regulations of the National Bank of Ukraine, and its requirements cannot but be taken into account when managing the bank investment portfolio.

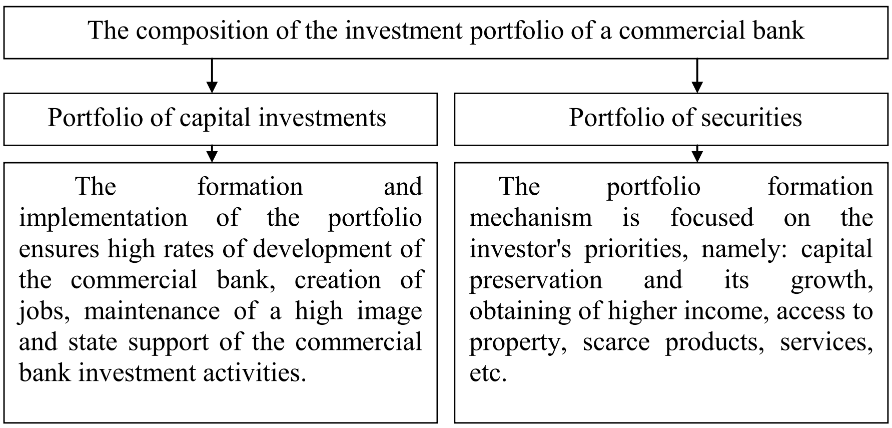

Fig. 5 – The composition of the investment portfolio of a commercial bank
in accordance with the direction and scale of investment activity

Source: supplemented by the author on the basis of [15, p. 201]

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