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## Threats to the economic security of the banking activity and the means of its protection

**Abstract.** This article explores the theoretical and methodological approaches of domestic and foreign scientists to determine the nature of the economic security of banking, which is divided into several distinct groups. A negative impact on the economic security of the bank which by sources of origin can be objective and subjective is characterized. We have concluded that objective negative impacts occur independently of a particular bank or its individual employees, whereas subjective impacts may be due to poor performance of the bank as a whole or its individual employees (especially managers and functional managers).

In this article we have classified threats to economic security of the banking activity on the following grounds: place of origin, nature of occurrence, likelihood of occurrence relevant to consequences for the attacked, probability of their occurrence according to the purpose and use.

The study highlighted the bank protection from external and internal threats, which are divided into personnel-related, organizational, technical and intellectual ones. All these measures, both special and general, cannot be considered disposable and conducted only during the emergence of the crisis or the state of danger. At the same time, a study of their complexity and regularity greatly reduces the likelihood of any threats to the bank.

**Keywords:** Banking Security; Economic Security of the Bank; Internal Threats; External Threats; Banking Security Measures

**JEL Classification:** G21; E58

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### Загрози економічній безпеці банківської діяльності та засоби її захисту

**Анотація.** У статті досліджено теоретико-методологічні підходи вітчизняних та зарубіжних учених до визначення сутності економічної безпеки банківської діяльності. Виокремлено негативні впливи на економічну безпеку банку, які за джерелами походження можуть бути об'єктивними і суб'єктивними. У статті здійснено класифікацію загроз економічній безпеці банківської діяльності за рядом ознак: за місцем виникнення, за природою виникнення, за ймовірністю виникнення, за наслідками, за об'єктами посягань, за можливістю прогнозування, за ймовірністю настання і за сферами виникнення. Охарактеризовано засоби захисту банку від зовнішніх та внутрішніх загроз.

**Ключові слова:** банківська безпека; економічна безпека банку; зовнішні загрози; внутрішні загрози; заходи безпеки банківської діяльності.

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### Угрозы экономической безопасности банковской деятельности и средства её защиты

**Аннотация.** В статье исследованы теоретико-методологические подходы отечественных и зарубежных ученых к определению сущности экономической безопасности банковской деятельности. Выделены негативные влияния на экономическую безопасность банка, которые по источникам происхождения могут быть объективными и субъективными. В статье осуществлена классификация угроз экономической безопасности банковской деятельности по ряду признаков: по месту возникновения, по природе возникновения, по вероятности возникновения, по результатам, по объектам посягательства, по возможности прогнозирования, по вероятности наступления и по сферам возникновения. Охарактеризованы средства защиты банка от внешних и внутренних угроз.

**Ключевые слова:** банковская безопасность; экономическая безопасность банка; внешние угрозы; внутренние угрозы; меры безопасности банковской деятельности.

**Introduction.** Obtaining comprehensive information is a condition dictated by the search for markets, the fight for customers and competitors neutralizing. Effective activity of the bank in such conditions can be realized in two ways: the use of passive security measures that are associated with the use of different types of protection, and active actions of the security forces, aimed at creating a favorable information environment for the bank.

**Brief Literature Review.** Essential economic security in ensuring the stability of banking activity has attracted constant attention of domestic and foreign researchers to its various aspects. Such scholars as A. Burke [2], H. Zimmermann [3] and J. O. Turner [4] have played an important role in the study of threats to economic security and the means of its protection.

Z. Bora, Y. Zhukov, L. Krasavin, V. Kolesnikov, O. Lavrushyn, V. Milovidov, G. Panova, S. Pyatenko, V. Usoskin and others

should be noted among Russian scientists. Formation of economic security of banking institutions is reflected in works of a number of domestic scientists, including A. Vasylyk, V. Vitlinskyi, A. Lupus, A. Halchynskyi, A. Danilenko, M. Zubka, V. Kuznetsov, T. Kuzenko, N. Kostin, I. Lyutyi, A. Nikiforov, A. Orlyuk, A. Pylpchenko, Y. Samura, O. Sharov, and many others.

