

TYPES OF CRISIS SITUATIONS IN BANKING SYSTEM

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Keywords: analysis, banking system, banking crisis, classification criteria, stages and forms of crisis development, objective.

The paper addresses to the issues of banking crisis; the comparative analysis of current crisis situations in banking system is given. The author focuses on the integral structure of various crisis situations in banking system. Modern economics has been studying the problem of typology of crisis situations in the banking system for a long time; however, there is no unified approach to the complete classification of the types of banking crises. The objective of the present paper is to evaluate different approaches to this issue and to develop an integral structure of the types of crisis situations in banking system.

These days, there are various viewpoints on the classification criteria for crisis phenomena in banking sector. There is every reason to believe that the scale of the crisis is affected by the circumstances of its origin and development. Thus, taking into consideration the crisis scales, G.E. Khodachnik focuses on the following crisis types: local crisis affects separate banks or banking groups (according to the territorial or branch principle); national crisis affects one country; regional crisis affects several countries of one region; global crisis is a world banking crisis.

Many scientists (G.E. Khodachnik, E.M. Korotkova, G. Soros) stress that global (world) crises dominate the hierarchy of banking crises. Global banking crisis is the result of structural imbalances and disproportion in the countries' economic development; generally, it is accompanied by crises in other spheres of world economy. According to G. Soros, the reasons for the recession in world economy lie "in the contradiction between the global scales of financial markets and national boundaries of politics".

It should be noted that there is an interaction between the crises affecting different territories with regard to their physical dimensions. Thus, the crisis developing in separate banks can cause the national banking crisis. The problems which one country is to solve can be the cause of instability in another country or in the region and even provoke the global crisis. It should be taken into account that the banking system is an integral part of the economy as a whole; hence the problems this system suffers from can be both the reason and consequence of a large-scale crisis.

The crisis scale is one of the parameters used to analyze the beginning (origin) and the development of the crisis in banking system. A.G. Gryaznova studies the crises with regard

to reformation risks affecting the banking sector and focuses on the fact that: current crises are typical for countries with highly developed financial markets which are export leaders in financial products (Great Britain, the USA, France, Japan, Germany, etc.); financial (debt) crises are typical for economies with developing financial markets (Latin America and South-east Asia); economic (structural) crises are typical for countries characterized by unstable economic development and unpredictable financial market (Eastern and Central Europe); political crises are typical for countries burdened with political struggle (Latin America, Indonesia, etc.); financial markets in these countries are totally unpredictable.

S.V. Dzyuban presents the typology of banking crises with regard to their origin: current crises are considered as solvency and liquidity crises caused by the conjunctural struggle for the market share; financial crises develop when the multitude of banks in the banking system is highly dependent on the group of shareholders, clients; these crises are affected by the risky credit and investment portfolio and diversification of assets; organic (ethical, corporate) crises are caused by the banks' involvement in property redistribution, lobbying economic and political interests of bank or holding owners; structural (system) crises are caused by the fact that macroeconomic problems are not solved, money and credit policy is inefficient, and separate economic entities are financially unstable.

The versatility of crisis phenomena is related to the openness of banking as a system as well as to its natural interaction with the external and internal environment. A number of researches study the banking crisis on the basis of the classification criteria taking into consideration individual features of the crisis' development. The classification of the crises intro-

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duced by E.M. Kirotkova is based on (see fig.1): the problem to be solved; the scale, the acuteness; causes; the area affected; the stage of development; possible consequences.

The above mentioned criteria are considered as the main features and parameters of the crisis which allow the economists to evaluate the situation and take efficient managerial decision.

S.A. Popov and K.A. Kirsanov focus on the stages of the crisis' development and introduce the crises related to the bank's basic life cycles - establishment, strengthening, stabilization, aging, deconstructurization.

suffer from the banking crisis; in this case what we have is the system banking crisis. The analytical review of classification criteria of crises allows us to form their integral grouping (fig. 2).

There is a large diversity of crises concerning their causes and consequences as well as their nature. Typology of banking crises provides their specific characteristics. The detailed classification of crises is of great practical significance as it is expected to provide the efficient ways to resolve the crisis.

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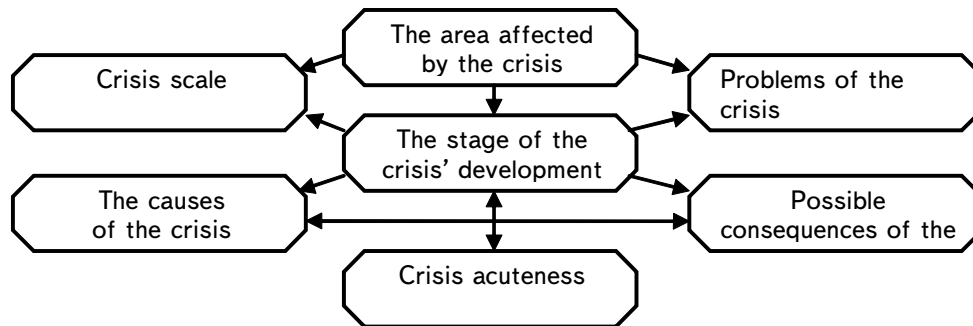


Fig. 1. Classification criteria for the crisis

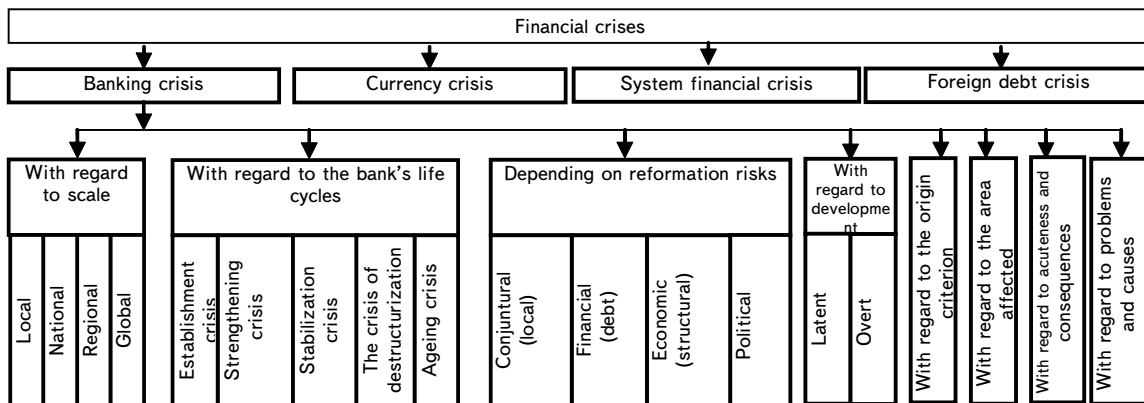


Fig. 2. Typologization of banking crises

Some experts study the banking crisis with special emphasis placed on the forms of its development. Thus, S.M. Gusarov presents: the latent (invisible) crisis - most banking institutions are bankrupt, but they do not stop functioning; the overt crisis - bankruptcy of the bank system (bank picnickers before the Great Depression).

In recent years, mass withdrawals from bank accounts have become a rarity thanks to the policy of deposit insurance perused by the Russian government. At present, the latent form of crisis is being replaced by its overt form due to the measures taken by the Central Bank and other regulatory bodies in relation to troubled banks. It should be mentioned that in the Western economics the term 'banking crisis' often refers to overt crises. However, both a separate bank (or bank group) and the system as a whole may

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Received for publication on 17.12.2009