



The Global Financial Crisis and the Banking System of Russia: Problems and Prospects

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ABSTRACT

Russia's banking system is one of the most important for the country's economic development systems and developing dynamically. The banking system in each country reflects its economic and financial situation, the first responding to the ups and downs in the national and global economy. The stable development of the banking sector ensures the stability of the entire state. Meanwhile, the crises affecting the banking system can change the growth prospects of national economies, resulting in ensuring the financial stability of the state is the basis of its development. Over the past two decades, the banking system of different levels of development of States faced financial turmoil, destabilizing national financial markets. Being in the center of economic life, serving the interests of manufacturers, banks mediate communication between industry and trade, agriculture and population. Banks play a huge role in further deepening and improvement of market relations in the country.

Keywords: Economic Crisis, Banking System, Russia, Global Financial Crisis, Economic Development

JEL Classifications: L83, Z30, Z32, F63

1. INTRODUCTION

The global financial crisis has affected almost all countries of the world, could not affect the economy, the functioning of the financial system of Russia, including its most important component-the banking system.

The banking system is the most important sector of the national economy of any developed country. Its practical role is determined by what it manages in the state system of payments and settlements; most of their commercial transactions carry through deposits, investments and credit operations; along with other financial intermediaries, banks direct the savings to firms and industrial structures. Banks play a huge role in further deepening and improvement of market relations in the country.

The creation of a sustainable, flexible and effective bank infrastructure-one of the most important and difficult tasks of

economic reform in Russia since 90s of the 20th century. The banking system, with proper management and elimination of constraining its development of problems may be the leading element in the implementation of economic policies for economic growth.

The banking system is directly related to the country's economy and negative trends in the economy naturally affect the banking system, at the same time as the development of crisis phenomena in the banking sector cannot affect the economy.

In general, the economic crisis can be defined as the inability of the banking system to perform its basic functions of accumulation and mobilization of temporarily free funds.

The consequences that entail economic crises, doing actual problems devoted to the study of the factors which are prerequisite for the growth of negative trends in the banking

sector, to identify and study the immediate causes of the present economic crises, forms of their manifestation and effects, as well as to develop adequate programs of crisis management of banking activity.

2015 has proven to be challenging in financial terms for the Russian economy, the corporate and banking sectors of the population as a whole.

The Russians did not manage to move away from the effects of the financial crisis of 2008 was influenced by the new wave of financial turmoil. The state of the economy beginning to deteriorate in 2014, and was largely due to the sanctions of Western countries and America, following the events in Ukraine and the annexation of Crimea to the Russian Federation. The crisis in Russia 2014, 2015 years was triggered by a sharp decline in prices for supply to the countries of Europe energy.

As is known, Russia is the main supplier of gas and oil to many countries of the European Union. The cause of failure of previous levels of supply is a critical situation in Ukraine. The shortfall in budget funds has led to the devaluation of the ruble and inflation. This, in turn, resulted in a decrease in consumer demand for many products.

The current crisis is the result not only of the sanctions policy of Western countries against Russia (Pimnev et al., 2016). It is the totality of the echoes of the previous crisis of 2008 and the restrictions adopted against Russia with the member countries of the EU.

Key financial indicators of Russia in 2016 compared to the previous year:

The volume of international reserves of the Russian Federation on April 29, 2016 - 390.1 billion. Since the beginning of the year, international reserves rose by 22.1 billion US dollars. The increase was due to the positive impact of exchange rate and market revaluation and return to the bank of Russia funds in foreign currency by banks-residents.

The amount of the Reserve Fund as May 01, 2016 - 2 trillion 892.35 billion (44.96 billion dollars). In 4 months of 2016 the Reserve Fund decreased by 748.22 billion in dollar equivalent-by 4.99 billion (from 49.95 to 44.96 billion dollars). The reduction in the Reserve Fund due to the jump in the volume of the reserve funds of Russia and the weakening of the national currency.

The volume of National Welfare Fund for May 01, 2016 - 4 trillion. 751.69 billion (73.86 billion dollars). In January-April 2016 FNB declined 475.49 billion. However, in dollar terms it grew by 2.14 billion (71.72-73.86 billion dollars). Due to the fact that money from this fund will be used to cover the budget deficit.

The budget deficit of Russia for January-March 2016 made 712.899 billion (3.7% of gross domestic product [GDP]). The income budget 2.908 trillion rubles, expenses - 3.621 trillion rubles.

