

Анализ динамики развития банковского сектора России в 2014-2017

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Аннотация

В данной статье рассматриваются основные показатели банковского сектора Российской Федерации и динамика их изменений на период 2014-2017 гг. В ходе исследования были исследованы и проанализированы статистические данные, а также мнения экспертов. На основе этой информации были сделаны выводы о тенденциях развития банковского сектора в России, а также о факторах, которые повлияли на такую динамику.

Ключевые слова: банки, банковский сектор, Центральный банк РФ, ЦБ РФ, таргетирование инфляции, ключевая ставка, тенденции банковского сектора, кредиты

Analysis of the dynamics of the development of the Russian banking sector in 2014-2017

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Annotation

This article examines the main indicators of the banking sector of the Russian Federation and the dynamics of their changes for the period 2014-2017. In the course of the study, statistical data as well as expert opinions were examined and analyzed. Based on this information, conclusions were made about the development trends of the banking sector in Russia, as well as the factors that influenced it.

Key words: banking sector, Central bank of Russia, sanctions, inflation targeting, key rate, trends in banking, credit organization

The banking system of the Russian Federation is a set of interconnected elements that includes the Central Bank, credit organizations that consist of commercial banks and other credit and settlement institutions, sometimes combined within holdings, as well as banking infrastructure and banking legislation.

The Russian banking system has a two-tier structure. The first level is represented by the Central Bank of Russia. The second level includes banks and non-bank credit organizations, as well as branches and representative offices of foreign banks.

The modern banking sector is an important and fundamental element of the Russian financial system. The basic functions of the Banking industry today are:

- Accumulation of temporarily free cash assets and their use in active operations;
- "circulatory system" of various spheres of economic activity.

2014-2017 is the time for the introduction of sectoral sanctions against Russia by the United States, the EU and their allies, and Russia's response sanctions, mainly trade restrictions. Both of them have generally negatively influenced foreign business activity and access to foreign funds on the global market for Russia. These actions are often interpreted by experts as a sanctions crisis. The difficult situation in the banking market gives grounds to experts to characterize it as a systemic economic crisis.

Under the conditions of sanctions, almost all the links in the Russian financial system were in a quandary. The banking system, after experiencing a shock following the adoption of sanctions against Russia, has adapted to work in the new economic environment. The banking sector is an integral part of the country's economic system and largely reflects the main trends of its development, thus it has been majorly affected by these negative trends.

In 2014, the US authorities introduced the following Russian banks in the black list: VTB, the Bank of Moscow, the Rosselkhozbank, also VEB (Vnesheconombank), as well as the Sberbank controlled by the CBR, and Gazprombank, which was reported on the website of the US Ministry of Finance.

Citizens and companies of the United States and EU countries are prohibited from purchasing debt obligations of these banks or related legal entities, as well as their property for more than 90 days, which greatly constricted ability of Russian banks to acquire inexpensive funds and differentiate their portfolio. After these events, the Central Bank issued a special statement in which it expressed its readiness to provide support and provide liquidity to the banks affected by the sanctions, if necessary.

When analyzing the conditions of the banking system and dynamics of its development it is important to look at the historical changes of the major instrument of a monetary policy in any state - its key rate. The pre-crisis key rate was declared as the main instrument of monetary policy as a means of targeting inflation on September 13, 2013. From this date until the end of 2013, it was 5.50% per annum, inflation as of the end of 2013 was 6.45%. A sharp increase in the key interest rate to 17.00% per annum occurred on December 16, 2014. The Board of Directors of the Bank of Russia noted that this decision was due to the need to limit substantially increased recent devaluation and inflation risks. Inflation as a result of 2014 was 11.36%.

Year of 2016 continued a gradual decrease in the key rate and ended at 11.00%. Inflation by the end of 2015 was 12.90%. At the end of 2016, the key rate is kept at 10.00%. Inflation at the end of 2016 was 5.4%. In 2017, the positive trend of the rate reduction continues as a response to a slowdown in inflation - it is projected at 4% by the end of the year - and general increase in consumer confidence.

