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## DEVELOPMENT OF ELECTRONIC BANKING TECHNOLOGIES IN UKRAINE

**Abstract.** Understanding of the state of electronic banking in Ukraine requires forming of concept-category apparatus and information updating for the problems exposure and prospects of electronic bank services development.

*The aim* of the article is improvement of category apparatus that is related to the concept of «electronic banking», and modern progress exposure of the Internet banking trends in Ukraine.

*The methods* of theoretical researches used during our work are the following: scientific generalization and theoretical cognition, empiric method aimed at questioning of target audience.

*Results.* The main virtual forms of bank services are described, namely: PC banking, Internet banking, telephone banking, mobile banking, video banking and SB terminals (ATC banking, POS materials and similar facilities). The novelty is presented in the authorial interpretation of the «electronic banking» concept and key factors that influence the client's decision-making about usage of electronic banking.

*Conclusion.* The most reliable distance forms of e-banking used in Ukraine are Internet banking and mobile banking, and perspective direction of the banking system development is video banking.

**Keywords:** e-banking; video banking; Internet-service; electronic services market.

**JEL Classification:** G10, G21

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### РОЗВИТОК ТЕХНОЛОГІЙ ЕЛЕКТРОННОГО БАНКІНГУ В УКРАЇНІ

**Анотація.** У статті досліджено та уточнено поняття «електронний банкінг», визначено основні його види. Проаналізовано стан е-банкіngu в Україні, а також виявлено чинники, які впливають на прийняття рішення клієнтів використовувати технології електронного банкіngu.

**Ключові слова:** електронний банкінг, Інтернет-послуга, ринок електронних послуг.

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### РАЗВИТИЕ ТЕХНОЛОГИЙ ЭЛЕКТРОННОГО БАНКИНГА В УКРАИНЕ

**Аннотация.** В статье исследовано и уточнено понятие «электронный банкінг», определены его основные виды. Проанализировано состояние е-банкіnga в Украине, а также определены факторы, влияющие на принятие решения клиентов использовать технологии электронного банкіnga.

**Ключові слова:** электронный банкінг, Интернет-услуга, рынок электронных услуг.

**Introduction.** Development of the computer-informative technologies, increase of the Internet users in Ukrainian segment, financial liberalization and hard competition among the bank institutions resulted in appearance of new bank services that envisage increase of the clients satisfaction level and activity efficiency. Among the services that nowadays are developed actively by banks, is electronic banking. Introduction of its technologies gives an opportunity for financial institutions to increase the amount of clients, fix the position competition, and also go out to the new geographical markets.

**Brief Literature Review.** The progress of electronic banking trends in Ukraine is interesting for many scientists-economists and practical businessmen who determine and envisage further development of the countries' financial system and electronic economies in general.

The issues of e-banking evolutionary development were researched by such foreign scientists, as S. Dutta, M. Malek, &

R. Shannak (2013) [1], S. Nsouli (2003) [2] and other. To the problems of the electronic banking sector creation and development are devoted the research works of the following scientists: T. Andreikiv (2008) [3], K. Basadze (2011) [4], O. Lupus (2008) [5], O. Gavrylova (2008) [5], T. Govorushko (2013) [6], V. Kostogryz (2011) [7], T. Nemchenko (2013) [6], O. Ovcharuk (2011) [7], I. Pasichnyk (2011) [4] et al.

However, some theoretical issues of e-banking need clarification, and scale practical of its influence in business is required updating of information for the exposure of problems and prospects of electronic bank services development.

**The purpose** of the article is to improve the category apparatus that is related to the concept of «electronic banking» and show the modern progress of Internet banking trends in Ukraine.

**Results.** The results of researches showed that there are many interpretation of «electronic banking» concept in econo-

mic literature and legislative terminology. O. Lupus, G. Shpargalo, T. Andreikiv examine electronic banking (e-banking) as the bank activity from grant complex services to the clients by means of computer technologies [3]. I. Pasichnyk and K. Basadze determine electronic banking and electronic bank activity as synonymous concepts and interpret it as a «process of realization of bank transactions and bank services grant with the use of automation systems, including the electronic communication channels» [4]. Even every commercial bank that offers electronic services gives its own determination of «electronic banking» concept. Practical understanding of this term and scientific approach some scientists, for example N. Andrushkiv [4] pay attention to the obligatory using of electronic networks for transactions realization. Taking into account all said, suggest to determine electronic banking as bank service that envisages remote control motion of financial means on a card account through the electronic networks and facilities. Electronic banking has the following virtual forms of banking services. The next virtual forms of bank services: PC banking, Internet banking, telephone banking, mobile banking, video banking and SB terminals (ATM banking, POS materials and similar facilities) (Figure 1).

