

## INSTITUTIONAL AND SPATIAL EVOLUTION OF RUSSIAN BANKING SYSTEM

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One of the main features of development of the Russian banking system is the decreasing number of banks and their high concentration in large agglomerations and hydrocarbon-rich provinces. The system has passed through several stages of its development, including its creation, the period of a rapid growth, acute crises and the recoveries. The banking crises were inseparable components both of the 1998 and 2008 crises.

Assets of the 50 largest banks account now for more than 80% of total assets of national banking system. The consolidated bank assets were equal to 32.9% of its GDP at the end of 2000 and now close to 75-80% level being aimed at 90-150% by the end of 2015. As of October 1, 2011, the Russian banking system had 1,123 registered credit institutions, 1061 of which were operating (i.e., less than a half the number of the historical peak of 1995—about 2,400 credit institutions) and 991 of which were commercial banks. At the same time, there are only 220-240 bank groups in Russia that completely control the national banking sector at whole. There are large and powerful bank groups belonging to corporations both of financial and real sector – Gasprom, VTB (Vneshtorgbank), VEB (Vnesheconombank), *etc*. The main three determinants of the number of banks are the size of territory, population and GDP – these factors explain about 70% of the number variations.

In general, the following reduction in the number of banks in Russia can be achieved by market restructuring (bank mergers) or regulatory methods by means of the aforementioned increase in the lower limit of authorized capital for commercial banks and restrictions on the number of issued banking activity permits. It was about 3,800 bank branches in Russia ten years ago. Now (October 1, 2011) there are 2,825 full scale branches, a quarter of which are branches of the Sberbank - the country's biggest bank. As for the regional banks their branch network enhancing is determined both by the existence of reliable and specific consumers and by their headquarters' geographical location. Additional offices (sub-offices) and operational cash-desks are usually to be open in places of certain corporate client location or activity.

During last decade the Russian banking system demonstrates gradual changes both in spatial (geographical or regional) and institutional (numerical and structural) dimensions. The existence of almost 1,000 banks on the national market makes their presence on the regional markets very heterogeneous and competitive. The general tendency is an increasing of the branches-to-bank ratios in all the Federal Okrugs (Districts), FOs, - that is the result both of decreasing number of banks and enlarging of big banks' branch network system.

The banking space in Russia becomes more and more 'overlapped' by different banks and branches despite of the decreasing total numbers both of the banks and the branches. The highest share of branches established by the local banks has the Ural FO. The banking sector of the country becomes more competitive and denser with various banks and their branches, while the continuous reduction in the number of credit institutions goes on. This to a certain extent proves the expansion of Russian banks and the extension of the average zone of influence of a separate bank.