

JEL CLASSIFICATION: G21

DECOMPOSITION ANALYSIS OF ADMINISTRATIVE COSTS OF UKRAINE'S AND EU'S BANKS

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Summary. The paper identifies the need to study the prerequisites of the current state and the level of the administrative costs of the banks. The structure and dynamics of the administrative costs in Ukraine and the EU are analyzed. Segment analysis of

administrative costs of the largest banks in Ukraine is committed, and proposals on the strategy of further segmentation on the basis of the combination of administrative costs and profit are provided.

Key words: *administrative expenses of the bank, segment analysis of costs, decomposition cost analysis, strategic cost analysis.*

This paper identifies the need to study the prerequisites of the current state and the level of the administrative costs of the banks. It is divided into 4 interrelated parts:

- comparative analysis of dynamics of administrative costs in the banks of Ukraine and European Union;
- comparative analysis of staff costs and other administrative costs in the banks of Ukraine and European Union;
- segment analysis of administrative costs in the banks of Ukraine;
- strategic analysis of segment allocation of administrative costs in the banks of Ukraine.

Comparative analysis of dynamics of administrative costs shows that the last have increased both in absolute and relative terms. During 2009–2014 years administrative costs increased from 1,02 % to 1,05 %, which is lower than in EU (1,22 % to 1,38 %). It should be noted, that the peak of growth in Ukraine was the 4-th quarter of each year. Also it was defined that a significant variation in costs occurs in coun-

tries with a maximum or minimum amount of administrative costs to bank's assets. The structure of the administrative costs in Ukraine and the EU was analyzed. Sharply 54 % of administrative costs in Ukrainian banks are occupied by staff costs, which is higher rate than in EU (in average, 53 %). It should also be noted, that in average this rate is higher for government-owned banks (67 %).

Segment analysis shows that the biggest banks of Ukraine operate in retail business (near 70 % of allocated administrative costs) which defines strategic importance of this segment to them. But, though retail business plays a significant role in Ukrainian banking business, it still stays unprofitable, which puts the question about further cost-cutting measures.

Hence, in this article the decomposition analysis of administrative costs is presented as an instrument of defining current "segment-consumption" of administrative costs as a modern instrument of strategic cost-cutting measures.

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