

## THE EFFECTS OF USING THE TRUST SERVICES

## ЕФЕКТИ ВІД ВИКОРИСТАННЯ ТРАСТОВИХ ПОСЛУГ

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*The article discusses the main aspects of the functioning the system of trust services and the effects that accompany it. Attention is paid to the effectiveness of the implementation of the trust operations, the problems of managing liquidity of assets, profitability and risks. The basic concepts of the formation of the operational, investment and other effects are highlighted. The processes of restructuring information support of a business, new approaches to normalizing a resource management system are described. The main advantages of using this type of service, the features of using their various types, the forms of their management to increase the total cost and liquidity of assets, the directions of expanding the scope of their application are considered. The ways of forming the information effect from the use of trust operations and the development directions of the credit market informatization processes are suggested.*

**Key words:** finance, financial resources, trust services, financial policy, efficiency.

*У статті розглядаються основні аспекти функціонування системи довірчих послуг та ефекти, що її супроводжують. Увага приділяється ефективності здійснення трастових операцій, проблемам управління ліквідністю активів, рентабельністю та ризикам. Висвітлюються основні концепції формування структурного, операційного, страхового ефектів, ефекту нормалізації прибутковості ресурсів, оптимізації ліквідності активів, ефекту нормалізації операційної діяльності, мінімізації операційних ризиків. Описуються процеси реструктуризації інформаційного забезпечення бізнесу, нові підходи до оптимізації системи управління ресурсами. Розглядаються основні переваги від використання даного виду послуг, особливості застосування різних їх типів, форми їх управління для нарощення загальної вартості та ліквідності активів, напрямки розширення сфери їх застосування. Доведено, що нарощення обсягів ресурсів у трастовій системі призводить до зниження волатильності їх вартості, до спрощення їх адміністрування, до зниження рівня витрат на їх супровід, що позитивно впливає на рентабельність усіх операцій із активами. Освітлені шляхи забезпечення правового захисту, методи генерування додаткових грошових потоків у формі стабільного пасивного доходу, диверсифікації ресурсів за рахунок розширення кола клієнтів, використання ефекту масштабу для зниження витрат і підвищення якості інформаційних потоків. Оцінюються різні форми передачі ризиків, напрями інвестування ресурсів у цінні папери інших компаній, методи зниження поточного рівня операційного ризику і максимізації прибутковості, результати реалізації страхового ефекту. Обґрунтовано доцільність використання активного трасту для підвищення рівня ліквідності майна, його оборотності, досліджені основні форми трансформації матеріальних ресурсів, методи управління їх вартістю, ліквідністю, напрямки стабілізації їх дохідності, нормалізації ризиків. Запропоновані шляхи формування інформаційного ефекту від використання трастових операцій та напрямки розвитку процесів інформатизації кредитного ринку.*

**Ключові слова:** фінансові ресурси, трастові операції, ліквідність, інформаційний ефект, ефективність.

*В статье рассматриваются основные аспекты функционирования системы доверительных услуг и эффекты, которые ее сопровождают. Внимание уделяется эффективности осуществления трастовых операций, проблемам управления ликвидностью активов, рентабельностью и рискам. Освещаются основные концепции формирования операционного, инвестиционного и остальных эффектов. Описываются процессы реструктуризации информационного обеспечения бизнеса, новые подходы к нормализации*

*системы управления ресурсами. Рассматриваются основные преимущества использования данного вида услуг, особенности применения различных их типов, формы их управления для наращивания общей стоимости и ликвидности активов, направления расширения сферы их применения. Предложены пути формирования информационного эффекта от использования трастовых операций и направления развития процессов информатизации кредитного рынка.*

**Ключевые слова:** *финансовые ресурсы, трастовые операции, ликвидность, информационный эффект, эффективность.*

**Formulation of the problem.** The development of the economic system of Ukraine and its components is accompanied by transformation processes, change of forms, methods and directions of activity of economic entities. In general, the economic system must be reformed in such way to enable enterprises to carry out their own business effectively. However, current practice shows that a large number of business structures cannot effectively organize their own business, which negatively affects the economic processes in general. Constant changes in the law force economic entities to make significant adjustments to their own business, which slow down their pace of development.

