# “Deposit policy of Ukrainian banks: current realities and prospects”


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# DEPOSIT POLICY OF UKRAINIAN BANKS: CURRENT REALITIES AND PROSPECTS

## Abstract

Deposit policy of banks is defined as an important component of the banking strategy, since banks operate mainly with attracted resources. Therefore, volume and quality of the resource base of banks determine their opportunities for lending and investment activity. An important component of the study is the impact of the National Bank of Ukraine on the deposit policy of commercial banking institutions in terms of interest rate policy and deposit insurance system, which needs to be improved. The author's definition of the term "deposit program" is proposed, and a determining factor in a bank's deposit program is that it is developed individually and is aimed at providing the required amount of attracted resources in order to maximally meet the needs of customers and taking into account the priorities of the bank. The prospects for improving the deposit policy of the banks are highlighted as providing marketing innovations is a prerequisite for ensuring competitiveness. They need to be implemented systematically and interconnected with other business processes, including introducing new types of accounts and modern channels for selling banking products. In particular, due to the pension reform in Ukraine, the non-state pension insurance system is developing, and opening of IRA for clients is a promising direction for attracting funds by commercial banks.

**Keywords** bank, deposit, pricing policy, interest rate, innovations, insurance system

**JEL Classification** G21, M31, O03

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## INTRODUCTION

A stable, efficient and effective banking system is a source of investment incentives and innovative development, an important prerequisite for the country's economic growth. Therefore, the main goal for the effective operation of banking institutions is the formation of its resource potential. Given the insignificant share of own funds in the total volume of the resource base, the resource potential of Ukrainian banks consists mainly of the attracted sources of financial resources, in particular deposits. Accumulation of deposits in today's conditions is a rather complicated process. In this aspect, the problem of resource provision for banks through the improvement of their deposit policy is actualized nowadays.

There is a problem of a shortage of resources today in Ukraine, first of all financial. Therefore, the important task of the banking system is the transformation of temporarily free funds into credit resources and their further focus on the development of various sectors of the national economy. It concerns an efficient mechanism for attracting resources, especially in the current conditions of economic uncertainty and the unstable level of trust both in specific banking institutions



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and in the banking system of the country as a whole. Thus, an important task of the state deposit policy is the balanced interest rate policy and centralized deposit protection through the deposit insurance system. One of the leading directions in the development of deposit activity of banks in the microeconomic aspect is the formation of a positive image, strengthening of customers' confidence in the bank and satisfaction of the bank's existing needs in resources through expansion of the depositors' base. To reach this, banks have to focus on the needs of clients – potential investors and ensure the implementation of banking innovations in line with changing market conditions, which is a necessary element of maintaining the competitiveness of the banking institution.

## 1. THEORETICAL BASIS

Banking system of Ukraine plays a decisive role in the process of accumulation of financial resources as a dominant link in mobilizing temporarily free funds to solve a strategic task – the formation of investment resources under difficult macroeconomic uncertainties and problems during Ukraine's integration into the world economics. Therefore, bank deposit management must include an effective and scientifically grounded policy of deposit operations, as well as the mechanism of coordination of active and passive activities. Ensuring the successful functioning of the banking services market requires the creation of an effective system of general banking management with the use of various financial instruments and the continuous updating of bank deposit product line due to the growing needs of society and application of innovative technologies.

A significant number of works by domestic and foreign researchers have been devoted to the theoretical and practical aspects of banks' deposit policy. Analyzing the latest research in this area one can note the following.

Zhovtun (2016) investigates theoretical principles of deposit policy in Ukrainian banking by analyzing the nature, principles and stages of formation and implementation of deposit policy. Particularly important is the consideration of various changes in economic life and their impact on the deposit policy of domestic banks. The author defines deposit policy as a system of management solutions that allow formation of bank financial resources and are divided into strategic (provide long-term achievement of aims by bank) and tactical (provide bank implementation of short-term aims) ones. Such a classification is used by many Ukrainian researchers. The maintenance of a proper level of liquidity for the effective conduct of active operations is an important task of deposit policy. However, according to the authors, the influence of the needs of customers on the formation of a bank's deposit program, that is, the adaptation of the banks' deposit product line in accordance with changing needs, is insufficient.

Drechsler, Savov, and Schnabl (2017) present deposits channel as a new channel for the transmission of monetary policy. They investigate the effect of the Federal funds rate on the banks' interest rates and present a model where the market power mechanism is described. The authors investigate the impact of the state monetary policy on the formation of the policy of commercial banks. Deposits are considered as the main source of liquid assets for households, so the deposits channel can explain the observed strong relationship between the liquidity premium and the Federal funds rate. Also important moment in the article is the connection between deposit and credit activity in the bank taking into account the fact that deposits are a uniquely stable funding source for banks, so deposit policy directly affects the lending opportunities of the national economy.

