FOREIGN EXPERIENCE IN THE DEVELOPMENT OF THE BANKING SYSTEM

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Abstract. Today, the types of banking services require a lot of work. The reason is that as time progresses, most of the previous types of services are obsolete, and by replacing them with modern service areas, it is possible to make the work of bank employees and the problems of ordinary people easier. This article describes the foreign experience in the development of the banking system in detail.

Keywords: banking system, management type, customer service, employee experience improvement, foreign experience, etc.

The American model of the banking system is based on the division of commercial and investment banks. The need for such a division is that the deposits provided by the population are very risky in connection with the issuance (underwriting) of securities and the transactions concluded with them. The separation led to the formation of a special organizational unit, which is characteristic of the American model-investment bank. If previously the evaluation of the activities of organizational units was aimed at improving financial indicators, that is, to obtain net profit, today the concept of "separation of economic value" is becoming more and more popular. This ratio reflects the net income that remains in the company after deducting all fees. The company's performance and, therefore, its reward system depends on the change of this indicator. Unlike the American banking system, the German banking system is characterized by the predominance of universal credit organizations represented by three main groups: 1) private banks; 2) cooperative credit organizations; 3) state savings banks. Regardless of legal regulation, type and size of property, as well as organizational principles, most banks carry out all types of banking operations. Although the above-mentioned types of credit organizations are pursued in different economic and economic terms, political goals, there is no strict specialization. All credit organizations carry out their activities in order to ensure the long-term viability of enterprises and gain profit. Reliability, profitability and liquidity constitute the "magic triangle" of banking policy and are its main goals. The meaning of the creation of the universal system is that Germany never had enough capital, did not reach the necessary level of organization of securities trading, and therefore could not finance large enterprises without the use of bank credit. It is no exaggeration to say that during the pandemic, the development of online service networks was stimulated not only in our country, but also in the whole world. As a result, modern methods of providing banking services have developed. For example, many things that people used to do through banks can now be done without leaving home. It is very important to study foreign experience in carrying out such work. It is better to apply the experience of the developed countries of the world in the development of the aforementioned service sectors. The reason is that they have tried a lot.

Proponents of the universal banking system believe that its advantage over America is due to its high stability, diversification effect and, as a result, high reliability of money deposits. The lack of inter-bank division of labor makes it possible to provide services, especially when concluding transactions with small and medium-sized clients, in more favorable conditions. The Japanese model is called the "main bank system", which is a very complex form of interaction and interaction of banks with various companies, with the main bank at the head of the whole structure. It is a holding company that owns shares of other companies (in an amount not exceeding 5% of the charter capital of each). The effectiveness of such a system depends on the establishment of long-term relationships between its members. The main advantage is that banks do not need to get detailed information about potential borrowers. It has a main bank, and the rest are directed to it. At the same time, despite all the differences, general principles that ensure the effectiveness of corporate management began to form. One of them is that the influence of shareholders on the management of the company will increase significantly. At the end of the 80s of the last century, the role of shareholders in the activities of companies increased significantly. At that time, with the help of third parties (companies called LBO'S - leveraged buy-outs - issuing debt obligations to use the funds received for the purchase of their own shares), company leaders began to buy these shares. The purpose of such a reorganization was not to improve the company's operations, but to generate income through acquisitions and sales. As a result of this development, not only the shareholders who faced the risk of losing control, but also the whole society realized the need to strengthen and expand the role of the shareholder. Without strong shareholders, the company is always open to speculators at any time to buy and then sell it at a favorable price. This is a real threat to destabilize the economic situation in the national economy as a whole. Hence shareholder value in corporate governance.

The banking system's share in GDP, that is to say, the factor incomes generated in the banking sector, is probably the best indicator. More specifically, the share of the banking system in GDP consists of wages and the labor markets are characterized by the optimality of wages fixed by the market. This is based on equality between wages and marginal productivity of labor. The sector's share is valued at conditions that are very close to what most economists consider appropriate. Following this line of reasoning, the only flaw is to point to the observation that in the real world factor markets are frequently far from resulting in market clearing prices, so that some reservation is called for. The second indicator is the number of banks and branches per capita, which gives an idea about the degree to which a country's population has access to financial services. Obviously, the validity of this indicator is weakened by differences in the dispersion of a country's population over its territory. In addition to this, technical progress and financial innovations, such as, telephone and Internet banking have made the accessibility of a bank office obsolete for many financial interactions and services. Thus, although this measure indicates a decline in banking sector development in most developed countries in recent years is the result of innovations in the banking sector and thus a sign of progress rather than a decline. Finally, we refer to the share of manpower employed in the banking system. This measure is questionable because it ignores the productivity levels of those working in the banking system.

