

Modern Trends of Interaction of Real and Banking Sectors in Conditions of Modernization Russian Economy

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Received: June 17, 2014 Accepted: July 23, 2014 Online Published: September 28, 2014

doi:10.5539/ass.v10n20p110

URL: <http://dx.doi.org/10.5539/ass.v10n20p110>

Abstract

The article considers the modern forms and directions of cooperation between the banking and real sectors of the economy, and measures to improve the effectiveness of such interaction. The purpose of research is the formation of strategic directions of development of cooperation between real and banking sectors of Russian economy based on an integrated analysis of its effectiveness. Scientific novelty is to identify the factors and preconditions determined the current state of the banking and real sectors of the economy, and are in development of strategic directions for the effective interaction between banking and real sectors of the economy through its modern forms. Financial cooperation between the bank and enterprises must occur in the mutually beneficial cooperation, because obtaining maximum profits is the main objective of every commercial organization. In this connection it should be noted that the effectiveness of the financial cooperation between the bank and enterprise should be considered not only from the perspective of the bank, but also from the perspective of his clients. The new model of the banking business should be based on a combination of extensive (growth of scales) and intensive approaches (improving the quality of that growth). According to the results of the research it can be identified that the key points of growth in the Russian banking sector in interdependence with the real sector of the economy for the next 2-3 years, "credit factory" for small and medium business, international trade finance and documentary operations, the development of Internet-banking, syndicated lending.

Keywords: commercial credit, banking system, real sector of economy, credit, cooperation between the bank and enterprise

1. Introduction

Current conditions of Russian economic development contribute to complicate and separate of functional characteristics of production and money capital (Aganbegyan, 2013), which are formed and redistributed in real and banking sectors. As a result, objective reasons of the interdependence of their development come on, which lead to strengthen a variety forms of interaction the subjects of the real and banking sectors (Mamayeva, 2012). Specificity and modern trends of such interactions determine the extent, directions and effectiveness of social and economic development of Russia (Kazarenkova & Ostimuk, 2014). Real and banking sectors of economy are the main parts of each economic system and are complexly organized and multifunction systems with defined structure which include subjects and recourses and taking into account the variety of interests of economic agents (Zhukov, 2012).

The investigated sectors are different in the role of cooperation with each other. Real sector carries the transformational function that contributes the transformation of raw material resources into a new qualitatively types of goods and services. In its turn, the banking sector is a transactional subsystem designed to mediate cash flows between economic agents.

Solving the problem of ensuring the effectiveness of interaction between banking and real sectors of the economy is in the search for cue points of mutual benefit of such cooperation in economic science, economic practice, and state policy in the field of economics. (Konyagina, 2012). Lack of the investment activity of real sector subjects (Maslova, 2013) in cooperation with commercial bank can lead to the deformation of formed

institutional structure of economy (Nechayev, 2010), lower economic growth, increasing gap between banking and real sectors of the Russian economy (Shumkova, 2014).

2. Methods

Development of the economy determines the features and changes of social and economic, institutional and functional characteristics of effectiveness forms of cooperation between real and banking sectors. Each period of development of economic system characterizes by new forms of manifestation of interaction the circumstances and properties of interconnection and interdependence of studied sectors. The evolution of forms and directions of interaction the banking and real sectors of the Russian economy is characterized by different levels of activity and vectors and manifestations of their objective relationship.

In conditions of market economy there is a transition from a vertical chain in type "controller-to control" to horizontal communication in type "partner-the partner," where both subjects of financial interactions are equal. Rights and obligations of both parties are defined by legal norms and contractual relations, on which the universal instrument of interests and the base for mutually beneficial cooperation appears between the interacting subjects, that assumes the existence and selection of the following forms of interaction (Figure 1).

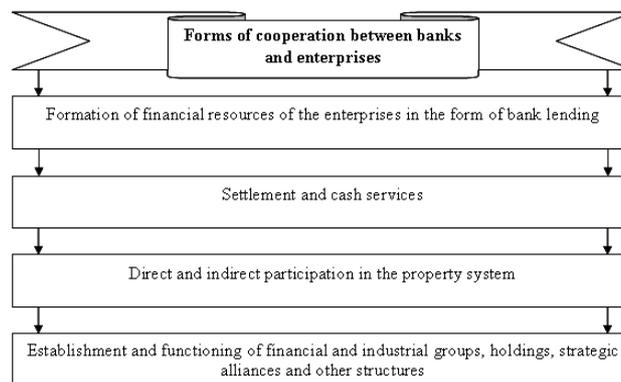


Figure 1. Forms of interaction between real and banking sectors of economy (Akisheva, 2011)

Analyzing the interaction between banking and real sectors of the economy is necessary to consider that each consequent form relies on the existence of the previous form and, in its turn, is the base for the creation of further, more perfect forms of interaction and integration of banking and industrial capital.