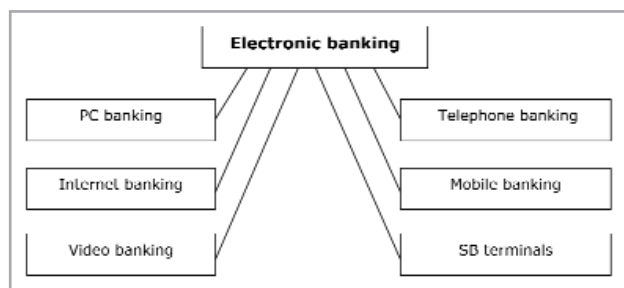


Fig. 1: Types of electronic banking  
Source: Worked out by the authors based at [3; 4; 6; 8]

There are 183 operating commercial banks at the end of 2013 according to the National Bank of Ukraine. The researches of the electronic technologies usage in banks were conducted among the banks that have the majority part of assets (see the Table).

Till recently, electronic banking was limited by such services, as ATM banking and telephone banking. ATM banking is a type of distance bank service that envisages the uses of ATMS where software is set. During the research, it was set that most banks that work at Ukrainian financial market offer to their clients such service and basic differences are the amount of ATMS and their quality.

Telephone banking (tele-banking) is an electronic channel of the customers' service by means of telephone it is based on the creation of the reference and information system, that requires the corresponding programmatic and technical providing connected to ATC bank [3; 9]. These tables certify that telebanking practically is not used in modern financial relations, in fact bank's innovations forced out this type of e-banking, offering the clients more comfortable forms.

Wide distribution has bank service «Client bank» (PC banking). PC banking is one of types of distance bank service by the means of the corporate clients of the bank that can work with documents in the mode of off-line. Modern PC-banking is intended for the maintenance of legal entities in the mode of off-line, so a client works with the financial documents locally, and exchange of information with a bank comes true during synchronization is short-term session of connection through the Internet. Frequency the realization of synchronization is chosen by a client. Such systems are used, first of all, by corporate clients, and its inconvenience is in limited access from one workplace [6; 9]. Most banks that are in the object of our research, in the spectrum of the services have the system «Client bank» and as practice testifies, clients are interested in this type of bank service.

Internet banking is one of the widespread services and the most dynamic kinds of distance bank service. Have such widespread popularity in the USA and in Europe, online banking conquers the Ukrainian market. It is needed to mention, that in comparison with the European countries Ukraine considerably falls behind both in suggestion of these services and in demand, but there is a large market potential.

The Internet banking service includes such possibilities:

- to arrange all communal payments;
- to pay the accounts for connection (IP telephony, cellular connection, Internet) and other services (satellite television, studies, and others like that);
- to transfer accounts including foreign currency, any account in any bank;
- to transfer money in paying accounts for the commodities including e-shops;
- to buy and sell foreign currency;
- to fill up/to draw monetary resources from the account of plastic card;
- to open the different types of accounts (urgent, deposit, pension) and transfer monetary resources;
- to get extracts about the account state for certain period in different formats;

Table: Electronic financial services of famous Ukrainian banks

No	Name of the Bank	Financial electronic services						
		Telephone banking	SB terminals		PC banking	System of providing of Internet banking	Mobile banking	Video banking
			ATM	Terminals				
1	PJSC CB «Privat Bank» <a href="http://privatbank.ua/">http://privatbank.ua/</a>	-	+	+	-	«Privat24»	+	-
2	JSC «Oschadbank» <a href="http://www.oschadnybank.com.ua/">http://www.oschadnybank.com.ua/</a>	-	+	-	-	«WEB banking from Oschadbank»	-	-
3	JSC «Ukreximbank» <a href="http://www.eximb.com">http://www.eximb.com</a>	-	+	+	+	Enter EXIM	+	+
4	PJSC «Raiffeisen Bank Aval» <a href="http://www.aval.ua/">http://www.aval.ua/</a>	+	+	+	+	« Raiffeisen Online»	+	-
5	PJSC «Prominvestbank» <a href="http://pib.ua/">http://pib.ua/</a>	-	+	-	-	«PIB online»	+	-
6	PJSC «UkrSotsBank» <a href="http://www.unicredit.ua/">http://www.unicredit.ua/</a>	-	+	-	+	«UniCreditOnline»	+	-
7	PJSC «Bank VTB» <a href="http://www.vtb.ru">http://www.vtb.ru</a>	-	+	-	+	«ВТБ 24»	+	-
8	PJSC «PUMB» <a href="http://pumb.ua">http://pumb.ua</a>	-	+	-	+	PUMB Online	+	-
9	PJSC «Delta Bank» <a href="http://deltabank.com.ua/">http://deltabank.com.ua/</a>	-	+	-	+	«My DELTA»	+	-
10	PJSC «Alfa Bank» <a href="http://www.alfabank.ua">http://www.alfabank.ua</a>	-	+	-	+	«My Alfa Bank»	+	-

Source: Formed by the authors using information that is given at the official banks' websites

- to get information about payments in real-time;
- to get information about arranged payments and if it is necessary to renounce unpaid payment;
- other additional services: subscription on magazines and newspapers, broker service.

