

## STRUCTURAL FEATURES OF THE CREDIT MARKET OF RUSSIA

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**Key words:** credit market, structure and infrastructure, bank orientation, enterprise crediting, consumption crediting, mortgage crediting, leasing.

The article analyzes central features structure and an infrastructure of the credit market of Russia and proves bank-based character of model of functioning of the market. The author investigates development of bank sector of Russia from 1999 to 2007. Also defines the factors influencing development of the credit market. The conclusion is made about necessity of the further development structure and infrastructural elements of the credit market of Russia.

Nowadays organization of credit relations in the many countries of the world is dominated mechanism of functioning of credit system - credit market, fasten law. In Russian Federation after infancy (1990-1995) and a few crises relatively developed credit market is since 1999, when specific gravity of credits firstly for all time of existence of market is increased 40% of all bank actives.

Credit market have own structure and infrastructure, by which is realized the accumulation and moving of credit resources, which is necessary for providing of continuity and effectiveness of public reproduction.

Considering a functional aspect of organization of credit markets of developed countries, we can separate 2 models of their functioning:

Securitized with predominance of organization of credit by security (investigators include USA, Great Britain in this type);

Bank oriented, in which floating of means is realized by banks (as an example systems of France and Federal Republic of Germany).

Structure of developed markets consist of either different scale universal banks or special banks, credit institutes, which is not banks, invest companies, borrowers as legal entity or natural person.

How Russia is looks in this picture? Usually is considered for definition of level of development of credit relations in economic analyze a correlation of volume of credit to gross domestic product of country. Analyze, is realized for data of bank statistics and Federal State Statistics Service<sup>1</sup> for 2000-2006 years is showed the growth of gross domestic product from 7302 billion of rubles to 24 380 billion of rubles, volume of credits, issued by banks for

all year from 956 billion of rubles to 8501 billion of rubles. Thus, correlation of volume of credit to gross domestic product is changed from 13,1% to 34%. The volume of invests in state security, bills and cost of circulated promissory notes is changed from 588,1 billion of rubles to 1688,3 billion of rubles, considering that his correlation to gross domestic product is not changed practically (8,1%-7%). For comparison, on developed credit markets the correlation of structure of appealed means to gross domestic product composed in USA (securitized model): bonds - 17%, shares - 145%, bank active - 49%; in European Union (bank oriented model) bonds - 130%, shares - 144%<sup>2</sup>.

Generally a volume of issued credits by Russian banks is increased from 570 billion of rubles (including 28 billion of rubles to natural person) in the beginning of 2000 to more than 11 997 billion of rubles (including 2909 billion of rubles to natural persons) in the end of 2007.

Early indicated figures are proved a bank oriented character of credit market of Russia. Behinds, data testify about growth of role of credit market in floating of finance resources between branches, enterprises, population and about sharp growth of influence of credit market to the Russian economy.

Factors, influenced to formation of credit market, we can separate 2 main type. Firstly, factors, showed regulation influence to credit market (dynamics of monetary stock and level of monetization of economy; refinance rate of Central bank; norm of obligate reservation in Central bank; station of state budget; operations on the open market of Central bank); secondly, factors of market influence to credit relations (demand and supply to credit from the direction of participants of market; consump-

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tion of clients in certain kinds of credit services; finance institutes must have enough volume of resources for credit with satisfied costs; level of competitive among banks on the credit market).

Monetary-credit politics of Central bank is characterized stimulated influence to expansion of volume of credit by increasing of supply of money stock in certain period (from 448,3 billion of rubles in the start of 1999 to 8014 billion of rubles in the start of 2007, in 18 times). As result the level of monetization of economy reached to 2007 28% (in 2008 is consist 11%); is reduced norms of obligatory reservation (from 7% for deposit of natural persons in rubles and 10% for attracted active of legal entities and natural persons in foreign currency in relatively to established until 15<sup>th</sup> January, 2008 3% and 3,5% consequently, i.e. in 2-3 time); is reduced the refinance rates from 80 to 10%, that is reason a increasing of availability of credits and flow-in resources for credit in bank system.