According to the bank, the current account surplus of the balance of payments of the Russian Federation for 3 months in 2016 decreased to 11.7 billion dollars (against \$30 billion in the same period of 2015).

Net capital outflow from Russia in the 1st quarter of 2016 (according to the Central Bank) amounted to \$7 billion, a decrease of 4.7% compared to the previous year (32.9 billion dollars).

Inflation in Russia, according to Rosstat, in April 2016 made up 0.4% since the beginning of the year - 2.5%.

The volume of industrial production in Russia for 3 months of 2016 decreased by 0.6% compared to the same period in 2015.

Russia's GDP in January-February 2016 (for the MAYOR) decreased by 1.6% compared to the same period in 2015.

The state internal debt of the Russian Federation on December 1, 2015 amounted to 7 trillion 160.042 billion rubles, including: Government securities - 5 trillion 521.134 billion rubles of state guarantee of Russia in currency of the Russian Federation - 1 trillion 638,908 billion.

The deficit of the Federal budget of Russia for 2015 reached 2.048 trillion rubles. The income budget - 13.453 trillion rubles, expenses - 15.5 trillion rubles.

Inflation in Russia in 2015 according to Rosstat, amounted to 12.9%.

According to the CBR, net capital outflow from Russia in 2015 amounted to 56.9 billion dollars is 2.7 times less than in 2014 (154.1 billion dollars).

The volume of industrial production in Russia in 2015 decreased by 3.4% compared to 2014.

Russia's GDP in 2015 declined by 3.7% compared to 2014 and amounted in current prices 80.412 trillion rubles.

It should be noted that by the end of 2015 there is a decrease in the net profit of domestic banks in 3 times - from 589.14 to 191.96 billion rubles.

As of January 1, 2016 553 credit organizations of the Russian Federation (75%) are profitable, 180 (or 25%) - unprofitable (Lomova et al., 2016).

The volume of the resulting total profit (profitable banks) for the year decreased by 7.9-735.8 billion, and total losses (loss-making banks) increased by 2 times - up to 543.8 billion.

The volume of bank deposits of physical persons increased for 2015 by 25.2% to 23.219 trillion rubles.

Including foreign currency deposits (in ruble equivalent) by January 1, 2016 made up 6.82 trillion rubles (plus 40.7% for the year). In total, this is 29.4% of all deposits.

Deposits in rubles increased to 16.398 trillion rubles (plus 19.6%).

The volume provided by the Russian banks credits to legal entities and individuals increased for 2015 by 10.3% to 57.154 trillion rubles.

While credit commitments non-financial entities (enterprises, companies) increased to 33.3 trillion rubles. Bank lending to individuals, by contrast, declined by 5.7% to 10.656 trillion Rubles (Białkowski et al., 2015).

Characteristically, loans population RR (10.381 trillion), 38 times higher than the credits received in foreign currency (equivalent 274.7 billion).

But the overdue debt on loans has increased from 54% and amounted on January 1, 2016. Astronomical 3.046 trillion rubles (Shkurkin et al., 2016).

So, the “delay” to non-financial corporations over the past year increased 1.7 times-up to 2.075 trillion rubles. This is 6.2% of the total loan portfolio of banks to the nonfinancial sector.

The volume of overdue loans to individuals increased by 29.4% and amounted to 862 billion rubles. That is 8.1% of the total amount of outstanding loans.

In general, negative dynamics of arrears remains one of the most serious problems of the Russian banking system in 2016.

2. DISCUSSION OF RESEARCH RESULTS

The previous world crisis thoroughly crippled the banking system and had an impact on the world economy as a whole. Why did it happen? The answer is simple: A common occurrence was the issuance of loans to the neediest segments of the population. Massive defaults payments triggered the collapse of the banking system as a whole (Hristov et al., 2015; Silnov, 2016). This is one of the causes of the present crisis in Russia.

The second reason: A response to Western sanctions. The events in Ukraine and Crimea resulted in restrictions in the supply of gas and triggered the fall in oil prices.

It should be noted that the reduction of energy supply largely affected the country’s budget. The government has tried to make up the loss by increasing the tax burden. For example, several times increased Pension Fund contributions for individual entrepreneurs. This resulted in the mass liquidation of SP. In the end, the budget once again fell short of finances in the form of taxes. So the economic crisis in Russia in 2015 was to be expected (El Hedi Aroui et al., 2015).

