

Zhdanova D.M., PhD student

Department “Financial Markets and Banks”
Financial University under the Government of Russian Federation
Model of social oriented bank and its development in Russia.

The article is dedicated to the model of social oriented bank and the opportunities to use it in Russian Federation. Nowadays financial institutions consider themselves not only as the business that generates profits but also as a part of society. Social oriented activity of commercial banks is widely spread in foreign practices. It develops to the new model of banks-ethical, or social oriented bank. These banks have an additional obligation of social care: they generally invest their money in projects with added social value and consider lending a core activity for generating revenues. Moreover, they adhere principles of information transparency. The paper provides the comparative analysis of financial results of social oriented banks and traditional banks.

It is necessary to mention that Central Bank of Russian Federation revoked licencias of more than 150 regional banks since 2014 that decreased the competition in the banking sphere and increased the concentration of assets of biggest financial institutions in all regions. Besides, profits of Russian banks fell from Rub 930 bln in 2016 to Rub 790 bln in 2017. These reasons trigger Russian banks to change the model of development and pay attention on social oriented activity. The paper focuses on CSR reports and programs of Russian banks to describe characteristics of social oriented activity in Russia. It also contains the analysis the barriers of development the model of social oriented banks.

Hypotheses

1. Social oriented banks provide more sustainable financial results than traditional banks in crisis.
2. Russian commercial banks have some specifics in realization of social oriented activity.
3. Implementation of new bank model in Russian Federation can improve the financial results of banks.

Model of research

The subject of the paper is the model of social oriented bank in crisis. The object of the research is specifics of social oriented bank activity and key figures that describe it. The author uses an econometric model of dependence of ROA and ROE on share of lending in the profit of the bank. Also author does the comparative and financial analysis in the research.

Data and Sample

The BankScope database was used to collect information about banks (e.g. total assets). The BankScope data was supplemented with data and information from annual bank reports, information from bank web sites and Bloomberg data.

The author uses a sample of 31 credit institutions that present 10 Global Systemically Important Financial Institutions, 10 Sustainability Focused Banks of Global Alliance for Banking on Values and 11 The Significant Banks of Russian Federation. These banks represent the largest credit institutions ranked by assets in traditional, social oriented and Russian banking accordingly.

Results

Social oriented banks demonstrate the highest returns on assets in crisis than traditional ones. Moreover, after the last financial crisis social oriented banks remain high ROA in spite of their conservative investment strategy. Relative to returns on equity, traditional banks performed better over last 10 years. However, their ROE were more volatile than ROE of social oriented banks. Thus, social oriented banks demonstrate more sustainable financial results than traditional banks in crisis.

The social orientation of the Significant Banks of Russian Federation appears in the implementation of projects in the sphere of CSR. However, the projects are unsystematic: only VTB and Sberbank form their reports within the framework of international standards. It should be noted, that these reports are one of the tools to increase investment attractiveness of VTB and Sberbank. Nevertheless, banks publish any project in the sphere of CSR in the media, corporate websites or reports that improve their reputation and allows them to promote themselves as a responsible participant in social life. Besides, despite the fact that social oriented banking developed in Western countries, the Significant Banks of Russian Federation that belong to foreign bank groups do not promote this model of banking activity.

According to the analysis, it is not obvious that the model of social oriented bank can directly lead to the financial results' improvement in Russian Federation. Firstly, it is necessary to amend the legislation, namely, to introduce the categories "Islamic Bank" in the Federal Law "About Banks and Banking Activities", to amend the relevant articles of the Civil Code of Russian Federation (art. 1013, 1022). In addition, the operations of Islamic banking should be attributed to banking operations in the Tax Code of the Russian Federation. Moreover, Russian banks have to take a number of measures to reduce the cost of banking products by automating the process of their creation and provision and make themselves more transparent. These changes demand significant resources that make it challenging to develop the model of social oriented bank in Russian Federation nowadays.