Sustainable business requires a stable information environment and allows businesses and organizations to focus on the effectiveness of their own operations. In other circumstances, it will be difficult to manage it, generating unnecessary costs. At the same time, acceptable conditions for conducting economic activity are those that allowing generate the required amount of resources quickly, invest them and make a profit.

**Analysis of recent research and publications.** Studies of the main aspects of the functioning the financial services market are devoted to the papers of scientists and practitioners, in particular Alekseenko M., Vasyurenka O., Vitlinsky V., Kirichenko O., Savluk M. and others. A large part of them is aimed at finding optimal methods of managing the economic processes, forming an effective system of control over them.

However, some theoretical aspects of the asset management effectiveness need further investigation in order to increase their liquidity.

**Setting the objectives.** The purpose of the article is to improve theoretical and methodological approaches to resource management through the use of trust operations. The object of the study is the effectiveness of capital management processes, and the purpose of the study is to improve the classification of effects from using the trust operations.

**Outline of the main research information.** It can be stated with certainty that structural changes in the economic system directly affect the economic processes, which are constantly complicated by the influence of transformations, providing additional problems that enterprises and organizations must constantly solve.

Subjects of economic relations, when deciding to change methods and forms of management,

are forced to slow down the pace of development which directly or indirectly adversely affects their profitability. Such processes reform the information component of the business, which requires new approaches and methods of its management.

The banking system solves the same problems as the rest of the business. Under the introduction of new methods of resource management, traditional services are losing their value, forcing credit institutions to modify their relationships with clients who wish to use their services, increasing their capital and transfer it to experts who are able to increase its value and liquidity and generate additional flows of money. This system encourages the development of both credit institutions and users of credit system services.

By introducing remote forms of capital management, banks change the usual management system that, in some way, reduces the volume of operations. In order to increase profitability, earn additional income, and thus renew their development, they must get rid of non-profit services and unprofitable operations, changing the existing form of business management, putting new approaches into practice. This creates the effect of optimizing the structure of goods and services, or the so-called structural effect, which allows normalizing the profitability over a long period of time.

To increase the volume of income, banks should put into practice complex forms of property management, using not only deposits of their clients, but taking into management both their assets and risks, forming a professional system of capital management. By getting rid of unprofessional participants, the credit system can normalize the profitability of its own operations, which leads to the formation of the effect of normalizing the profitability of resources.

As restructuring processes change the structure of cash flows in the market, such changes directly or indirectly affect the users of the credit system. This leads to the fact that a certain amount of resources of economic entities are eliminated from turnover, which reduces their level of liquidity and profitability. Economic agents unable to use assets in circulation lose the effective leverage of managing their capital and attempt to transfer them to the administration of specialized institutions earning additional income, taking into account that business innovations become more complex and require additional efforts, demanding new knowledge and skills, a professional approach.

As a part of the resources is transferred to the

management of specialized credit and financial institutions, the owner of the property gets rid of a considerable number of problems by paying for services at the expense of a share of the income received from such operations.

Here the author comes to the next effect of using the trust operations – the effect of normalization of the operating activities.

Every economic system which requires rapid growth of its development forms such an information component that is easily predicted, effectively used, enabling economic entities to conduct their own business rationally. It should assist the companies in a rapid increase in the value and liquidity of their capital by providing them with effective management mechanisms that help to stabilize profitability and intensify their operations. Manufacturers, using it, can optimize their production cycle, form new and improve existing products and services, take the necessary steps to market them. Modern information technologies allow them to deploy information support for activity management processes faster by introducing and using remote forms of doing business. It ensures one of the basic conditions of operation – diversification of the sources of resources and activities.

If an entity is reformed by constantly updating the structure of its goods and services, it can stabilize cash flows, balance their qualitative and quantitative characteristics and normalize the profitability. Consequently, all this will make a scale effect and help to equalize the profitability over a long period of time and have a positive impact on investment and innovation processes [10; pp. 264-270].