An important issue for Ukraine at the present stage has been researched by Allen, Carletti, and Leonello (2011). They review the theory of deposit insurance, which proved to be inefficient during the recent financial crisis and needs to be improved. In the article, the theoretical models are investigated, in which is deposit insurance is mostly seen as a device to avoid panic-based runs of savings from the banks during the crisis. The experience of Ireland showed that providing deposit insurance during crisis can be very costly and may even lead to the loss of solvency. In continuation of this, very interesting results were described by Nys, Tarazi, and Trinugroho (2015). They investigated the

impact of banks' political connections on their ability to collect deposits under two different deposit insurance regimes (blanket guarantee and limited guarantee) of state-owned or private entities, and concluded that politically connected banks are able to attract deposits more easily than their non-connected counterparts. This practice can be observed in Ukraine, since the state-owned banks provide full guarantee for their depositors, which led to easier fund attraction as compared to private commercial banks, even despite lower rates. The authors prove that deposit insurance may improve market discipline, but it can also exacerbate the issue of political connections in the banking sector.

Bernet and Walter (2009) conducted a very fundamental research on deposit insurance system. They focused on the derivation of the most important requirements for the modern European deposit insurance, and specific organizational aspects, fundamental institutional requirements as well as of solutions for many existing problems in this field. A valuable aspect of this research is a special focus on some questions related to the international harmonization and coordination of deposit insurance schemes due to integration processes in Europe. In all sections, some lessons are addressed learned from the recent financial turmoil. As a result, the design, structure and the implementation of some deposit insurance policy implications were proposed.

Therefore, there is a need for new research on the relation between bank failures, deposit insurance schemes and currency depreciation, which is very topical for Ukraine nowadays.

A rather important aspect in the context of studying and analyzing the topic is the notion of market discipline, which is declared as one of the main components of the Basel II adopted by the Basel Committee on Banking Supervision under the Bank for International Settlements. Market discipline is seen as a set of market incentives, which are used by depositors to discipline banks for excessive risk in their financial policies. The hypothesis about the presence of market discipline is that high interest rates on deposits correspond to high risk of the structure of bank assets (Utkina, 2013).

Imai (2006) describes the experience of Japan and investigates the relationship between deposit insurance coverage and market discipline. It was found that the financial reform raised the sensitivity of interest rates on deposits, and the interest rate started to differ between partially insured large time deposits and fully insured ordinary deposits increased for risky banks, which suggest that the deposit insurance reform enhanced market discipline in Japan. It was also found that too-big-to-fail policy became a more important determinant of interest rates and deposit allocation after the reform, thereby partially offsetting the positive effects of the deposit insurance reform on overall market discipline. This kind of situation is now developed in Ukraine: relatively high deposit rates attract investors, but on the other hand they cause some distrust in financial stability and stability of the banking institution in case of improper placement of borrowed funds.

So, market discipline can improve the efficiency of the banking system, putting pressure on relatively less efficient banks. It also reduces the probability of a banking crisis and possible losses associated with it. In the presence of market discipline, high interest rates on bank deposits can be an indicator of excessively risky financial policy of the bank and become an alarming signal not only for depositors, but also for banking supervisors. If, for example, you can compare interest rates on individual deposits with the same terms (deposit term, interest rate, replenishment, etc.), then you can see significant variations. This is due to the direct dependence of the deposit rate on the degree of risk of investments of a particular bank (Marynchak, 2013). It is obvious that a high deposit rate is not a determining factor for an investor when choosing a bank for placement of funds. Significant factors are also the reputation of the bank in the market, the share of state, domestic or foreign capital in the structure of the bank, the scale of the advertising campaign, the quality of service, the range of services, etc.

From the foregoing it can be concluded that not only a bank sets interest rates, regulating them according to their needs and the cost of alternative sources of attraction, but also a depositor may affect deposit rates, requiring higher rates from banks with risky financial policies and thus


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setting market discipline in the banking sector. Consequently, market discipline is a product of interaction between banks and investors.

Bova (2015) points out the role of deposit policy for domestic banks, summarizes the existing problems in deposit policy and proposes solutions. The research is based on a data synthesis to explore the bank deposit policy situation. It contains the analysis of current situation and conditions of the resource potential of banking institutions in Ukraine. The results show direct dependency between savings, consumption and deposit policy, therefore, every banking institution must include the mechanism of banking management of the development and implementation of deposit policy. The term "deposit policy" is investigated in interaction with banking activity. This research gives methodological approaches to the measurement of effectiveness of deposit policy, which is very important for maintaining a balance between liquidity and profitability of commercial banks.

There is another point of view that deserves attention. Deuflhard (2018) investigates inertia within banks in retail deposit markets using data on consumer choices and account characteristics. The author explores the change of deposit products and various types of accounts, including online banking and its impact on the resource base. He provides evidence of the effectiveness of introducing new banking products and their impact on the profitability of a banking institution. This suggests that expansion of a bank deposit program can improve consumer choices. So the value of an article is to study and develop a deposit program to achieve the desired level of bank's profitability.

While developing the study of deposit accounts which are offered by banks, the proper interpretation of the term "deposit program" is proposed. It is to be considered as a set of various types of deposits offered by a specific bank for different categories of clients under the relevant conditions, and validated by deposit agreements.

Summing up, the analysis of scientific researches in this field suggests that due to the emergence of new factors affecting the market of banking services, changes in the legal framework, financial and political instability in Ukraine, a considerable number of issues still require a further evaluation and objective analysis. So, the purpose of this paper is to study the current conditions of deposit policy of Ukrainian banks, analyze factors which influence it, as well as determine the expediency of innovations in deposit activity of banks for improvement on their basis of deposit product line and services, and increasing the quality of deposit services in accordance to the growing demand of customers.