Hong Kong's financial system is the best in the world for supporting economic competitiveness and growth, according to the World Economic Forum's Global Competiveness Report 2014-2015. The report evaluates the level of development of 144 of the world's financial systems, based on their efficiency and levels of trustworthiness and confidence, as part of its overall competitiveness ranking. The banking sector is of vital significance in the economic development of Hong Kong. Not only has Hong Kong become flourishing in terms of offshore banking, but also a strong linkage between Hong Kong and offshore renminbi business to Mainland China has attracted much attention from most foreign investors in recent years. Hong Kong is deemed a globally well-reputed financial hub. There are more than 70 of the world's 100 largest banks in Hong Kong. With the high concentration of international banks, Hong Kong is listed in the top ten biggest international banking meccas when it comes to the volume of external transactions. The banking system in Hong Kong is regulated under the Hong Kong Monetary Authority (HKMA). Except for the issuance of banknotes, most of the key duties of a central bank will be performed by HKMA. Hong Kong banking system is characterized by four main types of banks:

- Licensed banks
- Restricted license banks
- Deposit-taking companies
- Offices of foreign banks (Representative offices of overseas banks)

Other than representative offices, the banking system in Hong Kong is dominated by its three-tier system including three types of banking institutions as above. This system is categorized on the amount of deposit, term of the deposit, and each one's business nature. They are also collectively known as Authorized Institutions (AIs) supervised under the Banking Ordinance. As per HKMA's latest update to April 2020, the number of authorized institutions in Hong Kong was 193 in total, including 163 licensed banks, 17 restricted banks, and 13 deposit-taking companies in Hong Kong. Furthermore, the jurisdiction has 42 local representative offices of overseas banks, 8 locally incorporated companies in Hong Kong granted licenses for virtual bank operations, and 30 money broker approvals by the HKMA. The International Monetary System (IMS) constitutes an integrated set of money flows and related governance institutions that establish the quantities of money, the means for supporting currency requirements and the basis for exchange among currencies in order to meet payments obligations within and across countries. Central banks, international financial institutions, commercial banks and various types of money market funds — along with open markets for currency and, depending on institutional structure, government bonds — are all part of the international monetary system. The key distinguishing factor for the IMS is that money (in contrast to financial assets) is not interest bearing. Money is used as a unit of account and/or a medium of exchange to support and foster the exchange of goods and services, and capital flows, within and across countries; to calibrate values and advance the exchange of financial assets; and to foster the development of financial markets. Traditional definitions of money also include its role as a store of value, but that role has been largely assumed by financial assets. Although this view may be controversial, the store of value for money is, at a minimum, shared with the international financial system and may be completely assumed by it. The sovereign debt crisis, such as the one now under way in Europe, is primarily a crisis of the IMS. Sovereign debt lies at the heart of a monetary system because it constitutes a source of riskless assets that balance the risk profile of other assets held on bank balance sheets. When interbank markets become concerned about the quality of sovereign debt, the event creates counter-party risk that disrupts interbank borrowing, which is a critical instrument of shared bank liquidity. As is the case in the current European crisis, the liquidity crisis within the banking system can have liquid currency implications because the mix of currencies on bank balance sheets may not match the mix of currencies required to meet payment obligations. To date, the European crisis is primarily a crisis of the IMS because it has not influenced international financial markets and/or the international economy in any systematic way — yet. Global financial markets certainly suffered a shock in the summer from the intensity of the euro crisis. Thus far, the monetary crisis has not undermined confidence in global financial asset values or had a significant effect on trade and economic growth. The recent global financial crisis worked in the opposite direction. The global financial crisis started in the financial system with high-profile bankruptcies prompted by financial innovations in the derivatives markets that purported to create near-riskless assets from a combination of low-grade mortgage debt, other debt (including government debt) and supposedly smart equity structures that concentrated risk in the issuer. The magnitude of the collapse of major financial institutions and government support of the banking system transmitted the liquidity crisis from the financial sector to the nonfinancial sector as nonfinancial business raced to translate working capital into cash. These events rocked the global economic and financial systems back on their heels and produced a banking crisis in Europe that had important monetary dimensions (e.g., shortage of U.S. dollars in the payment system). Where money growth and inflation appear problematic is in the emerging world. To some extent, rapid money growth is a product of interest rate/currency management and not sterilizing capital inflows — together with very rapid real economic growth rates. These problems are more matters of domestic money management rather than of the international monetary system.

In conclusion, it is appropriate to say that in countries with a stable economic policy, the banking sector is much more developed. This is a sign that the financial policy in these countries is being conducted well. Based on the examples given above, we have seen that the most developed banking industry is not in Europe, but in Asia and the Americas. And these evidences indicate that the living life of the population of this country is quite stable. It is possible that we will see the same changes in the banking sector in our country in the future, which means a stable financial policy and a stable banking future.

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