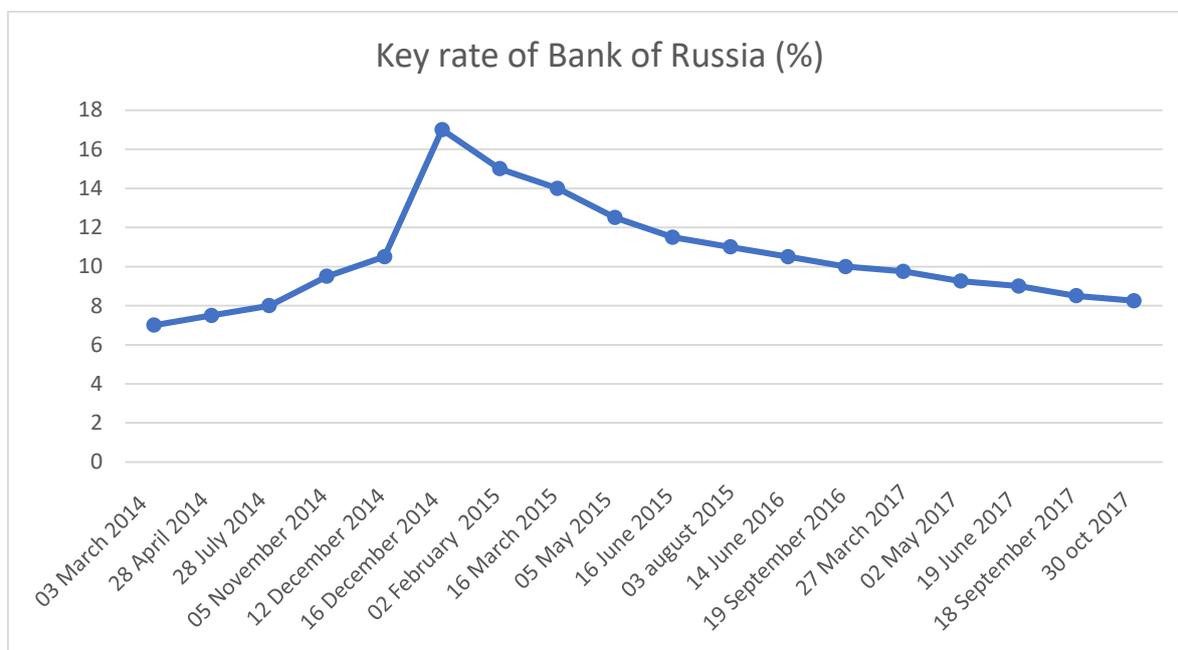


Fig. 1. Key rate of Bank of Russia (%)

When observing the dynamics of changes in the financial conditions of different banks it is useful to look at and analyze assets and equity of banks, which might serve as sign for us of increased operations by banks, such as financing and crediting, but also of an overall stability and riskiness as equity is used for the formation of reserves.

Below you may see the assets of banks of different size as dynamics of changes is often not the same for small and large banks. The overall dynamics for large banks is generally positive as assets generally increased throughout the years, though it had some downfall in 2016. However, the situation for small banks is quite different as many of them have experienced decrease in assets with top-100 bank being stable. The similarity among all banks is that 2016 was unfortunate for all, though large banks managed to improve in 2017 while small banks did not.

Place of a credit organization by assets value	Assets of credit institutions as of:								
	01.01.2014	01.01.2015	Change (%)	01.01.2016	Change (%)	01.01.2017	Change (%)	01.11.2017	Change (%)
5	1964404	2756664	40,33	3031637	9,97	2883655	-4,88	3183875	10,41
30	237195	307413	29,6	361383	17,56	306053	-15,31	305752	-0,1

100	48728	58820	20,71	60613	3,05	54638	-9,86	49915	-8,64
200	18424	18106	-1,73	17001	-6,1	14595	-14,15	12587	-13,76
500	3135	2895	-7,66	2495	-13,82	1257	-49,62	809	-35,64

Capital of banks is also an important metrics for analyzing banks' stability. The Law on Banking Institutions and Banking Provisions stipulates that the minimum amount of own funds (capital of the bank) for existing Russian banks from 2009 should be from 180 million rubles. That was one of the reason for major liquidation of commercial banks. If at any bank this indicator decreases and reaches only 2-3% of total assets, then the Central Bank of Russia appoints an audit of the effectiveness of such a financial institution, and in the future, it can revoke a banking license. The situation with dynamics of changes in capital is pretty similar to that of the assets as the majority of top 100 banks experienced growth in capital while small banks' capital has reduced. And again 2016 is when the drastic downfall took place. That is a warning of banks decreasing their operations and reserve funds which in turn increases their riskiness and decreases liquidity.