Investment and credit relationships between the bank and enterprise are significant for both subjects, and such relations should be defined as associated with investing temporarily idle funds for the long term in for profit. One of the subjects is investor (commercial bank), and another-object of investment (enterprise of real sector).

For interaction in the chain "creditor-borrower" the precondition is in securing in the loan contract the repayment principles, maturity, interest payment and targeted use of bank credit. For the temporary transfer of funds to the borrower the lender gets compensation in the form of loan interest (income). This kind of financial interaction can be issued by the debt-bonds, bills, certificates of deposit and other forms of commitments.

If the interaction of banking and real sectors of the economy is due to the property then allocated such forms when either the bank is co-owner of the enterprise or the enterprise is the co-owner of the bank. Depending on the form of ownership of a legal entity one of the subjects of interaction can be the owner of shares (part) in the capital of another entity.

To specific kind of interaction "creditor-borrower" can be attributed leasing (financial rent). Classic leasing agreement unites three subjects of the transaction: the seller (manufacturer) of the property, the purchaser-landlord (lessor) and the tenant (lessee). Credit relations can arise between landlord and tenant, in this case one of the parties a leasing transaction is commercial bank.

Feature of the present stage of economic development are active processes of concentration and centralization of money capital. On our opinion, crediting is the dominating form of interaction real and banking sectors in condition of a lack of free cash resources and need to update the basic production assets of Russian enterprises. The internal problems, which are in banks cooperated with enterprises, are (Lavrushin, 2012):

- dominance of short-term liabilities, in investment of funds for the long term which leads to increase of risks in bank liquidity;
- intense change in average market rates, causing the need to reassess.

These factors generate the amplification of interest rate risk; the increase in reserve requirements on attracted funds that affect the interest rate on assets in the direction of increasing it; lack of qualified managers in banks and enterprises on production and risk management associated with financial activities.

The external problems interfering the effective interaction of the enterprises of real sector of economy and banks, are (Orehov, 2010):

- high level of business risks of borrowers affecting on bank's credit risks; extremely aggressive government policy in respect of debtors to the budget, and as a result risks of delayed repayment of loans even if you have the necessary funds; lack of purposeful and orderly state support for enterprises and commercial banks; lack of willingness of most enterprises to cooperate with banks on the proposed conditions;
- the essential external risks of credit activity connected with structure of the Russian economy where bankruptcy of one enterprise can initiate falling of all backbone branch; long absence of complex measures from the state for stimulation of investment activity of economic subjects in the sphere of real economy;
- the general political and economic instability in the country.

Thus, the real economy more than ever feels the need to attract additional funds in the form of bank loans and investment, but modern development of commercial banks is impracticable without overcoming its isolation from the production sector, without strengthening their relations with the enterprises of the real sector. Perspective forms of cooperation real and banking economic sectors should be linked with both the total transformation of sphere of their functioning and the transformation of principles of interaction of specific enterprises and banks.

3. Results

According to the concept of strategic development of the Russian banking system till 2020, universal banks and banks that specialize in providing corporate clients, have a full range of services to legal entities in the following main areas:

- lending;
- trade financing;
- settlement and cash services;
- syndicated loans;
- investment and banking services;
- broker operation;
- trade operations with securities;
- transactions in foreign currencies;
- operations in the currency and monetary markets;
- private banking;
- international business: international settlements; documentary operations; attracting resources in international markets; correspondent relationships.

Corporate lending takes the largest part of the loan portfolio of Russian banks and brings the greatest interest income in their activities (Semenyuta, 2013). During the study period from 2008 to 2012 corporate loan portfolio of Russian banks has steadily increased and in January 1, 2013 reached 16.4 trillion rubles (Figure 2). Average annual growth has totaled 1.75 trillion rubles, or 116%. The share of corporate lending in assets of Russian banks was 33.1% at the end of 2012 (the highest value of 33.4% in 2011) and the proportion in total loan portfolio decreased and the lowest value took in 2012-63.3%, highest value in 2009-70.7%. It is connected with the post-crisis redistribution of loan portfolio of Russian banks in favor of lending the population.