## 2. RESULTS

The banking system of Ukraine is currently undergoing a difficult way of development. In recent years, there have been many changes – both positive and negative, which had their background, causes and consequences. 2014–2015 years were characterized by extremely difficult challenges for Ukraine due to the rising socio-political tension and financial instability. The deterioration of the economic situation is primarily due to the escalation of the military conflict in the eastern part of the country and all its consequences: inflation, GDP reduction, rising unemployment rate, etc.

The banking system is very sensitive to such negative conditions, therefore the first hit for it is, as a rule, the outflow of depositors' money. Due to fear of losing their savings, people begin to withdraw at once their deposits from banking institutions. Such a reaction is predictable, but it is difficult to control this process. Consequently, the priority task for the banks in these circumstances is the quality management of deposit activity, since the problem of resource provision is extremely important, and the issue of bank survival under uncertainty depends on the preservation of its client base.

During 2014–2015, Ukraine has undergone the fundamental changes in the number of commercial banks in the market: due to financial problems and failure to fulfill their obligations, a significant number of Ukrainian banks were found to be insolvent, and they left the market. As of November 1, 2018, there were only 79 banks left out of a total 180 banks in 2013 (Figure 1).

Therefore, in terms of reliability, half of the banks were unstable to crisis situation and went bank-

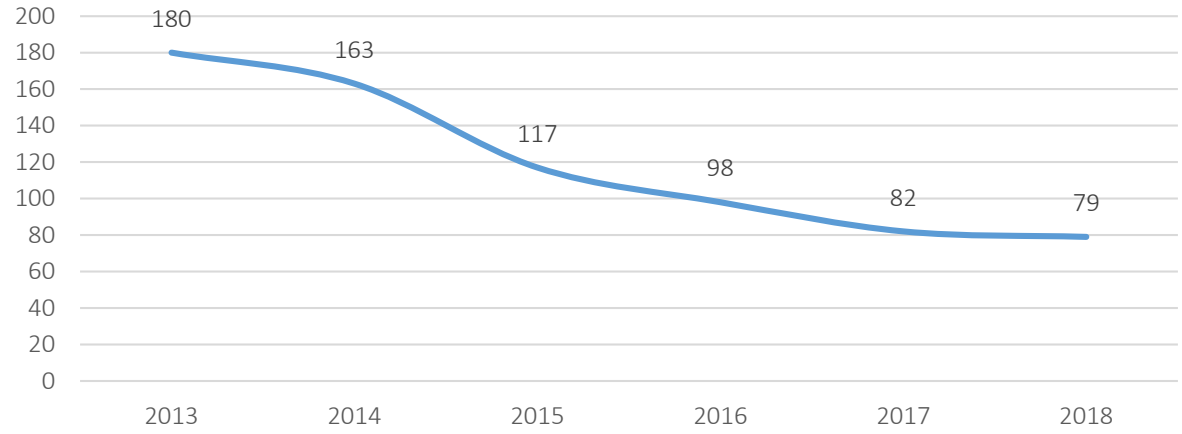


**Figure 1.** Number of banks in Ukraine in 2013–2018

rupt. Accordingly, this did not increase the level of confidence in the banking system, as a significant number of depositors had to return their savings through the Deposit Guarantee Fund, and the National Bank of Ukraine (NBU) applied a number of measures to increase the financial stability of banking institutions and the whole banking system. In particular, the NBU raised the minimum allowable level of authorized capital of banks to UAH 500 million, set a schedule for the capitalization of existing banks, and obliged banks to form appropriate volumes of reserves for active operations. This has given positive results, and Ukraine's banking system today has significantly improved liquidity and financial stability indicators.

As for the volume of the deposit portfolio, according to the NBU, published on the official site, the total amount of deposits in Ukraine as of November 1, 2018 amounted to UAH 901 billion, of which: individual deposits: UAH 506.6 billion (56%), deposits of legal entities: UAH 394.4 billion (44%). The ratio of the volume of deposits to the total amount of bank liabilities is shown in Figure 2.

Data show that customers' funds are the main source of resources of Ukrainian banks. The

