Banking System in Russia: Problems and Perspectives

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This summary was written by M.Sc. Tim Wazynski.

The presentation of Prof. Dr. Nikitina was focused on the actual developments of the Russian banking system including impacts from the European financial crises. Introductory, she pointed out some important historical events. Furthermore she gave an overview of current problems and perspectives concerning the Russian banking system. In the past decades the Russian banking sector was characterized by a lot of reforms with tendency to reduce the high number of banks, because of competition problems. There are just a very few big banks and a plurality of small institutions. The Sberbank with 20,000 offices and about 250 billion US dollar in assets is still the largest financial institution in Russia. In contrast, almost 700 smaller banks have less than 100 million US dollar in assets. Some small banks (so-called “pocketbanks”) even serve the interests of only selected huge companies by e.g. granting risky credits. The global financial crisis and the euro financial crisis underlined those problems, because some private banks got into financial distress. The Russian government injected around 30 billion US dollar into banks to provide stability to its banking sector.

The amounts of loans and deposits declined during the crisis. Interest rates on deposits, for instance, went up to a record high of 14.4% in July 2009. Prof. Dr. Nikitina pointed out that credit volume and deposits slowly return back to the pre-crisis level, but there are still some development problems. For the consolidation of the Russian banking system it will be essential to reduce the number of banks; especially the existence of pocketbanks is disputable.

As one result of the crises the Russian central bank has increased step by step the capital requirements. On January 1, 2012 the required equity was raised in such a manner that some regional banks were not able to achieve them. This circumstance clarified the importance of further actions in order to reduce the number of uncompetitive banks. Finally, Prof. Dr. Nikitina summarized some important aspects of the current Russian banking sector. A number of banks have to find a new business model. But, the market is dominated by some state-owned banks. Because of this structural situation there are a lot of banks with a very small market share in the financial service industry of Russia. Most of them are inefficient, yet. It is necessary to improve the competitive situation and to proceed with the consolidation of the Russian banking sector.