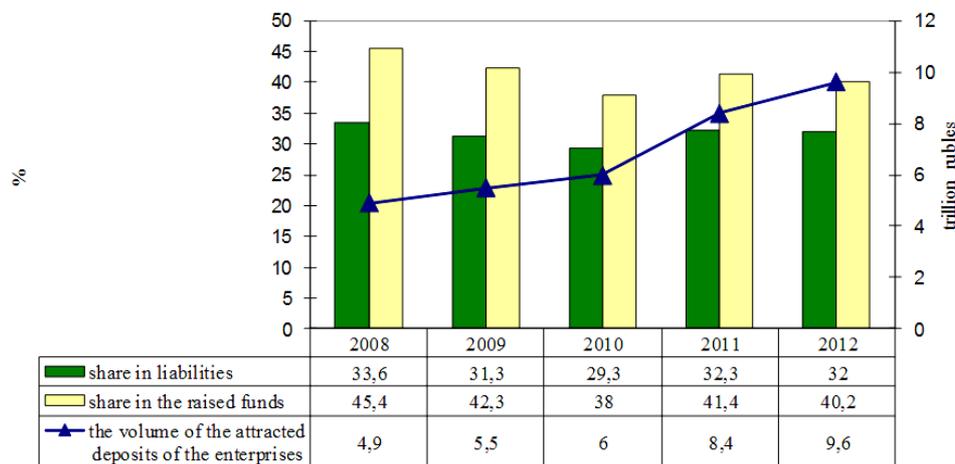


Figure 2. Dynamics and significance of deposits organizations in resources of Russian Banks (www.cbr.ru.)

A number of indicators presented in Table 1 were considered to analyze the interaction of real and financial sectors of the Russian economy.

Table 1. Efficiency indicators of financial interaction of real and banking sectors of Russia's economy (www.gks.ru.)

Indicators	2010	2011	2012
(Loans issued by the national financial system)/(Loans received by the real sector)	1,2	1,3	1,1
Ratio M1/M2.	1,8	1,9	2,14
Bank loans/investments in fixed assets of enterprises	6,40	7,70	8,20
Loans to non-financial sector/GDP	3,98	4,66	4,42
Funds raised from enterprises/GDP	1,17	1,35	0,90

The indicator of comparing the number of credits that has issued by the national financial sector and the number of credits that has taken the real sector gives opportunity to judge how the financial sector manages its function. During the analyzed period, this indicator exceeded 1, consequently, the financial sector had a surplus of funds and loans the enterprises of foreign countries (Figure 3).

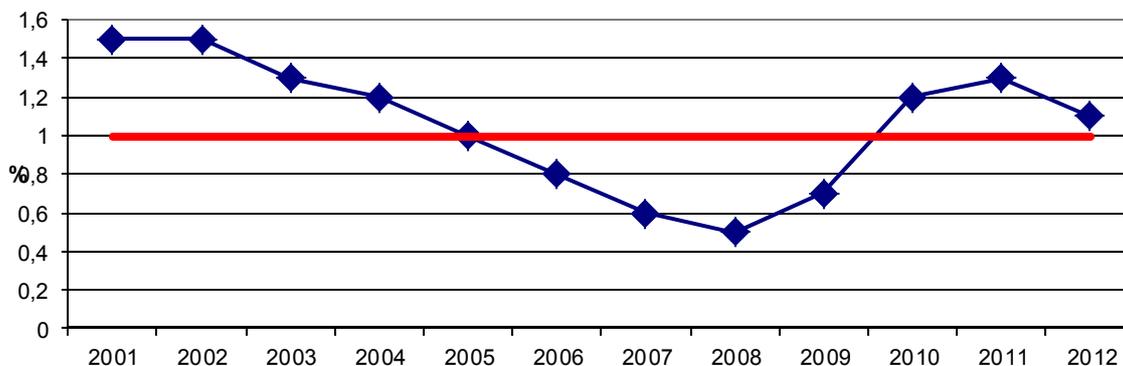


Figure 3. Dynamics ratio of loans issued by Russian banks and received by Russian companies

The share of the banking sector in financing the real economy is still low, in 2011 it was 7.7% of the total investment in fixed assets, the share of credits in foreign banks was 1.5% against 2.3% in 2010.

Table 2. Indicators of effectiveness of attraction and investment of funds of corporate clients by the Russian banks

Indicator, %	2010	2011	2012
The cost of attracted resources	6,2	6,0	4,7
Effectiveness of using the bank of attracted funds	162,3	147,4	138,5
Profitability of attracted funds	6,07	6,65	7,2
Profitability of bank assets	8,4	3,2	9,1

Effective interaction of banking capital and capital of legal entities is a necessary factor in the development of a market economy. Let's analyze the effectiveness of the services provided to corporate customers of Russian banks (Table 2). During the analyzed period, the cost of attracted resources is reducing, and the operating margin is increasing, it is possible to draw conclusions that the banks carry out the unbalanced policy of resource management. During the analyzed period the value of margin was positive and its growth indicated an increase in the effectiveness of the Bank's operations (Bogushov, 2011).