Place of a credit organization by equity value	Equity of credit institutions as of:								
	01.01.2014	01.01.2015	Change (%)	01.01.2016	Change (%)	01.01.2017	Change (%)	01.11.2017	Change (%)
5	221037	263251	19,1	359641	36,62	357300	-0,65	352427	-1,36
30	28755	35204	22,43	34592	-1,74	36061	4,25	36753	1,92
100	7308	7330	0,3	7728	5,43	7023	-9,12	6721	-4,3
200	2640	2660	0,76	2358	-11,35	2035	-13,7	1855	-8,85
500	515	518	0,58	425	-17,79	347	-18,35	320	-7,78

For the last three years, the Bank of Russia has stopped the activity of 170 banks, which are not focused on financial activities, but on various questionable transactions offering customers deposits at high interest rates and failing to fulfill their obligations. The number of banks for 2016 was 733, that is, in 2015 it declined on 101 banks. And the total number of banks since 2008 has decreased by 403 banks, which is 35.5%. Only in the first nine months of 2016 licenses were withdrawn from 84 banks. Number of active banks by the date of 01.10.2017 is equal to 574. However, clearing the banking and financial sector from highly risky operations and assets by revoking a license to conduct banking operations has led to a decrease in business activity and the temporary freezing of many transactions that were financed by rancid banks.

Another serious problem in 2015 was the deterioration in the quality of loans. In the year of 2016 the share of overdue loans on non-financial organizations increased slightly from 6.2% to 6.3%, while retail loans even fell from 8.1% to 7.9%. At the end of 2016, the share of overdue accounts in

the total number of open loans was 17.5%. Anyways though the absolute value of bad debt is very high its dynamics is positive: in 2016, the volume of overdue debts increased by 13%, while in 2015 it increased by 50%. The same situation is observed in the segment of "bad" debts with overdue payments over 90 days, which constitute 97% of the total amount of overdue debt and are one of the main drivers of its growth. In 2017 it even managed to decline by -1,05%. That shows that the quality of loans is slowly but gradually recovers thus positively influencing banking environment.

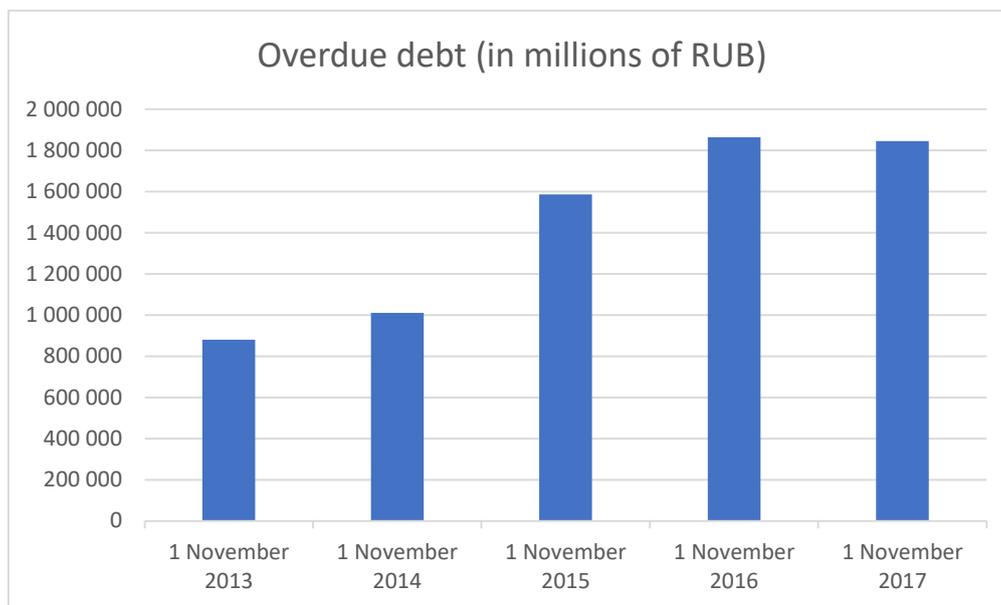


Fig. 2. Overdue debt (in millions of RUB)