**Purpose.** Paying tribute to the achievements of scientists in this field, it should be noted that domestic economic literature lacks comprehensive studies which highlight the threats to economic security of banking activities. There are no works in which the essence of economic security and threats to the economic security of the banking activity and the means of its protection are considered. The article aims to analyze different approaches and views on the definition of threats to economic security of banking, as well as consideration of means of protection.

**Results.** The economic security of the bank is protecting financial interests of the bank, its financial sustainability and the environment in which it operates. The functioning of financial markets today leads to an increasing role of economic security for each commercial bank. This is a complex question related to adverse situations at multiple levels (macro-, meso-, and micro-level) both separately and comprehensively [2].

The economic security of commercial banks and their institutions is very important because erosion of trust in financial institutions has a negative impact on financial and economic security of the whole country [3].

Since the foundation of economic security of the bank is its financial stability, there is a possibility of its evaluation using indicators of financial stability. But the assessment of the bank's economic security level based on its financial stability analysis is too narrow, and this is due to the fact that it does not cover all areas of its activities and economic security.

Some scientists propose to estimate the economic security based on the definition of the general state of financial activity. Thus, I. Blank (2009) identifies five types of system analysis of economic security: the horizontal financial analysis, the vertical financial analysis, the comparative financial analysis, the analysis of financial ratios, the integrated financial analysis [6]. This approach is too broad as in this case the process of economic security is actually identified with the entire bank.

The most common is the indicator approach which consists of selecting specific indicators of economic security and in comparison to their actual values with the limit. While forming a composition of indicators, the authors include indicators that characterize various parties in the financial condition of a bank and make it possible to evaluate its financial results in different ways. By the threshold values of indicators of economic security researchers understand limit values, failure of which leads to the formation of negative trends or threats in the sphere of financial security, and, therefore, imbalances in the bank's activities and infringement of its development in general [11].

Many authors share the view that it is necessary to determine the integral index of economic security of the bank. Nevertheless, today there is no single method of its calculation which is generally accepted.

Having studied the research of M. Yermoshenko (2005), we can conclude that the main goal of economic security of the bank consists of continuous and sustainable support from the state, which is characterized by balance and resistance to impact of external and internal threats [12].

Sources of negative impacts on the economic security of the bank can be:

1. conscious or unconscious actions of official entities (public authorities, international organizations, competitors);
2. convergence of objective circumstances (state of the financial market, scientific discoveries and technological developments, force majeure, etc.) [7].

Objective negative impacts arise independently from a specific bank or individuals, whereas subjective effects may be due to poor performance of the bank as a whole or its individual employees, especially managers and functional managers. The main objective is to identify the security forces, count and neutralize threats to such economic activities [7].

Threats to economic security can be defined as a destabilizing effect of natural or human factors relating to unfair competition and violation of laws and regulations which may result in potential or actual losses for the bank. Classification of threats to economic security of banking activities is shown in Figure 1.

The risks are divided into economic, physical, psychological and informational according to spheres of the banking activity subject to such risks. Economic threats can be realized in the form of imperfect banking technologies of production, corruption, fraud, unfair competition. The implementation of such threats is detrimental to banks or leads to the loss of their profit.

The main causes of economic threats can be: lack of adaptation of the banking system to constantly changing market conditions, General insolvency of entities, increasing crime, the consumer mentality of a significant number of citizens, the low level of labour discipline and responsibility of the employees of banking institutions, insufficient legal regulation of banking activity, low professional level of the part of managers and employees of the bank.

Physical threats are realized in the form of theft, looting of property and funds of the bank, breakage and decommissioning of equipment banks, inefficient operation. As a result of imple-