Using trust operations, credit institutions can also stabilize their operations, diversify the resources and risks, and thereby normalize long-term returns.

At the same time, they manage to achieve the optimum level of solvency and financial stability. Utilizing the resources of other entities of the market, they transform ones into current assets that can generate additional profit that is redistributed between the owners and the lending institution.

Moreover, a significant number of specialized financial institutions are free to use the assets more efficiently, achieving the goals set and obtaining a more acceptable result.

The author believes that the most significant benefits of trust operations are their sustainability and versatility. They can also perform the function of controlling the liquidity of assets. In the case when the bank adopts the assets of its clients using active types of trust operations, it can change their natural form, which in turn can increase their liquidity and positively affect the efficiency of their use [3].

By ensuring the availability of resources of considerable value, the bank achieves a sustainable state receiving an acceptable level of profitability and financial sustainability. Such activity is not characterized by significant fluctuations in resources cost and is not capable of destroying the finances

of a credit institution since there is no speculative component. The effect of stabilizing profitability is manifested like that.

Persons using trust services can, in addition to increasing liquidity, obtain legal protection, generate additional cash flows in the form of stable passive income. Credit institutions also are empowered to diversify resources by expanding customers' number, utilizing a scale effect to reduce costs and improve the quality of information flows. In doing so, they achieve an information effect.

In the case where significant worth resources are used, the trust company seeks only viable transformation operations, minimizing the operational risks and costs. As a rule, they are held with property that must retain its material form. The bank, circulating the assets, must cover its operating expenses and reach a level of income to offset the client's inflationary losses. For a large number of credit institutions, such transactions are beneficial because they are not accompanied by significant risks.

If the material form of resources can be changed, then there is an opportunity to use various forms of risk transfer by investing resources in securities of other companies, reducing the current level of operational risk and minimizing the profitability. Such operations can serve as an additional guarantee for the client's safety and give rise to an insurance effect.

By managing its usual asset portfolio, the bank controls its risks using formalized methods. This form of activity does not change the normal rhythm of activity, does not require additional costs and does not form new types of risks.

By changing the material form of assets and increasing their volume, the bank can optimize the costs for supporting asset management operations. In such a case, profit and cash flows are stabilized.

The next area of trust service development is the management of a company's resources that are not involved in the reproduction process. Such assets do not provide the owner with additional income, which diminishes the overall performance of his business. Using these assets in circulation, they can generate additional cash flows for their owners and the bank. As resources are outsourced to the management of professional market players, who have sufficient information about the areas of their use and practical experience, they can invest them effectively with an acceptable level of profitability and liquidity. In this case, the turnover of resources increases, costs are reduced, and the overall level of return on capital operations grows.

The trust system can use the funds of the entities and transform them into investments. In our view, such types of operations will grow in volume in the future along with the growth of citizens' incomes.

This system is able to allocate resources of third parties effectively, generating the revenue streams

and activating the economic relations, stabilizing the profit by the emergence of an additional mass of resources in circulation. When the volume of assets grows, it will lead to a decrease in the level of operations profitability, on the one hand, and normalization of the profitability of investment operations and their stabilization on the other hand. By using them, the bank will be able to generate additional income offsetting the operating expenses.

As a large part of passive trust operations are targeted, capital expenditures for their conduct are significant. In such circumstances, the bank must form a portfolio of financial resources to ensure a return at a level that can cover all costs. This effect can be achieved by using a mixed form of asset management when one part of resources generates added value and increases liquidity, and the other is used as an insurance fund.

If the client wishes to keep the material form of his property, he chooses the passive trust operations. In such a case, it should be taken into account that this type of operation may be unprofitable for him. By clinging to these transactions, the client will encourage the bank to cover its current losses while maintaining assets in management. From a credit institution's perspective, these assets can be used to normalize the cost of resources in circulation and to equalize the level of profitability.

If the bank manages to reduce volatility level of assets value and current cash flows, its profit will be optimized, and operating expenses will be minimized. When formalizing the structure of its financial transactions, the bank reduces their overall riskiness, since there is no need to use part of the assets to manage it, thus creating the effect of minimizing the operational risks.