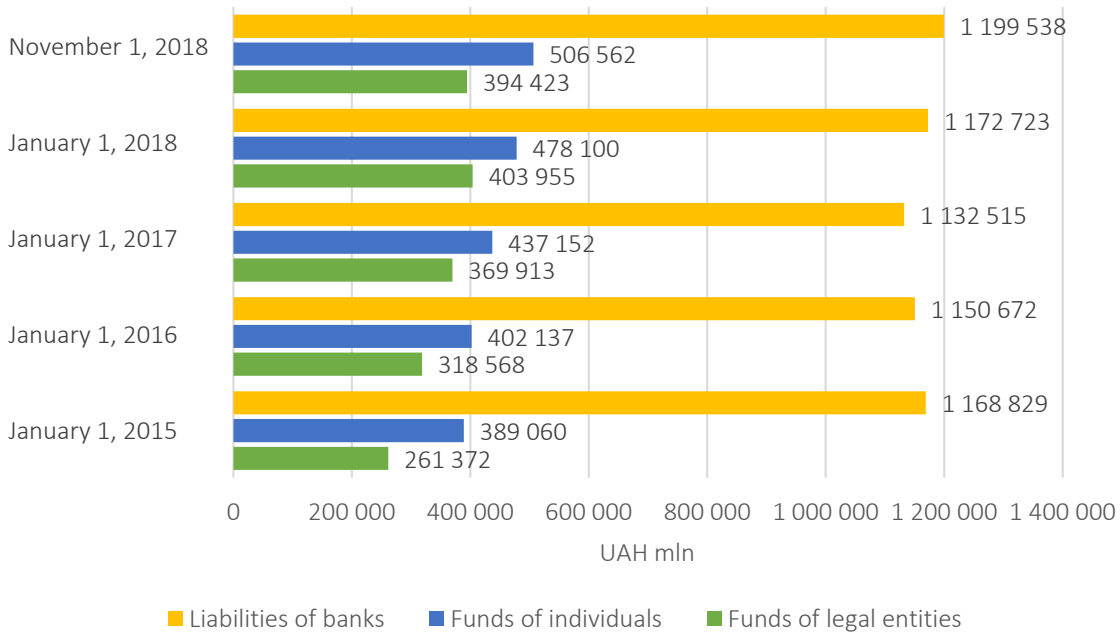


**Figure 2.** Amounts of liabilities and clients' deposits in Ukrainian banks in 2015–2018


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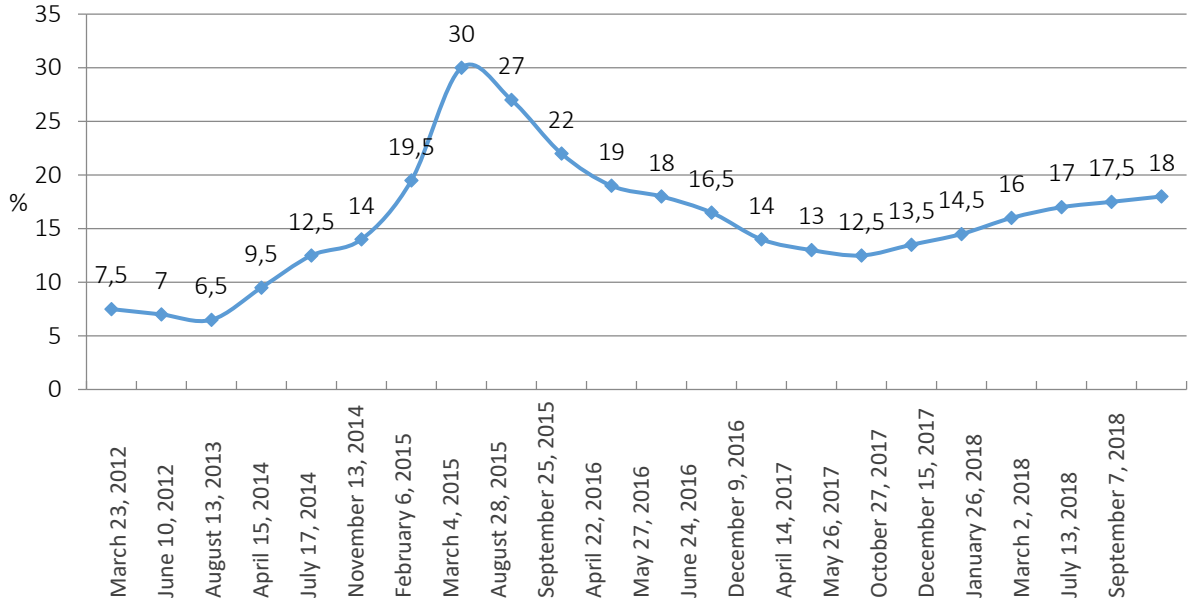


**Figure 3.** Change of the NBU discount rate in 2012–2018

growth of clients' funds for the analyzed period is due to the gradual restoration of confidence in the banking system by depositors, as well as the active work of banks in the market of acquisitions. Easing of the situation on the deposit market is possible in the conditions of the economy growth and, accordingly, the growth of incomes of citizens. Since at such low level of incomes, while simultaneously growing inflation and increasing current costs, it is impossible for economic agents to save and invest money in banks. Nevertheless, banks should continue to work to optimize the existing situation and to build resource base in the future in order to reduce its cost and increase stability.

Both in the case of a successful banking system and in a crisis period, interest rate policy is a powerful lever of influence, because in a harsh competitive environment for customers and their deposits, banks usually raise interest on deposits. However, the establishment of the interest rate should be well balanced, since by attracting expensive resources banks need to place them on favorable terms and income, and reduction of margin is inappropriate in terms of profitability. Therefore, banks need to carry out a comprehensive analysis on the basis of internal and external information on the possibility of changing interest rates on deposits and choose the most optimal options for different types of deposits, satisfying the existing market demand and complying with the basic requirements for liquidity and profitability.

The level of interest rate is influenced by the size of the NBU discount rate. It is one of the most important methods of regulating the monetary and credit market of Ukraine by the National Bank and is used for interbank lending. This is a monetary instrument, by which the National Bank sets a benchmark for monetary and credit market participants for the value of attracted and placed funds for the relevant period.

It should be noted that in recent years there has been a mixed trend towards changing the discount rate of the NBU. In March 2015, the discount rate was set at 30%, which is the highest value for more than 10 years. The dynamics of the discount rate in Ukraine for the period from 2012 to 2018 is presented in Figure 3.