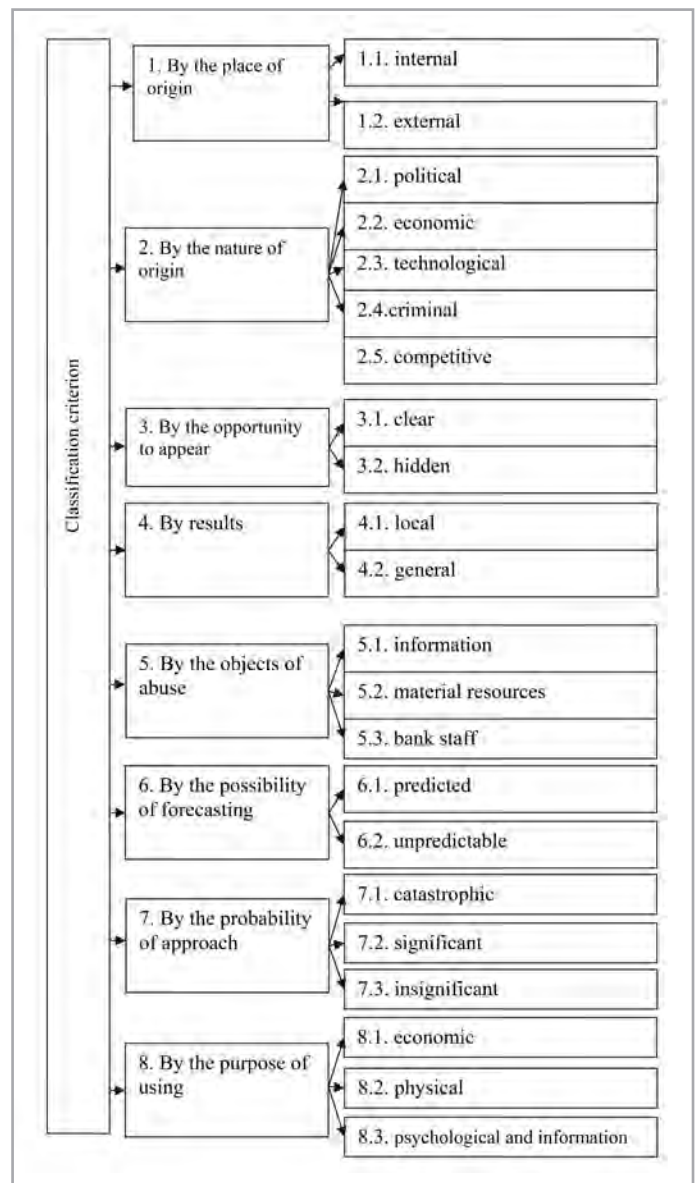


Fig. 1: Classification of threats to economic security of a bank  
Source: [3, 8, 9]

mentation of such threats are put straight losses to banks associated with the loss of their property and the need to incur additional costs for restoration of means of production and other material resources. The main causes of physical threats is ineffective personnel policy of the bank, low training of bank professionals, insufficient level of protection within the banks, the low status control the work of employees in banks.

Intellectual threats appear as the disclosure or misuse of banking information, discrediting the bank in the market of banking services and can be implemented in the form of various kinds of social conflicts around the banking institutions themselves. The result of such threats may be the losses of banks, the deterioration of their image, social and psychological tensions around the banking institutions or in their groups. The causes of those threats, as a rule, is the increased competition in the regional markets of banking services, ineffective personnel policy banks, the violation of the principle of transparency of banking activities, the absence or low efficiency mode information in banks [8].

The source of the threats can be external and internal.

External threats to the security of banks can be formed by special services of foreign states, associated individuals and organizations, the purpose of which is to obtain economic information; domestic and foreign criminal elements and structures; competitors; media; individual representatives of state institutions; private detective firms; former employees of banks; customers and partners; regulatory bodies and audit organizations; natural disasters.

In turn, internal threats are mainly formed by employees of banks, imperfect banking technologies of production and its incomplete settlement regulations of banks, through imperfect security system banks and the protection of their information. Internal threats are usually caused by prerequisites for negative, illegal actions of the staff of the bank, uncontrolled use of the means of production, disturbance regimes of the bank's activities.

The occurrence of security measures is provided through the activities of the security forces and the use of a variety of means. Depending on the way of organizing the security, there are the security division of banks, specialized companies, organizations, banks which provide security services, the staff of the banks.

By safety-related hardware protection, software and technical data protection, special tools and equipment engineering we understand restricting access, communication, processing and transmission of information appliances and other equipment used to ensure effective implementation of security measures. It should be noted that the safety of banks, as well as other commercial entities must include all their departments and employees.

Practical implementation of security measures may be achieved by establishing public authorities' protection, turning to private security and detective firms or creating your own security units.

To protect the bank from external and internal threats is to provide a rotary shaft in nature, based on three groups of measures.