If the owner of the resource needs to increase the value of equity or increase its level of liquidity, the property can be transferred to an active trust. The bank, having the capacity to change the material component of resources, attracts them into circulation and thus can manage their value, liquidity and stabilize profits. When transforming these resources into investments, such operations can generate additional cash flows normalizing their return. Since the return on resources and the risks are normalized, operating costs are reduced, and additional revenues can be generated.

Through using active types of trust transactions, it is possible to increase the liquidity of assets in a short period of time. However, such operations are accompanied by a high level of risk. Using them, a bank can quickly invest and withdraw money from circulation, providing a growth of a certain amount of money in the form of income associated with fluctuations in prices for similar products. Generally, such operations are not used for stabilization purposes because the risk of loss is extremely high.

The process of increasing the total value of assets can be used for restructuring the operations, updating the management system. The market gets rid of unprofitable activities due to the effect of informatization.

Because certain types of financial transactions require considerable resources and hence the appropriate forms of financing, credit institutions may take on the functions of financing of the development or lending and thus to form a cumulative effect. In this case, the costs are equalized, turnover is normalized, the goals are achieved faster.

Attracting additional resources to the market, the bank can also form the effect of diffusion opti-

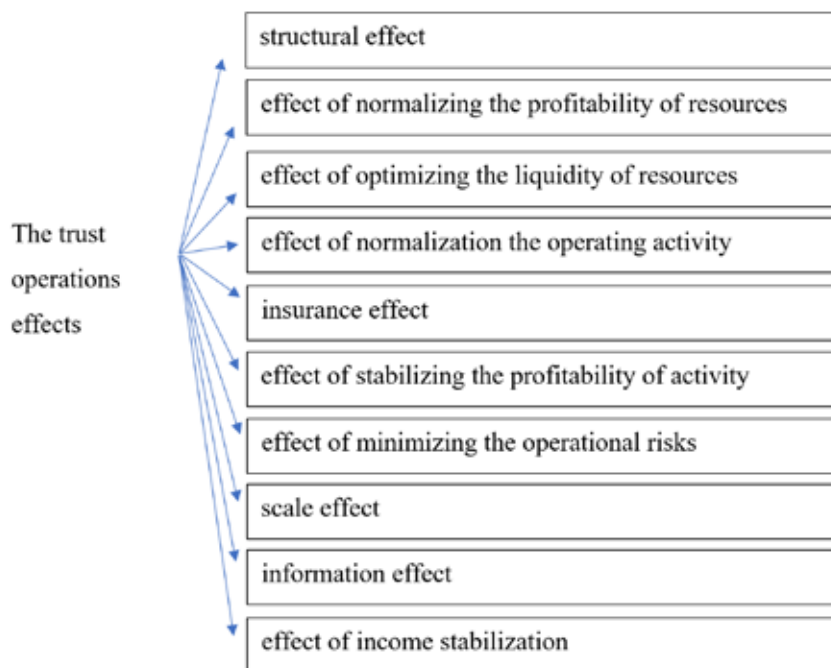


Fig. 1. Effects of using the trust services

mizing the structure of assets, level of profitability, changing the forms of the activity, methods of relationships with customers gaining an experience, information, knowledge.

Such processes are sustainable. They accompany the development causing significant changes in management. The result is the origin of new professional financial systems which can execute such transactions effectively within acceptable risk level.

**The conclusions of the study.** Development of an economic system in the near future will restructure the economic processes, influence the emergence of new goods and services, and require the creation of more efficient systems for managing resources.

In such a context, the economic system can function effectively. We believe the demand for professional resource management services will only grow. A sound and efficient asset management will equalize the cash flows and stabilize the profitability of the resource operations. At the same time, considerable attention will be paid to the issues of capital liquidity management.

The emergence of professional asset management systems will allow to maintain a significant level of liquidity and retain it for an extended period of time.

In our view, trust operations can serve as a factor that can normalize the current asset management system and perform a core function, providing resource owners with additional revenue.

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