Obviously, the size of the rate sharply increases during the 2014–2015 crisis period, as a result of taking appropriate anti-crisis measures of regulation by the National Bank of Ukraine. During the period of relative stabilization, the rate is decreasing, but during 2018 it begins to go up again. By the end of 2018, the NBU's interest rate is 18%, and it is higher than in most developed countries of Europe and the world. The increase in the dis-

count rate negatively affects the development of the economy as a whole, as the rise in the cost of credit does not help favorable financing of economic entities to ensure their stable functioning and development. On the other hand, it is a forced measure of state regulation, which is used by the state as an anti-crisis monetary policy aimed at stabilization of the exchange rate and the situation on the money market. It is believed that the Central Bank's discount rate should be lower, therefore, the cost of resources in the market should also decrease as interest rates on deposits and loans in Ukraine remain rather high.

Of great importance for stimulating the attraction of deposits as an essential component of the deposit policy of both the state and a separate banking institution is the insurance of deposits, which determines the significance of the aspect of regulatory regulation such as the system of guaranteeing deposits of individuals. According to the authors, this question deserves special attention, since the problem of public confidence in banking institutions has always been and remains particularly relevant.

In Ukraine, the Deposit Guarantee Fund was created in 1998 with an initial refund amount of UAH 500. The operation of this institution was regulated by the Law of Ukraine "On the Guarantee Fund for Individuals Deposits". From 2012, the functioning of the system of guaranteeing deposits of individuals and its activities is regulated by the Law of Ukraine "On the system of guaranteeing deposits of individuals". According to the Law, the main task of the Fund is to ensure the functioning of the system of guaranteeing deposits of individuals and the withdrawal of insolvent banks from the market. For each bank depositor, the Fund guarantees compensation for its deposit and reimburses funds in the amount of the deposit, including interest accrued on the day of the decision by the National Bank of Ukraine to assign the bank to the insolvent category, in the amount of the total number of deposits, but not more than UAH 200,000. Deposits are guaranteed separately in each of the banks. In the case of placement of several deposits in one bank, the amount of all deposits is guaranteed, but no more than the amount determined by law.

The main disadvantage of this system is that the deposits are protected only for individuals, there is no insurance for the risk of legal entities. The system of deposit insurance is intended to protect not only the funds of small depositors, but, more importantly, the security of the entire payment system, as well as to prevent the emergence of crisis situations. Therefore, it is believed that deposit insurance is just one of the components of the financial security system, which should also include a reliable legal regime, a stable macroeconomic environment, compliance with accounting and auditing standards, an adequate licensing system, effective prudential supervision, and appropriate transparency.

The main features of an effective deposit insurance system are the proper level of informing the public, clearly defined benefits, mandatory participation of banks, close coordination of institutions involved, and price policy, which keeps away from high risks (Dzyublyuk, 2012). Today, the problem of trust in the banking system is especially relevant, therefore, the insurance and deposit guarantee system should meet new challenges and be upgraded in accordance with international standards.

The above considerations, which affect the deposit policy of banks, are determined at the state level by the authorities in the part of adoption of laws and regulation by the NBU. However, it is equally important to have an effective deposit policy implemented by each individual bank in order to maintain competitive positions in the market and to create the necessary volume of the resource base.

Interest rate policy of banks is an integral part of deposit policy, since the income from invested savings is the main stimulus in the decision of the depositors to place their funds. The size of the interest rate is determined by the bank itself, taking into account the NBU discount rate, the situation on the money market and its own deposit strategy. Objects of price policy in the field of deposit activity are: interest rates, the terms of accrual and payment of interest; the possibility of setting individual interest rates for certain categories of customers. The prices of deposit products must constantly react to market changes, in particular increasing the bank's interest rate allows to attract


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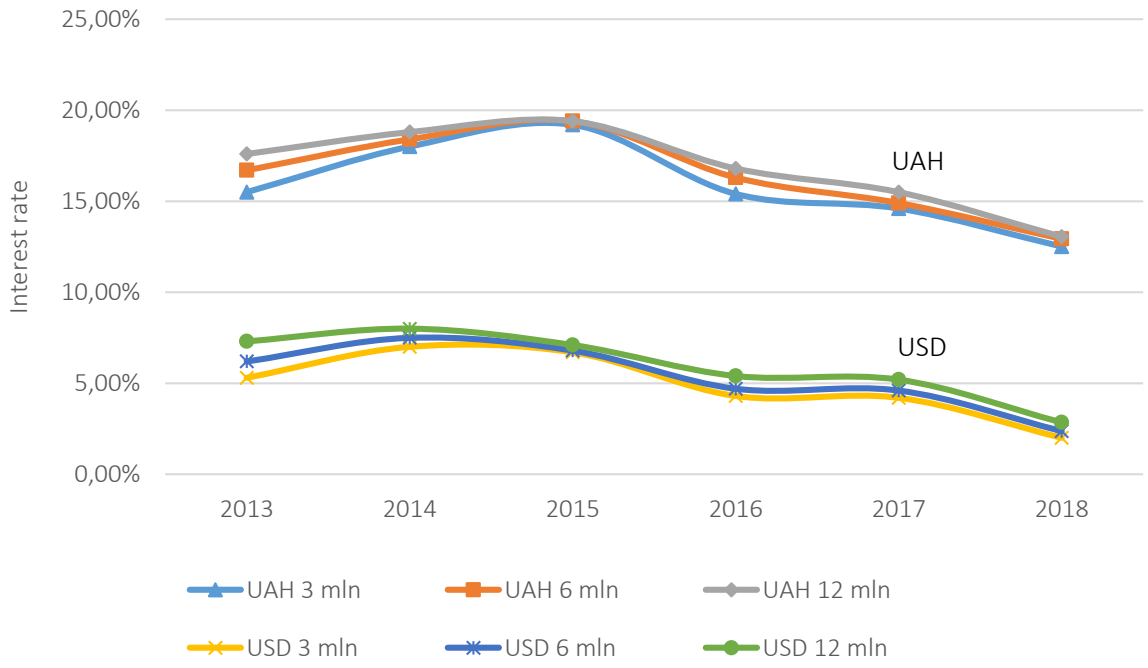