The indicator of efficient use of Bank raised and borrowed money is more than 1 it indicates the ineffective use of raised funds, so the bank attracts and pays more than puts and receives income. In the analyzed period, this indicator is low, that indicates the effective assessment of the bank's activities in the market. During the reporting period there is a tendency of rate growth of profitability that reflects the effective work of the bank.

Coefficient of efficient use the raised and borrowed funds is more than 100%, it indicates the efficient use of borrowed funds.

Thus, service for legal entities in the universal bank is one of the development priorities the activities due to the fact that the interaction of the company and the bank create a wide range of banking products and services. Significance of financial cooperation between the bank and enterprises is difficult to overestimate, the role and interaction of the real and the banking sector is significant for both sides and is the mutually beneficial to bank and maintenance companies.

4. Discussion

In current practice of Russian banks was identified some new tendencies in development of bank services and products market for corporate clients for keeping (attraction) corporate customers and getting profit. These include:

- conception of mass-market;
- dumping concept;
- innovation conception.

The expected results of banking sector development are based on the provisions of the Concept of long-term social and economic development of the Russian Federation for the period up to 2020 and take into account the need to improve the banking business model. It is assumed that by January 1, 2016 the banking sector will achieve the following totals:

- 1) The ratio of bank assets to GDP will be more than 90% (at the beginning of 2013-79.3%).
- 2) Ratio of bank capital to GDP-14-15% (at the beginning of 2013-9.8%).
- 3) Proportion of bank lending financial organizations and physical persons to GDP-55-60% (at the beginning of 2013-41.5%).

However, if the current situation in the banking sector stay in this position it will be unlikely to ensure the development rhythm. The necessary conditions for the implementation of the optimistic scenario are the minimal loss in the sector in times of recession, the involvement of banks in different scales to large investment projects, and providing conditions for the growth of the share of private capital in the sector. Significant internal imbalances, the negative impact of which is greatly exacerbated by the emergence of internal and external threats, characterize a modern banking system. It may prevent the Russian banks to use opportunities to increase the volume of business (Table 3).

Table 3. Matrix of SWOT-analysis of development of the banking sector in Russia in modern conditions

STRONG POINTS	WEAKNESSES
1. Developed system of bank refinancing; 2. Experience of 2008-2009 crisis (improving quality of risk management) (Anikeeva, 2011); 3. Availability of development institutions of spent tools to support the market (Russian Bank for Small and Medium Enterprise, Agency for Housing Mortgage Lending); 4. High stock of instant and current liquidity; 5. Low dependence on external funding	1. High concentration of credit risk; 2. High concentration of assets and liabilities at the state-owned banks; 3. Low stock of capital adequacy in largest banks; 4. Low efficiency of banking supervision in the sphere of control of systemic risk; 5. The low proportion of long-term liabilities; 6. Inconsistency of using the risk management systems with international standards; 7. The low proportion of fee income
OPPORTUNITIES	THREATS
1. Low level of penetration of banking services in the regions; 2. Problems of European banks, reducing the cost of buying the business abroad; 3. Introduction of tiered banking supervision and regulation; 4. High development potential of remote banking services; 5. Fill gaps in the legislation; 6. Accession to the WTO, the creation of insurance agency export risks (EXIAR)	1. Instability in the world financial markets; 2. The rising cost of funding, decline of interest margins (Maltsev, 2011); 3. Stricter requirements of the Bank of Russia to the credit risk management

The new model of the banking business should be based on a combination of extensive (upscale) and intensive approaches (improving the quality of growth) (Maslanchenkov & Tronin, 2010). In its basis is gradual diversification of assets and financial results, expressed in reducing the concentration of credit risk and increasing the volume of products, generating commission income (Sitnikova & Tretyakova, 2014). Thus, let's see the following key points of growth in the Russian banking sector with the real sector of the economy over the next 2-3 years.

1) Microloans for small business, or so-called "credit factory" for small and medium businesses. Among the distinctive features of credit factories is a small volume of the loan (up to 3 million rubles), streamed decision making of crediting (sometimes at the expense of scoring models), short portfolio duration (usually 1 year), and no requirement for collateral. The research of the lending market of small and medium businesses, conducted by the Association of Russian banks in 2012, showed high efficiency of packaged products for increasing customer base in the segment of small and medium businesses.