Owing to market factors on market is increased a level of competitive, but it was insufficient on many segments of credit market. For example, rates of bank credits for legal entities constantly were reduced, while for natural persons this tendency was not significant. Average weighted rates for bank credits for all terms for legal entities composed 24,89% in 2000, for natural persons 29,04%, but in 2007 accordingly 11,54 and 17,13%. However, considering the data of checking of biggest banks of Russian Consumption Control, actual rate (in converting of all commission and service collections) was essentially more 25%.<sup>3</sup> For certain period was occurred almost double reducing of quantities of credit institutes (from 2481 in January, 1999 to 1310 in November, 2007), at the same time the improvement of finance indexes, is grow the possibility of providing of quality services to clients.

Besides with growth of volume of credit is change and structure of bank credit, nowadays more important for Russian economy is follow types of credit.

1. *Consumption credit*. If until 2000 a commercial banks didn't credit a population that in last year is boom of consumption credit. Often issue of credit is realized in outlet chain, where banks did their centers for formation of credit. Evaluation of competitiveness is realized ac-

ording to simplified scheme with assignment of passport (with registration in this region and city), applied by borrower special questionnaire with revenue of natural person. This credit is used for purchasing of household appliances, accounting and business machinery, furniture.

2. *Mortgage credit*. When was accepted conception of development of housing mortgage credit this credit became slowly full the market. However we need to notice that volume of credit for this type of credit is not enough. There are a lot of hindrances : feeble state supporting, increasing high price of accommodation, high risks for banks - creditors, absence of start capital (credit resources) for starting schemes of mortgage credit, high rates for credit etc. Most of these reasons is decreased the availability of this credit for potential borrowers. However namely this type of credit in conditions increasing of incomes of population and rational state housing politics can become the one of the main type of bank housing politics.

3. Banks gradually expanded *invest credit of enterprises*, about which said a growth of long-term credits, issued to enterprises and organizations. However, if estimate according to data of statistics of direct invests and renewal of capital production funds, that in Russian economy is preserved a high specific gravity of stale funds. In period of 1999-2007 years this index is varied from 39,4-41,5%, have not obvious tendency to decreasing. High level of stale funds, feeble competitiveness of many Russian commodities even on internal market generally is testified about *high potential opportunities of development of invests credit*.

4. *Leasing*. A development of leasing in Russia is realized for direction of creation of subsidiaries leasing companies by banks, in last years this type of credit is significantly developed. For example, as operating leasing (assignment in short-term rent) expensive agricultural and car techniques became to develop a leasing of aeronautical technique. However, a level of development of leasing for Russia is not enough that not allowed outputting many branches engineering industry from crisis.

For analyzed period a part of interbank credits is decreased, but credits, issued to enterprises and organizations, but credit to natural persons was increased more high temps. A volume of issued credits to population is increased

from 48,2 billion of rubles (in the end 2000) to almost 2513,3 billion of rubles (in the end 2007), i.e. in 50 times.

A volume of credit of enterprises of no financial sector («enterprises and organizations») is increased from 696,5 to 6093 billion of rubles. Thus, real sector of economy got in 9 time of credit means more. It is testified improvement of credit of industrial enterprises, agriculture, transportation, construction and increasing of influence of bank sector of credit market to economic growth in Russia.

Important tendency in 2000-2007 years is a increasing of specific gravity of long-term credits in general volume of credits, issued to enterprises and organizations. So, the specific gravity of credits, issued on the period more 1 year, was increased from 31 to 45,4%, but a part of short-term credits accordingly was decreased (from 69 to 54,6%). At the time these changing (in 1,5 time) is not enough and part of long-term credits are low, that didn't promoted to stable economic growth, especially that a part of credits, issued on the duration more than 1 year is not invest character, since it have a form of credit lines for financing of current capital of enterprises.