**Figure 4.** Interest rate (mean) on deposits in UAH and USD in 2013–2018

additional resources, while keeping or lowering the deposit rate occurs if the bank is over-saturated with resources or there is a lack of profitable ways for their placement.

The focus will be on the interest rate policy of banking institutions, which is based on the study of demand and supply on deposit resources, prices of banks-competitors, total expenses of the bank to attract the necessary amount of resources, etc. The average interest rates of Ukrainian banks on deposits are shown in Figure 4.

Interest rates on deposits have had different dynamics during the analyzed period, but it can be noted that during the crisis and the growing distrust of customers in the banking system, they are increasing, in particular, during 2014–2015, for almost all types of deposits, rates have been raised. This is also due to the increase of the discount rate by the NBU. However, during the period of relative stabilization in the banking market there is a decrease in deposit rates while reducing the discount rate. That is, all processes are interconnected, and banking institutions adjust their interest rates depending on external changes. Today one can see a significant decrease in interest rates on deposits in UAH and USD, despite the growth of the discount rate. This is due to the following reasons:

- external factors of macroeconomic stabilization;
- success of the NBU in overcoming inflation and devaluation;
- clearing the banking system from many risky banks that seized the market by offering high-yield deposit products;
- excess liquidity in many banks due to the increase of NBU requirements for financial stability.

In terms of the system, this process should be considered rather positive as the previous level of rates was abnormally high compared to all European countries. Decreasing the deposit rates is a key prerequisite for the restoration of the credit market by reducing the cost of financing, in other words, reducing the base component for the loan rate.

Although for investors, the decrease of their income does not cause great enthusiasm, but from an economic point of view, this change is positive, since lower interest rates are usually synchronous on deposits and loans, so cheapening credit resources will mean new opportunities for financing and development of enterprises. Thus, an impor-

tant aspect of deposit activity management is the implementation of a weighted and most effective interest rate policy, since the size of the received income (interest of the bank) and the attractiveness of the offers for the consumer of banking services (client's interest) directly depends on it.

In addition to the pricing methods of deposit policy, there are important non-price methods, which should first include the quality of deposit services, the range of products, and use of modern methods of their implementation. The consideration of the principle of innovation in the deposit strategy, the marketing system, the development and implementation of effective product, marketing and communication policy become the status of a systemically necessary source of competitiveness.

The quality and range of deposit services need to be improved in line with the emergence of new modern methods and technologies that greatly simplify and reduce the process of customer service, while expanding the spectrum of deposit products gives the opportunity to choose exactly those positions that maximally meet needs and expectations of depositors (Marynchak, 2013).

Due to the largest share of clients' funds in the structure of bank liabilities, banks are trying to strengthen their own market positions and to increase their deposit portfolio by introducing new deposit products and marketing programs.

In accordance with the provisions of international standards, the subject and area of banking innovations are divided into product, process, marketing and organizational ones. Innovative component of deposit activity in the context of this classification provides:

1) updating the product line by introducing into the deposit program of the bank new types of deposit products (product innovations);

2) improvement of technological processes in deposit activity related to the development of technical capabilities of the bank, in particular the introduction of new software, or service innovations, which consist in the application of new approaches to the process of customer service (process innovation);

3) distribution of existing deposit products into new markets, the maintenance of new customer groups, communication policies (advertising, loyalty programs), the use of new channels of sales of deposit products, including a new philosophy of banking, in particular using online methods and multi-channel services (marketing innovations);

4) managerial and conceptual changes in models and strategies of deposit policy of banks (organizational innovations).

It should be noted that the bank's deposit policy should include expansion of innovative offers for clients to ensure the formation of the required amount of resources attracted, taking into account the existing priorities. In this context, an important role is assigned to banking marketing, whose function is to harmonize the product, price, marketing and communication policy of the bank.

Marketing innovations should be systematic and interconnected with other business processes. From the experience of large banks, it is possible to distinguish the main blocks of marketing functions oriented on the innovative development of a banking institution, namely:

1) working with the external environment, based on the innovative technologies of socio-economic monitoring;

2) sales organization based on customer service innovations and including a variety of customer engagement and retention functions;

3) advertising activity (communication policy), which reflects the innovation of the bank's product policy;

4) organization of marketing activities of the bank, which is directly related to the training of personnel capable of mastering innovation, planning innovation, budget development, etc.