2) International trade financing and documentary operations. Provision of import/export letters of credit and guarantees not only generates stable fee income, but also allows you to receive additional interest margin. Due to the large number of options for structuring transactions Bank is able to offer a range of products, taking into account the specifics of a particular client business.

3) Development of internet banking. The growth of functionality of internet banking allows banks to reduce operating costs of the transaction. Next two years the further increase of the functional of internet banking is expected that will increase the share of active users to 15% (in 2011-only 6-7%).

4) Syndicated lending. This tool can be employed for financing small and medium banks of large (including infrastructure) projects. On the one hand, syndicated loans allow the creditor banks to share risks in lending of large customers, on the other-gives access to big companies with a large number of counterparties-potential customers. Create syndications is an opportunity for small banks to ensure the competition between the state banks in financing large projects.

Realization of the mentioned directions will provide a qualitative improvement of banking services of the real sector of the Russian economy, contributing to its balanced growth and sustainable development of the internal market. Thus will be a balance of mutually beneficial cooperation between banks and enterprises.

5. Conclusion

Strategic directions of development aimed to improve the efficiency of such interaction were developed that based on a comprehensive analysis of banking and real sectors of the Russian economy. According to results of theoretical and applied analysis were made the following conclusions.

Banking economic sector is the main part of financing sector that in addition includes the stock and insurance market. At the same time banking sector is the most important sphere of national economy of any developed country. Its practical role defines by the fact that it manages in the state the system of payments and settlements; much of its commercial transactions carries through deposits, investments and credit operations; direct population savings banks to businesses and industrial structures.

Real sector of economy is a sector that creates the gross domestic product, it includes industrial production, consisting of extractive and processing industries, agriculture, service delivery of industrial, household and other services. One of the most important factors determining the structure of domestic real sector was the fact that Russia has large reserves of natural mineral resources, so around 70% of total exports are exported of mineral resources, the mining industry.

Social and economic and institutional form of interaction of the real and financial sectors is changing with the development of the economic system (Rykova & Fisenko, 2012). Every stage of the economic system is characterized by new forms of manifestation, conditions and signs of relationship of considered sectors. Evolution of the interaction of financial and real sectors of Russian economy is characterized by varying degrees of activity, the direction vector and forms of manifestation of this objective connection.

The Russian banking sector was rapidly developing last few years, reflecting the overall economic growth and improvements in the financial sector. Stable situation in the Russian economy in 2012 has predetermined positive development of the banking sector: in a year the assets of credit organizations increased by 46.45% (in 2011-18.9%)-up to 49509.6 billion, that reflecting the expansion of the main activities of commercial banks, the growth of equity capital of the commercial organization.

In the analyzed period own funds (capital) of credit institutions increased by 29.17%-to 6112.9 billion rubles that characterized aspiration of banks to ensure its own capital base. Activation of lending in stable portfolio impacts positively on the financial results of the banking sector.

The banking sector in Russia remains relatively small and does not play a significant role in economic development. The imputed expenses of banking business are still high. The level of protection of creditors, whose claims are secured by collateral, is inconsistent with international standards. Not fully are realized the tasks of improving the legal basis for the development of competition in the banking market, the tasks of increasing the transparency of the procedures of bankruptcy and liquidation of credit institutions.

There was an ambiguous situation in finance of real sector in 2012. On the one hand, there was rapid growth of balance sheet profit; on the other hand, the degree of dependence on borrowed capital remained fairly high. In addition, it should be noted the problems in the payment discipline, in particular, the growth of overdue debts. In 2012 financial indicators showed a positive trend. Balance sheet profit of large and medium enterprises and organizations of the country has increased by almost a third, and there was in the amount of 7.1 trillion rubles.

Analysis of the current economic situation in Russia showed that the development of bank lending of economic entities of the real economy, its priority sectors will largely promote the process of sustained economic development of our country. Competitiveness of the domestic economy largely depends on the correct, scientific approach to setting priorities in the development of economic sectors that require government support.

Modern banking system is characterized by significant internal imbalances, the negative impact of which is greatly exacerbated by the emergence of internal and external threats. It may interfere Russian banks to use opportunities to increase the volume of business. Thus, there are key points of growth in the Russian banking sector of real sector of the economy over the next 2-3 years:

- 1) Microloans for small business, or so-called "credit factory" for small and medium businesses
- 2) International trade finance and documentary operations.
- 3) Development of Internet banking.
- 4) Syndicated lending.

Implementation of the mentioned areas will provide a qualitative improvement of banking services of real sector of the Russian economy, contributing to its balanced growth and sustainable development of the internal market.

Thus will be a balance of mutually beneficial cooperation between banks and enterprises.

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