

CAUSES AND PRECONDITIONS FOR CAPITAL CONCENTRATION IN THE BANKING SYSTEM

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Banking capital concentration is a process that influences not only on the parameters of a banking system, but on the whole economics. Thus, the article deals with the banking capital concentration, as well as, with the causes, grounds, preconditions of this process.

Nowadays, a banking system, which is closely connected with the material production sector and influences on other spheres including a social one, is considered to be the basis of every economics.

For instance, the processes of capital concentration in the banking system of the Russian Federation are actively developed. The concept of "banking capital concentration" can be defined as a growth of individual banks' capital in higher progress rates than on the average banking system, as well as its redistribution on the consolidation basis. It should also be mentioned here that consolidation is treated as "amalgamation, merger of two or few business firms, companies".

In fact, there is no such a concept as "ground of bank concentration" in economic literature. However, according to the thesaurus of the Russian language "ground" is characterized as a cause to some action implemented by a subject. Therefore, the concept of "ground" can be used only in relation to the subject of the action and, consequently, a ground of bank concentration should be taken as a fundamental principal, a kind of motive power of banking concentration from the position of the participants indulged into the process.

The rise of banking concentration is closely connected with the scale growth of industrial production, the process of consolidation of industrial and banking capital. Actually, industrial enterprises were interested in cooperation with the banks because of immense material resources concentration caused by hi-tech revolution. On the first stage banks provided industrial enterprises with credits and then, on the next stage industrial enterprises were able to put their temporary free cash assets at the bank. The operation is believed to be profit-

able for both sides, since for an industrial enterprise a bank guarantees the safety of the money and profits from the cash assets, whereas, for a bank these funds are the source of active operations carrying.

Today, in conditions of modern economics this cause-effect relation has undergone some changes. For instance, credits to industrial enterprise are not regarded as the only banks' active operations, as there are other activities emerged in the process of stock and foreign-exchange market development. Among them are portfolio investments, exchange transactions, etc. But still the banking concentration ground remained the same and consists in active operations expansion, market positions strengthening, etc. Thereby, the conclusion can be made that banks' tendency to effective functioning in competitive environment conditions is the most important banking concentration ground.

Nevertheless, a commercial bank can't be treated as the only subject of the banking concentration ground for, from the legal point of view, the state is also considered to be a competent subject of the process. The author of the article thinks that the ground of the state in the banking concentration process is the tendency to the financial system strengthening and growth.

Further the author deals with a controversial question of banking concentration preconditions and touches upon the following issues:

1. Banking concentration preconditions are fundamental conditions that stipulate the origin of its causes. In turn the causes are viewed as derivative from preconditions and generate concentration in the banking industry.

2. Preconditions act as something external for the demonstration of banking capital concentration. The causes of its origin can be both internal and external.

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3. Any preconditions are regarded as an indispensable condition for concentration process occurrence.

4. No preconditions are reckoned as sufficient for banking concentration occurrence.

5. Banking concentration occurrence is universal, i.e. its combination stands out as a sufficient condition of concentration process occurrence.

The process of industrial capital concentration is a historical original cause of banking concentration occurrence; however, today it doesn't play the major role. Moreover, industrial capital concentration is not regarded as a precondition of banking concentration on the strength that it is not an indispensable condition of its occurrence.

Finance system crises are their integral features. In fact, they impact directly on the banking industry: less effective organizations leave the market, whereas, their capital moves to larger and more stable organizations, in other words the processes of concentration take place. Thus, finance systems crises influence directly on the banking concentration, however, can't be regarded as an indispensable condition of its occurrence.

In order to implement banking concentration processes, firstly, it is necessary to detect an economic reasonability of this phenomenon determined by the presence of competitiveness and, secondly, the methods of banking concentration should be of legal character.

The author believes that sufficient management competence should be included in the list of banking concentration preconditions due to the fact that consolidation processes are considered to be complex and multistage demanding enough experience and skill for problems solving.

Thus, the following preconditions of banking capital concentration processes occurrence can be enumerated:

1. Economic. The existence of this economic situation makes the process of concentration reasonable for its subjects. Banking competitiveness is believed to be an indispensable element of economic preconditions.

2. Organizational and legal. The availability of sufficient legislative base for the implementation of concentration using this or that method, sufficient level of financial institutes' development.

3. Qualificational. Management abilities to solve the problems accompanying banking concentration process.

The author treats the cause of banking concentration occurrence as a phenomenon of internal or external character in relation to its subjects, which emerged the capital concentration with the help of this or that mechanism. Banking capital concentration mechanism corresponds to the scope of forms and methods of its implementation.

Due to the fact that banking capital concentration mechanisms are of diverse nature, it is practically impossible to spot the causes for banking capital concentration. Moreover, in practice, several causes of concentration can exist simultaneously.

In conclusion it should be said that the grounds for banking concentration in commercial banks and state vary greatly. For the banks it is a determination for more effective activities implementation, whereas, for a state it is a tendency to the strengthening and power growth of the financial system. Actually, there are 3 preconditions for concentration that are believed to be indispensable and sufficient conditions of its implementation: economic, organizational and legal, qualificational. Internal and external conditions and the described phenomena act as the concentration causes and lead to concentration occurrence in a defined form by a concrete method.

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