The biggest company from marketing and social researches in Ukraine of «GFK Ukraine» at the end of 2013 conducted a questionnaire in big cities among the population in age from 25 to 50 with the aim of determination in relation of the clients to the Internet banking. The results of the conducted questioning by a company GFK testify the large popularity of such service as «Privat24», in fact 77% polled Internet users use these services. It is set that 20% clients choose on-line services of «Raiffeisen Bank Aval», 13% – «PUMB», 10% – «Alfabank», 6% – «Deltabank».

About 29.6% of Ukrainian users use online banking services even 1 time for a month. Every tenth user gets online extract of the accounts. The pleasure of online quality of the banks' services is high enough about 4.15 points on the give mark scale.

Only 7% of polled is signed on the banks' pages in social networks, but 36% are ready in case of necessity to call to the bank manager through the social networks. Every 5th of polled in the future is ready to replace visits in a bank communication with financial institutions in social networks [8].

According to the table all popular banks in its financial activity offer services of online banking where every client connecting this service can carry out management accounts, consultative and informative services, credit operation and risks.

The research is found out that popularity of Internet banking grows in Ukraine every day. PJSC «Privat Bank» that is one of the leaders in the market of financial services, wrote down the data that describe what operation is the most popular for Ukrainian habitants. It appears that by the means of Internet banking Ukrainians fill up the accounts of the mobile telephones mostly. The second place on popularity occupies addition to the accounts, both current and deposit. And the third service that offer the realization with the help of Internet banking utility bills [9].

The conducted questioning of respondents gave an opportunity to form the principal reasons that allow clients to use Internet banking. Research results are represented in the Figure 2.

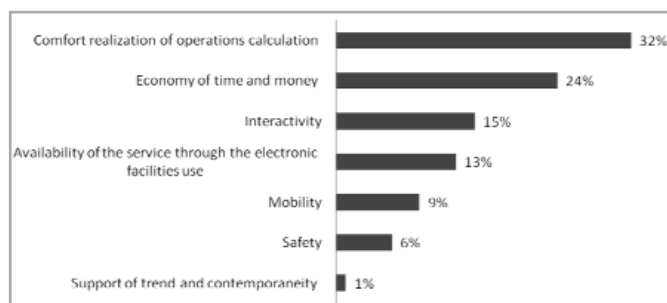


Fig. 2: Factors that influence on the clients' decision-making to use Internet banking

Source: Own research

Investigating the types of e-banking that a problem of vagueness of concepts «mobile banking» is and «sms-banking» is educed. These concepts equate often, that is why there is a necessity to delimit them. Sms-banking is a grant of services through sms-report. Mobile banking is a grant of bank services through a mobile telephone on the whole, so organization of information transfers by the means of any transport channel: SMS, WAP, GPRS, Wi-Fi.

According to the data of company GFK 10% population of Ukraine (3.9 million persons) use the mobile Internet. Every year the amount of users grows. Such tendency assists the introduction of mobile banking technologies in Ukraine [3]. In 2012-2013 the mobile banking service became especially popular. Researches of company GFK testify that in 2012 used

these service 24% Ukrainian companies, and then in 2013 their amount increased and rises to 27% [10].

Sms-banking as a variety of technology of distance bank service is actively included in the economic banking system of Ukraine. More and more clients of financial institutions are subscribed for this service that gives people an opportunity to get information about the conducted operations simply, reliably, operatively with the payment cards by means of the sms-reports which are sent on a telephone.

In modern terms, when constantly the visitors of bank are decrease, analytics recommend banks to master services of visual communication as quick as possible. Twenty-four-hour possibility of video chat with the employee of the bank through ATM will allow attracting clients back to departments and considerably will improve quality of the service. Service of video-banking allows clients to score all advantages of the personal contact with an employee, but it is sufficiently easy to use and accessible any day part. Among advantages of video-banking it is possible to name: enormous target audience; receipt of maximal spectrum of bank services to client; possibility to satisfy all client's needs; speed of distribution of bank services grows regardless of bank location; possibility to cut down the expenses on additional offices opening; absence of necessity for client to buy and set software (it is enough to have a computer and telephone with Web-cam and get from a bank the name with a password for included in the system and diskette with the key for the electronic signature of the orders).