The position of the bank's management in relation to marketing innovations should be characterized by weight and complexity of approaches, as well as their consistency and effectiveness. Given this in the formation of a marketing strategy, the el-


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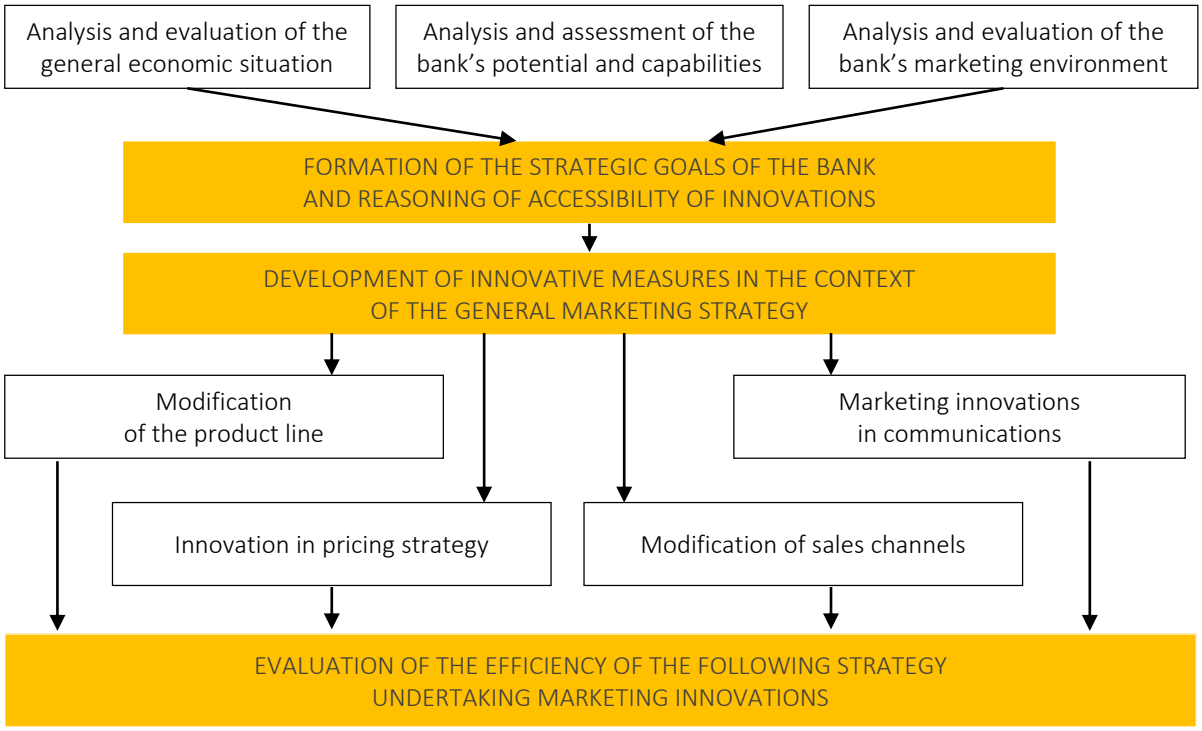


**Figure 5.** Innovations in the bank's marketing strategy

ement of innovation must be integrated into the overall process of generating strategic alternatives (Kneysler & Marynchak, 2015) (Figure 5).

The integrity of the process of forming a marketing strategy will determine the relevance of the deposit policy, and the use of the right tools by the bank will make it possible to form a full-fledged innovative strategy in deposit activity.

Creating new banking products and services, one can identify several key stages (Karminsky & Zhdanova, 2013). First, the search for new product and technology solutions in already existing markets has led to innovations such as deposit and investment certificates, credit and deposit instruments with floating interest rates, different types of bonds (with a deep discount, serial, bonds of participation), financial operations with precious metals and others. Banks began to provide information and consulting services. Secondly, at some point, financial and credit organizations began to initiate on fundamentally new segments of the market, opening up insurance business, financial leasing, trust management of capital and investing in real estate.

It should be noted that in today's growing competition in the banking market, advertising is a powerful value of influencing a wide audience, since banks use the most diverse types of advertising: TV and radio advertising, printed advertising products, direct advertising, Internet advertising, etc. The advertising campaign of the bank is mainly aimed at potential customers, therefore, it is important to provide information about deposit programs in a non-intrusive form, emphasizing the positive aspects and benefits of deposit operations.

The main objective of communication policy in the banking sector is to promote and market the banking product using various methods and techniques. However, all the methods combine the fact that the client is always at the center of attention and the banking institution should be guided by its needs, wishes and expectations. Also important is the parallel application of various communication policy methods, as it ensures the most successful positioning of deposit products in the market and the formation of a positive image of the bank among existing and potential clients.

For Ukraine, as well as for other developing countries, the implementation of foreign experience and

methods of attracting funds from the individuals is quite positive for the attraction of investments into the real economy sector. First of all, we are talking about the practice of introducing new types of accounts that are actively used by most banks in the world, in particular, mixed-mode accounts (CMA-, ATS-, NOW-accounts) are quite attractive because they can be used for current needs, or for receiving income as a financial investment. On the one hand, funds which are held on such accounts can be used to make payments, and on the other hand, they are original financial investments that bring their owners certain income.

Under financial instability and high rates of inflation in banking practice, it is expedient to introduce types of deposits such as Money Market Account – a money market deposit account that is quite popular in the USA. The scheme of functioning of such an account is as follows: savings, attracted from depositors by banks for up to 1 year, are located in the money market of the country as investments, managed by the bank, and the interest in such an operation is shared by the bank and the client. Therefore, the bank is interested in the best possible ways of investment of the attracted funds, and it receives its share of income, and the client receives its own. However, it should be remembered that the rate of return of such accounts is very sensitive to changes in the money market of the country.