The weakening of the ruble, escalating inflation and a recession, caused a rise of unemployment and decline in living standards of the population. Enterprises’ belonging to the small business sector is, simply in the mass cease to exist. Turn on the extinction of medium-sized businesses. Against the backdrop of new economic

tightening from the countries of Europe and America, as well as a significant weakening of domestic economy, and as a result-the crisis in Russia 2015.

That is the effects of the sanctions and the country’s economic policy in the aggregate:

There is an obvious stock market crash. The value of assets has fallen several times. It is hitting the pockets of not only domestic but also foreign investors who have invested money in the ruble segment of the market.

New the crisis in Russia 2015 is already reflected in the lending sector. In terms of both mortgage lending and lending to enterprises (Buch and Goldberg, 2015). A direct relationship-failure to obtain credits by producers of domestic goods entails a reduction of production or even a full liquidation of the company. It becomes a cause of increasing unemployment, shortages of goods and exposing the country’s budget in general. Why do banks not give loans? Yes, because the increased number of defaults from borrowers.

As already mentioned, the main revenues of the country supplied raw materials to foreign partners. The decrease in the volume of products supplied or termination of sales caused not only a crisis in the Russian economy in 2015, but the reduction of most of the jobs in these segments of the industry.

The consequences of the collapse of the ruble, the embargo on the supply of goods from abroad, reducing exports, of course, affected the economy of the country is not at its best (Kunelbayev et al., 2016). In general, the situation is reminiscent of events that took place in the 90s. But, it should be noted that the lessons learned earlier have been taken into consideration by the government. So, what threatens the citizens of the country the consequences of the crisis of 2015 in Russia to 2016:

1. The growth of unemployment. He was, is and will continue due to the fall in production volumes. What you can do to ordinary citizens? Just to re and to continue work already in new quality. As they say, everyone survives on their own. On the background of production cutbacks will be much appreciated professionals with skills in many industries.
2. Now a noticeable lack of most imported goods, especially products in large retail outlets. Gaps in the range will be closed due to the increase in the number of products of Russian manufacturers.
3. The outflow of imported goods due to the ban on the import of Russian goods from abroad and the depreciation of the ruble (the number of imported goods have simply become more expensive, so buying them has become unprofitable) (Silnov and Tarakanov, 2015). The lack of imports on the market has to spur domestic manufacturing and to provide the country with products of Russian producers (subject to the competitiveness of the latter). This measure is intended to cause economic growth and increase in production of domestic goods, the cost of which will not be tied to a basket of currencies.
4. The growth of production and the revival of entrepreneurship will be possible only at observance of a flexible tax policy.

The tightening in tax collection will not be able to encourage entrepreneurs to employment in commercial activities. China at the time, gave way to small businesses, providing a number of tax breaks (Zhang, 2015). As a result the whole world spoke about the Chinese economic miracle.

5. The crisis in Russia 2015 provides an opportunity for a number of countries, including Russia, to move from payments in dollars or euros on international trade agreements. For example, the gas supply agreement between Russia and China has focused on settlements in national currencies.
6. In general, the crises in the economies of many countries happen quite regularly, as refer to natural cyclic phenomena. Today's devaluation of the ruble is an adjusted measure intended to ensure the country's financial stability in the domestic market and to reduce the inflow of imported goods into the state. Such a measure is at all times promoted not drop, and the growth of the economy as a whole.

3. CONCLUSION

The Russian economy faces a tough year. According to the forecasts for the Russian economy, which is experiencing a difficult period because of lower oil prices, Western sanctions and stop the flow of capital, 2016 year will be under pressure of negative factors (Novikov et al., 2016).

In fact, the recession that is now experiencing Russia's economy is partly a cyclical phenomenon. Another reason for the weakening was the number of sanctions undertaken by the Western partners. Due to restrictions imposed on trade relations of Russia with foreign partners, and a weakening of the economy. Simply put, the Russians did not get all of the funds that were planned by the budget.

Russia has always treated the countries who replenish the budget due to the trade in raw materials (oil, gas). The sharp decline of revenue in the budget of 2014 was primarily due to a decline in the supply of energy resources to the world market. There are several reasons: Stress state between Russia and Ukraine;

Economic sanctions of some Western countries that followed this event.

