УДК 336

THE MAIN TREND OF COST MANAGEMENT IN THE BANKING SYSTEM

Ван Цзяньбо, аспирант
Белорусский национальный технический университет
Wang Jianbo, Ph.D. Student, Belarusian National Technical University,
17882828986@163.com

Abstract. The contemporary banking sector is undergoing a fundamental shift in cost management, moving beyond traditional austerity measures towards a value-driven and strategically integrated approach. The primary trend is the strategic leveraging of digitalization, not merely for cost reduction but to enhance operational agility and customer experience. This is achieved through large-scale automation of routine processes, adoption of cloud technologies, and rationalization of physical branch networks. Furthermore, there is a growing emphasis on strategic sourcing and outsourcing of non-core functions to optimize the cost structure. Data analytics is increasingly pivotal, enabling predictive resource allocation and smarter investment decisions. Consequently, cost management is no longer a back-office function but a core strategic discipline, essential for sustaining profitability and competitive advantage in an evolving financial landscape.

Keywords: Strategic Cost Transformation, Digital Operational Efficiency, Data-Driven Resource Allocation, Non-Core Function Outsourcing.

The landscape of cost management within the global banking system is undergoing a profound transformation, shifting from a traditional model of cyclical, across-the-board cost-cutting to a strategic, continuous, and value-driven discipline. Historically, banks reacted to profit pressures with blunt instruments: branch closures, headcount reductions, and deferred investments. While these measures offered short-term relief, they often eroded long-term competitive advantage and impeded growth. The contemporary paradigm, however, is fundamentally different. It is no longer solely about spending less, but about spending smarter. The core objective has evolved into constructing a more agile and resilient operating model where cost management is intrinsically linked to strategic objectives like customer experience enhancement, innovation, and sustainable profitability. This represents a fundamental re-imagining of the finance function's role, positioning cost optimization as a central pillar of strategic execution rather than a periodic operational cleanup.

This strategic pivot is overwhelmingly driven by the relentless acceleration of digitalization. Banks are now making substantial, strategic investments in technology not merely as a cost, but as the primary mechanism for achieving structural efficiency. The deployment of Robotic Process Automation (RPA) to handle high-volume, repetitive tasks in areas like loan processing, compliance checks, and account servicing is now commonplace, reducing errors and freeing human capital for higher-value work. More significantly, the migration to cloud-based computing platforms represents a quantum leap in operational flexibility and cost structure. Unlike legacy on-premise systems that incur massive capital expenditure and maintenance costs, cloud infrastructure operates on a variable, scalable expense model. This allows banks to align their IT spending directly with demand, fostering both efficiency and the capacity to rapidly scale innovative services. Furthermore, the physical branch network is being radically reconceived. The trend is not simply one of reduction, but of reinvention and transitioning from transactional hubs to advisory centers, supported by smaller formats and advanced self-service technologies, thereby optimizing the largest component of the operational cost base [1, p.40].

Beyond technological infusion, a critical trend is the rigorous evaluation of the entire value chain to determine what activities are core to the bank's competitive identity. This has led to a sophisticated approach to strategic sourcing and ecosystem collaboration. Functions such as application processing, IT infrastructure management, and certain back-office operations are increasingly being outsourced to specialized third-party providers who can achieve greater economies of scale and expertise. A more advanced manifestation of this is the rise of 'Utilities-as-a-Service' models, where consortiums of banks collaborate to create shared utilities for highly standardized but critical functions like anti-money laundering (AML) checks or KYC (Know Your Customer) verification. This move away from a vertically integrated, "we-build-everything" mindset allows institutions to concentrate internal resources and investment on their unique differentiators, such as bespoke wealth management or innovative digital lending products, while sourcing non-differentiating activities more efficiently from the market. Underpinning these structural shifts is the growing supremacy of data analytics in guiding financial decisions. Modern cost management is becoming increasingly predictive and granular, moving beyond retrospective variance reporting. Advanced analytics platforms enable treasury and finance teams to move from a general understanding of where money is spent to a precise attribution of costs to specific products, channels, and even individual customer relationships. This granular visibility is revolutionary. It allows for a nuanced understanding of profitability, enabling managers to discontinue unprofitable products, optimize pricing strategies, and allocate resources to the most promising growth areas with a high degree of confidence. This data-driven approach transforms cost management from a blunt, organization-wide mandate into a surgical instrument, facilitating smarter investment decisions and ensuring that every dollar spent contributes directly to strategic value creation [2, p.67].

Ultimately, the most significant trend is the recognition that these efforts culminate in a necessary cultural and organizational realignment. The responsibility for cost management can no longer be siloed within the CFO's department; it must be embedded into the mindset of business unit leaders and product managers who control the budgets. This requires new performance metrics that balance cost efficiency with growth and customer satisfaction indicators. The future state of banking cost management is a dynamic equilibrium. It is a continuous cycle of investing in strategic digital capabilities, leveraging data for intelligent resource allocation, and optimizing the operating model, all while fostering a cost-conscious culture that empowers innovation rather than stifling it. In this new paradigm, a bank's ability to manage its costs strategically is not just a defensive tactic for survival but a fundamental determinant of its capacity to lead and compete in the future financial landscape [3, p.67].

In conclusion, the evolution of cost management in the banking sector signifies a definitive departure from its historically reactive and often myopic character, the discipline has been fundamentally redefined, maturing into a continuous, forward-looking, and strategic function that is inseparable from the core objectives of growth and competitive differentiation, this transformation is cemented by the synergistic integration of digitalization, strategic sourcing, data-driven analytics, and organizational culture change.

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