Quite perspective direction of deposits attraction may become the opening of individual pension accounts. Because of the pension reform, non-state pension funds were set up in Ukraine, some banks have already received permission to create them and began to develop their activities in this direction. This is a real opportunity to attract long-term resources, which will open new horizons for the favorable placement of forecasted volumes of banking assets. However, the legislative framework needs to be improved in terms of the participation of banking institutions in pension provision and protection of depositors' interests.

In today's world of high-technologies, a possibility of distance banking customer service is well developed. The term "online deposits" is very popular among users of the distance banking service, namely Internet banking. It is correct to understand that the customer of the bank has a distance control service for current (including card) accounts. The client independently distributes funds on accounts in the amount of their own preferences. Thus, changes in the "design" of a deposit product under the influence of Internet technologies can determine the prospects of product line modifications. Customers prefer internet banking to open and operate deposits if they do not need to specifically contact the bank branch for this. The disadvantage of this type of deposit, according to the authors, is the lack of complete online registration (signing of a deposit agreement).

It should be noted that attracting online deposits is beneficial both for the bank and for the depositor, because it is a significant saving of time and resources. On the other hand, while continuing to introduce new channels that can save on maintenance, banks are depriving themselves of the possibility of an individual approach to the client. The image of the bank, its achievements in the financial market, as well as the positive experience that the bank offers to its clients, are disclosed in live communication. The quality and ways of transferring information, learning about the needs of each client individually can be controlled only at the bank branch. This cannot be done through the Internet, which means that the bank brand cannot be successful online, if the bank's management did not achieve this in their offices. In the most successful innovative banks, the share of distance banking services can be about 30%. But, like 20 years ago, more than 70% of decisions on the purchase of a product in a particular bank are taken in the branch. More than 60% of clients at least once a month come to the bank branch. Client's visit to a branch is the most important asset of the bank, it is an important aspect for the implementation of deposit banking policy, based on the entire client-bank trust relationship and, at the same time, remains open and elastic for innovative changes.

Thus, it can be stated that the channels of communication (mobile communication, high-speed Internet) have actually changed, but not bank deposit products themselves. Today banks can sell products using new channels a bit faster than before, but do not be confused with new channels and new products. Modern banks respond promptly to trends in market conditions, from time to time not just focusing on the client, but also forming certain incentives and needs that give a rise to a quick reaction to the bank's innovations. Banks should have the ability to initiate


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and manage innovative processes, as this is a criterion for the survival of a banking institution on the market (Panteleieva, 2013).

As follows, the decisive factor in the development of deposit activity remains an innovative component in the business process of developing and implementing a banking product. The innovative component will be most effective only on the condition of trust between the client and the bank. Consequently, trust becomes a prerequisite for effective development and implementation of a banking product, and marketing innovations are the source of optimization of this process.

## DISCUSSION AND CONCLUSION

The study of the economic essence of the deposit policy of banking institutions gave grounds for generalizing the fundamental notions reflecting the process of accumulation of temporarily free funds by banks and proving a significance of deposit operations for the formation of the bank's resource base. The term "deposit program" is proposed to be interpreted as a set of various types of deposits offered by a specific bank for different categories of clients under the relevant conditions, which are secured by deposit agreements. This definition emphasizes the individuality of developing a deposit program in accordance with the priorities of the banking strategy and its focus on the formation of the required amount of resources involved while maintaining high level of competitiveness of the banking institution.

The primary task of banks is to create the necessary resource base for targeting investment in the development of the national economy. An important place in this process is assigned to the National Bank of Ukraine as a regulator in the deposit market, whose goal is to stabilize the exchange rate, to restrain the growth of inflationary trends and to restore confidence in the banking system.

Since banking activity at the present stage is carried out in conditions of constant economic uncertainty, it is necessary to take into account this factor in the development and implementation of the bank's deposit policy. The main role is assigned to the state in terms of improving the existing deposit guarantee system and the formation of an effective interest rate policy, which will allow banks to achieve an optimal correlation between profitability and liquidity, and also to keep positions among competitors and maintain the trust of depositors. To this end, it is proposed to create a highly effective private and small business insurance system, which will increase the level of trust in banks and increase the volume of attracted investment from legal entities.

Nowadays, the lifestyle of a modern consumer is rapidly evolving: the ways of communication of people are changing, the volume of information is increasing. Banks have to develop new products that meet the needs of modern customers, improve the service, upgrade their departments and develop alternative sales channels.

Undoubtedly, the process of creating and using innovations is a complex problem that includes functional aspects such as planning, project development, marketing. Competitive environment and mistrust of banks make clients more demanding, so it is becoming increasingly difficult for banking institutions to win their favor. They are forced to review their relationships with clients by offering them new forms and methods of service provision, updating the product line based on real investors' inquiries, in particular the perspective development of non-state pension funds and opening of the IRA.

Thus, ensuring the successful functioning of the banking services market requires the creation of an effective system of general banking management with the use of various financial instruments and the continuous updating of a set of bank deposit products in line with the growing needs of society and the application of innovative technologies in the context of their compliance with modern trends of the financial market.

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