Economic sanctions have become a major factor that had a destructive effect on the state of the Russian economy. The restrictions affected not only the trade-partnerships (Kobersy et al., 2016). The destabilizing factors include the number of solutions of Western countries:

Limiting or eliminating not only of imported goods but also the supply of Russian goods abroad. These measures, in the opinion of foreign partners, are a long-term project that will last a few years.

At the same time were frozen state-owned assets and the assets of large banks and corporations located abroad. Added to this a ban on the sale of securities on the stock exchanges of such companies as "Sberbank," "Gazprom" and some of the largest corporations in Russia.

The collapse in energy prices, which result during the 2014 Russian budget, fell short of about 2 trillion dollars.

In addition to these measures, the international monetary Fund ceased lending to Russia for an unlimited period.

As a result, the West steps of the Russian GDP in 2014 showed almost zero result. Russia's GDP declined in 2015 is 3.7%, after rising 0.7% in 2014. GDP amounted to in 2015 80 trillion 412.5 billion rubles compared to 77 trillion 893.1 billion rubles in 2014.

For Russian banks 2015 was challenging, but still much better than pessimistic expectations. While 2016 will be as challenging as the past, and perhaps in some aspects the situation is even much worse.

The role of the banking system in any economy is extremely high. In the Russian economy on the banking system bear even greater responsibility, its role in the stabilization of the country is increasing, but more complicated tasks.

Care of large corporate clients of Russian banking sector forces domestic banks to work mainly with medium and small firms and in the retail market that does not provide them with effective volumes of activity. However, the expansion of representative offices of foreign banks on the Russian market (in the form of subsidiary banks, and in some cases branches) will soon make them strong competitors in the retail market (Zhang et al., 2015).

Russia's banking system continues to pose a serious systemic risks posed by poor system of refinancing. Despite the recent crisis, the Central Bank was limited to a one-time reduction of norms of obligatory reserves.

Still quite high credit risks. Enterprises have access to credit market; have an extension option and the refinancing of loans that masks the true creditworthiness of borrowers and thus the quality of banks' loan portfolios. In the case of a sharp braking of growth and collapse of a credit boom is quite likely a large-scale crisis of bad debts.

The concentration of capital and the efficiency of Russian banks are largely behind foreign. Not enough high qualification of personnel and quality control.

Structure of the Russian banking sector remains in transition and is not fully formed: There are clearly clusters of marginal specialization, the basic model of the business which has good prospects for development and future clusters; the demand for services from the economy is clearly not covered by the current proposal.

The Russian banking sector has a low level of capitalization, a component of the overall capital of a major Bank economically developed countries. Due to the low efficiency and the riskiness of investments he has no investment appeal.

The growth of competitiveness of the Russian banking sector constrain legislative restrictions (repealed in a number of developed countries), which do not allow Russian banks to attract so-called "long" money insurance and pension funds.

Identified the problem determined the choice of the main directions of development of the Russian banking sector-the quantitative and qualitative growth, the increasing concentration of capital and on this basis, increasing the level of efficiency of banking activities. However, this requires the development and implementation of the strategy allowing adapting the Russian banking system to the modern world economic trends and global financial system.

Modern banking system of Russia it is necessary to “import” the experience of Western banks in Internet banking, customer service, raising funds to compete in the world market of banking services.

The institutional environment in the banking system will continue to change rapidly because of the massive withdrawal of licenses from banks. After 2015, the Central Bank of the Russian Federation forcibly deprived of licenses 93 of the credit institution; in 2016 you can expect the withdrawal of licenses from banks 75-95. And if in absolute terms the volume of withdrawals is likely to be reduced, then a relative will be at the level of the previous year (11% of the number of working banks) or even higher-up to 13% of the banks in 2016 can lose their licenses. In 2016 as in 2015, experts expect, including the withdrawal of licenses from major banks, thus, most likely, the official banking group does not fall under the sanctions of the regulator, as it was in 2015.

The relatively rapid consolidation of the banking sector, which was observed in 2014 and 2015, is unlikely to continue in 2016. The slow consolidation will be affected by the exhaustion of resources of the NPF, which played a prominent role in these processes in 2015, and the fact that fewer large banks will go for the rehabilitation. In any case, consolidation will not occur outside the TOP-200 largest banks, i.e. small and medium-sized banks are unlikely to be large to be absorbed, and will not seek to unite with each other. As in 2015, the coming year the greatest activity in sector M&A will be private banks and private Russian investors.

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