As these tables show, only on a web site JSC «Ukreksimbank» is presented possibility to contact with a bank by Skype. Although, we consider that most banks will offer it client's video banking service.

The undertaken researches gave an opportunity to understand the reasons that keep down electronic bank business. One of the main reasons is the insufficient level of defense. It is clear that the technical decisions of electronic banking must answer the severe criteria of financial safety. Today the user who has decided to take advantage of e-banking service potentially puts his information under the threat of unauthorized division.

Next reason of electronic business braking in Ukraine is the legal adjusting. There is not a legislative platform, according to which is the legal adjusting of e-payments, e-trade can be conducted, that are not marked by the legislative documents in the development measure of the National constituent of global informative network and ways of providing of wide access to the Internet in Ukraine. Therefore, for today it is the important question of forming the legislative base for the improvement of the legal adjusting of the use of e-banking service and safety using this new bank service. Both users and commercial banks are interested in the rapid acceptance of such laws.

Another brake of swift development of electronic banking in Ukraine is an insufficient amount of Internet users. According to the information of bloggers and analytical groups, it becomes clear that most internet-users use the Internet as the informative network and comfortable channel for business correspondence and communication in social networks. The mass culture of bank services consumption is in addition, e-banking absent. The Ukrainian people are sufficient conservative in this question and the majority of them are rather afraid of possible problems from the side of hackers.

The mistrust to the bank organization is also the reason of insufficient development of Ukrainian electronic banking. In addition, more clients do not want to deal with unpopular organization, but cooperate with leaders who have sufficient reputation. Besides, not all banks have the opportunity to inculcate the Internet technologies through the financial limitations.

Taking into account the political instability and economic crisis in Ukraine, electronic banking will enter into the stage of «freezing», but there is a hope on a swift development in the near future.

**Conclusions.** During the undertaken theoretical study the «electronic banking» concept that is suggested to examine as the bank service that envisages remote control motion of finan-



cial means on a card account through the electronic networks and facilities. The deeper research of concept-category apparatus provides forming and occurring of new science – electronic economy.

It is also set that nowadays the electronic banking is actively inculcated in the practice of the bank institutions. The distance forms of e-banking are the most widely used: Internet-banking and mobile banking. The most perspective direction of development of the banking system is video banking.

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## LEGISLATIVE BASIS FOR CORPORATE SOCIAL RESPONSIBILITY REPORTING

**Abstract.** There is a growing tendency towards increasing the requirements of compulsory corporate social reporting. These requirements are increasingly reflected in EU and its member state legislation. Governments and stock exchanges require the companies to report the non-financial information of their business activities. The authors investigate the requirements for corporate social responsibility (CSR) reporting as specified in EU member state legislative enactments and the development of CSR basic principles in Latvia. The authors give an overview of the first steps towards developing a sustainable CSR national strategy, starting with the national action plan, which consolidates the public and private initiatives already in place, with the aim to increase the general capacity for CSR development in Latvia. Simultaneously it is necessary to reinforce the legislative framework, requiring and motivating the companies to disclose their environmental and social information.

**Keywords:** corporate social responsibility (CSR); CSR reporting; disclosure of non-financial indicators; disclosure of environmental and social indicators.

**JEL Classification:** M41, M48

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### ЗАКОНОДАТЕЛЬНЫЕ ОСНОВЫ ОТЧЕТНОСТИ ПО КОРПОРАТИВНОЙ СОЦИАЛЬНОЙ ОТВЕТСТВЕННОСТИ

**Аннотация.** В Европе наблюдается растущая тенденция повышения требований к корпоративной социальной отчетности. Они все чаще отражаются в законодательстве ЕС и государств-членов. Правительства и фондовые биржи вменяют компаниям в обязанность предоставлять отчетность о нефинансовой информации своей деятельности. Авторы анализируют существующие требования к отчетности о корпоративной социальной ответственности (КСО) в соответствии с законодательными актами стран ЕС, а также процесс разработки основных принципов КСО в Латвии. Рассматриваются первые шаги, сделанные страной на пути формирования устойчивой национальной стратегии КСО, начиная с национального плана действий, который объединяет уже имеющиеся государственные и частные инициативы с целью повышения общего потенциала для развития КСО в Латвии. Вместе с тем авторы предлагают усилить законодательную базу, требования и мотивацию компаний к раскрытию экологической и социальной информации об их деятельности.

**Ключевые слова:** корпоративная социальная ответственность (КСО), национальная стратегия КСО, принципы КСО, отчетность по КСО, нефинансовые показатели.