Event staffing should help create the perfect system of recruitment, examination, inspection and selection of employees, motivation and control, staff development; prevention and rapid resolution of conflict

situations in the bank's team, working with employees who have the intention to terminate the employment relationship with the bank; to implement the system of responsibility for the violations and abuses by employees of the bank.

Organizational and technical measures are necessary for the development of technologies that would exclude or complicate the possibility of fraud in the course of banking operations, compliance with the principle of «four eyes», periodic inspection and audit, daily monitoring and accounting, information-analytical studies of customers, partners, competitors in the course of the bank's activities and access to bank's funds, assets, values, information, documents, oversight measures for the protection of the bank's activities, monitoring the implementation of commitments by clients and partners of the bank, development office subordinate, descriptions of jobs and workflows, distribution of functions, regulation, regulatory and licensing authority.

Intellectual activities are aimed at developing bank's corporate culture, organizing and conducting educational and preventive work on the prevention of delinquency and crime, training employees to deal with attempted bank fraud.

Security measures include measures of a general nature and special ones. Their details are reflected in Figure 2.

All these measures, both special and general, cannot be considered disposable and conducted only during the emergence of the crisis or the state of danger. At the same time, a study of their complexity and regularity greatly reduces the likelihood of any threats to the bank.

So, we can conclude that the threats to economic security of the bank are extremely diverse. They may occur at any stage of the bank's activity and are hard to detect because of their external and internal source of origin. According to the probability of occurrence, place of origin, nature and possible consequences of potential or real dangers measures and means of combating they may have special and general nature and are divided into human-related, intellectual, organizational and technical.

**Conclusions**

We can say that economic security is a complex category in the system of bank security, reliability and operational efficiency which is measured by the criteria of exclusion or timely detection of threats to its information resources and material values. But the main criterion for assessing threats to economic security of the bank is the stability of its economic development

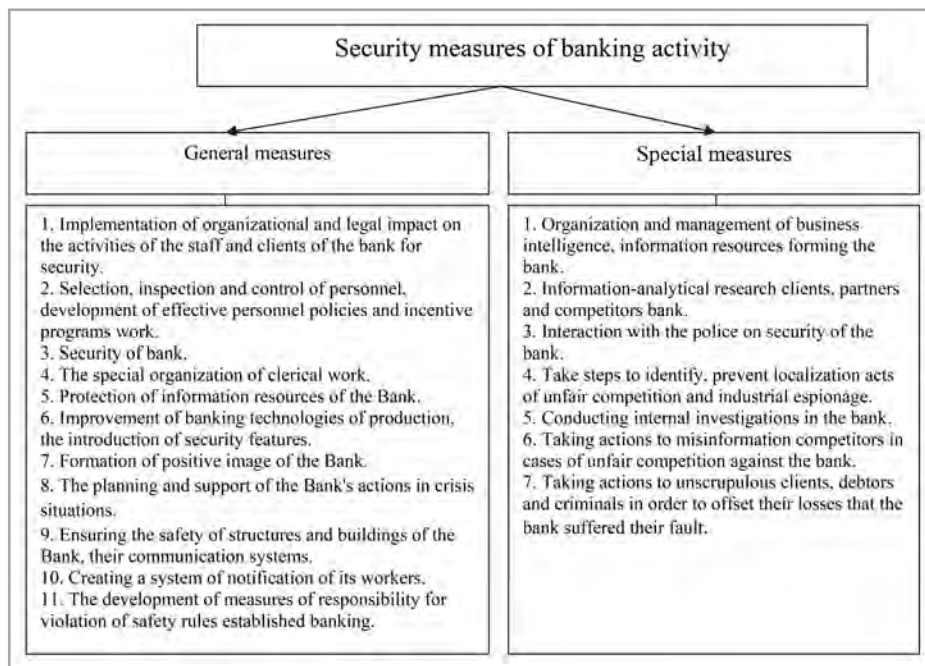


Fig. 2: Security measures of banking activity  
Source: [3, 8, 12]



in accordance with its plans and objectives. Organizing of close cooperation between the security unit and other units of the bank is an important prerequisite for effective response to both internal and external threats.

Based on all the above, the allocation of precautions in banking, primarily in terms of their complex nature, is the most effective to protect key resources of the bank and create favourable conditions for sustainable and long-term development.

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