Thus, a credit market of Russia successfully is gone period of formation for relatively short period. However, it is necessarily to notice, except positive and a few factors, limited an expansion of credit activity:

- ◆ preserved high level of interest rate for credits, decreased their availability. Nowadays interest rates for credits in Russia for corporative borrowers in 2-2,5, but for household in 3-4 times than for abroad;

- ◆ low level of capitalization of banks, feeble concentration of bank capital (in compare to advanced countries), that didn't give a possibility to organize a credit of significant projects for capital invests;

- ◆ high level of risk of credit of corporative borrowers, especially enterprises of agriculture<sup>4</sup>;

- ◆ growth of overdue repayments of debts (from 23,6 to 78 billion of rubles (almost in 3,5 times) for legal entity and from 1,38 to 97 billion of rubles (in 70 time) for natural persons);

- ◆ restricted spectrum of credit services. In Russian practice is bad developed a mortgage credit of accommodation and agriculture, leasing, long-term invest credits to corporative borrowers and other types of credit services.

All above information showed that Russian enterprisers must to attract a resources on foreign credit markets, foreign debt of private sector (without banks) is increased from 21,5 billion of rubles of USA on 1 January 2000 to 115,4 billion of rubles of USA on 1 January 2007, i.e. in 5 times.

New tendencies of development are globalization of credit relations; their general character in developed countries; transformation of credit market, showed in decreasing of banks as a creditors, increasing of part of another finance institutes (disintermediation), and also growth of borrowing by securities (securitization); a growth of role of information as economic category as general and specific market product, provided a credit process particularly, - is present a finance sovereignty of national economy.

Comparison of credit market of Russia and credit markets of leader countries (European Union, USA, Japan) is showed that in functional aspect and institutional relation a Russian credit market is significantly different from their both structure and insufficient development of infrastructure elements and parts, which supported a fixity and sequence of development of market in general, is decreased a level of credit risk, is promoted to more adequate state regulation of credit relations.

The role of infrastructure institutes, made their functions for all finance market in general (depository, rating agencies, brokers) and functioning only in sphere of credit market (credit bureau), in last time is significantly increased. A regulation loan debts, delivery of information about borrowers and their rating, consulting services, accompanied credit operations, is became a very developing types of business on foreign markets. Important that service, is being by infrastructure organizations, is out credit market. From this we can say that infrastructure institutes are became a necessary structure-functional part of credit market.

Problems of formation of real infrastructure of credit market in Russia is discussed a long ago. In prepared by Board of directors of Central bank of Russia «Main directions of single state monetary-credit politics on 2001 year» are noticed that the achievement of aim of increasing of effectiveness of system of financial mediation was required a realization of all mea-

tures of infrastructure character. One of the main directions of this work must become a formation more clear and prognoses situation in different sectors of economy that would promote to decreasing of level of uncertainty and expansion of opportunities for risk management. For this it is necessarily to bring to draw attention to problems of formation on Russian market such institutes as credit bureau, rating agencies<sup>5</sup>.

For the last years in Russia is appeared first credit bureau, collecting agencies and scoring companies. However, their development is stopped for the reason of imperfection of Russian legislation, despite of acceptance of Law «About credit histories», mechanisms of exchange of credit information is not full functioned.

Thus, for continuing of the stable economic growth it is necessarily a further structure development of credit market and it is important in this situation to develop of their infrastruc-

ture elements. Russian business is decide a tasks of consisting of Russia in global economy on the rights of the equitable partnership, but it is possible in case of realization of his mission and in case joint coordinated purposeful actions of government and national business sphere.

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<sup>1</sup> Here and further is used data of Bulletin of bank statistics of Central bank of Russian Federation (<http://www.cbr.ru/publ/>) and reference books of Federal Statistic Service (<http://www.gks.ru/>).

<sup>2</sup> *A.I. Polishuk*. Credit system: experience, new appearance, prognosis and perspectives. M., 2005. 95 P.

<sup>3</sup> *V. Kudinov*. Cleaner of credit market // *Vedomosti*. 2007. 15<sup>th</sup> March

<sup>4</sup> *V.P. Bitkov, S.S. Nasibyan*. Bank credit: minimization. M., 2002. 34 p.

<sup>5</sup> Main directions of single state monetary-credit politics on 2001: Central bank of Russian Federation 27.11.2000 // *Vestnik of Russian bank*. 2001. № 1. P. 45.