Despite many negative consequences of sanctions for the banking sector, the population's confidence in domestic banks has strengthened, the volume of deposits of Russians annually increased by 10-15%. Speaking about the profitability of banks, the profit of Russian banks in 2014 decreased by 40.7 percent compared to the previous year and amounted to 589 billion rubles. In 2015, credit institutions received a profit of 192 billion rubles. A significant positive result of 2016 was an almost fivefold increase in comparison with 2015 of the profit of credit institutions (respectively, 930 billion rubles and 192 billion rubles). In 2017, the ten largest in terms of assets of Russian banks in January-August earned 607.2 billion rubles. In annual terms, their profits increased by more than 30%.

Another important issue for analysis of banking to consider is the actual amount of loans and deposits provided to various entities, in other words the scale of core operations in banks. As we may observe, despite difficult macroeconomic conditions banks have managed to maintain their positive trend of expanding credits and deposits meaning banks are actively trying to earn their profit, which as we discussed previously they did very well. The major growth was in 2014 with growth of almost 17%, as sanctions were imposed only in the second quarter and have not caught up yet. So, the major negative influence was again in 2015 when most of the banks have not just adopted their policy and

strategy to cope with the new environment with most of the number have not been changed in year's time. The downfall was mostly in the sector of individual loans and deposits and in short-term period. 2016-2017 is the period of recover in most of the spheres with especially high growth rates for short-term loans. Long-term loans and deposits were steadily growing throughout all of the period of 2014-2017 with a slight slowdown in 2017, meaning that most of the debtors are more or less confident in the future favorable macroeconomic conditions.

	01.01.2014	01.01.2015	Change (%)	01.01.2016	Change (%)	01.01.2017	Change (%)	01.09.2017	Change (%)
Loans, deposits and other funds placed in rubles provided by banks- total	29836692	34888476	16,9%	35176500	0,8%	37800220	7,5%	40184842	6,3%
individuals	9719936	11028783	13,5%	10395828	-5,7%	10643612	2,4%	11382139	6,9%
organizations	18191891	20849792	14,6%	21253717	1,9%	22036746	3,7%	23070774	4,7%
from which by terms:									
up to 30 days	711940	696167	-2,2%	554754	-20,3%	753874	35,9%	1206481	60,0%
from 31 to 90 days	537253	472194	-12,1%	345243	-26,9%	653043	89,2%	445758	-31,7%
from 91 to 180 days	919766	944587	2,7%	946026	0,2%	910290	-3,8%	968717	6,4%
from 181 to 360 days	2960796	3333470	12,6%	3021909	-9,3%	2912298	-3,6%	3003395	3,1%
from 1 year to 3 years	4710812	5419011	15,0%	4900999	-9,6%	4933714	0,7%	5084136	3,0%
more than 3 years	7506222	8886409	18,4%	9811099	10,4%	10166620	3,6%	10576779	4,0%
to credit organizations	1924865	3009901	56,4%	3526956	17,2%	5119863	45,2%	5731929	12,0%

The dynamics of the banking sector is clearly insufficient. At present, the real sector of the economy, especially of small and medium-sized businesses, is experiencing difficulties in attracting credit resources. The banking system of Russia continues to bear serious systemic risks, especially credit risks. But despite all the difficulties, serious problems in the banking sector are not observed especially among the large banks, which even managed to improve many of their indicators.

The main macroeconomic factor, which in the near future will determine the risks of the banking sector, is the decline in the growth rate of the Russian economy. We can single out a close relationship between the dynamics of the gross domestic product (GDP) and the state of development of the banking sector. Thus, it can be concluded that the economy and the banking sector are mutually intertwined and influence each other, meaning that in order to cope with the negative consequences

of sanctions and the general deterioration of international relations, the government of the Russian Federation should develop measures for further economic growth, taking into account the peculiarities of the banking sector, and in every way possible to promote the development of the banking infrastructure.

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