

E-journal "The Humanities and social sciences". 2014. №6.

<http://docme.ru/doc/1048336/2014-06-04>

http://hses-online.ru/2014_06_e.html

ECONOMICS

UDC 332

A. V. Vlasov

South-Russian Institute of Management branch of the RANEPA

Rostov-on-Don, Russia

vlasov.an.vas@gmail.com

RUSSIAN BANK SYSTEM FEATURES

[ХАРАКТЕРИСТИКА БАНКОВСКОЙ СИСТЕМЫ РОССИИ]

Russian banking system is a two-tier banking system based on the principle of partial redundancy. Such a device of the banking system has a significant impact on the economy, causing economic cycles, inflation. Money and money multiplier coefficient of monetization of the economy provide a quantitative description of the extent of the issue of money, carried out by commercial banks. The higher the value of the above factors, the less stable the national banking system is.

Key words: banking fractional-reserve banking system, banking multiplier, the money multiplier, monetization, inflation, money supply, monetary aggregates, bank, central bank.

Operations that are the foundation of banking activities (storage of money, non-cash transactions, deposits, loans) are known and used for a long time. Credit relations existed in the II millennium BC. Even bank notes were known in ancient Babylon and were called "Hood" (VIII century BC. E.). They had an appeal as gold [1]. Despite the diversity of operations, which provides a modern bank can distinguish three groups of operations that form the basis of banking:

1. Storage of cash and non-cash payments organization.
2. Receiving loans from others.
3. Loans as at their own expense and borrowing.

It is this approach is enshrined in national legislation. Under the bank understands the credit institution that has the exclusive right to carry out, in the aggregate, the following banking operations: raising funds from individuals and legal entities in deposits, such funds on its own behalf and at his own expense on condition of repayment, urgency, opening and maintaining bank accounts [2].

Thus, the term bank revealed through the concept of a credit institution, which is understood as a legal person having the right to conduct banking operations.

National laws are the following types of banking operations:

1. Raising funds to deposits (demand deposits and time deposits).
2. Placement of funds on its own behalf and at his own expense.
3. Opening and maintaining bank accounts of individuals and legal entities.
4. Implementation of remittances on behalf of individuals and legal entities, including correspondent banks, on their bank accounts.
5. Collection of cash, bills, payment and settlement documents and cash services to

natural and legal persons.

6. Purchase and sale of foreign currency in cash and cashless forms.
7. attract deposits and placement of precious metals.
8. Issuance of bank guarantees.
9. Money transfers without opening bank accounts, including electronic cash (except for postal orders).

In addition to banking, the credit institution shall be entitled to a number of other operations stipulated by the legislation.

Russian law defines non-bank credit organizations, which means the organization has the right to conduct individual banking operations, allowable combinations are determined by the Central Bank of Bank of the Russian Federation (Bank of Russia).

Banks and credit institutions can not be without a special permit (license) of the Bank of Russia. However, this is not the only limitation. Banking activity is tightly regulated by the state on behalf of the Central Bank, which sets many standards, limits and other requirements that must be met not only in obtaining a license, but also in further work.

The existence of a special body to regulate banking activities - the central bank - essentially distinguishes the banking industry from other sectors of the market economy. The configuration of the banking industry has no parallel in other sectors of the economy.

To understand the causes of such serious differences, it is necessary to understand the economic nature of the bank.

Despite the fact that lending is a core banking, banks generating about 70% of income, the definition of the bank as a loan company is incorrect. Lending operations do not require a special license and can be carried out freely. The same applies to the loan funds.

It is not necessary to identify the bank vault cash. Although the storage of funds is an integral part of banking, it is not in itself constitutes its essence. The banking business is the issuance of banknotes (claims for cash, used to go to the fiat money system) and non-cash means of payment.

The most widespread interpretation of the bank as an institution that regulates the circulation of money in cash and cashless forms. Bank - a "monetary institution that regulates payment transactions in cash and cashless forms" [3]. Simply put, the bank - a company that produces a specific product - a means of payment. The main function of the bank - is to create a means of payment, which allows economic entities to significantly reduce their costs associated with the implementation of the calculations. Since most of the means of payment is non-cash, banking activities related to the storage of cash.

But modern banking involves not only the formation of non-cash means of payment based on the storage of cash. One of the global problems, such as global and national economy is that banks have the right to create credit out of thin air, thus increasing the amount of means of payment. Most modern money is a bank loan that is not secured by cash. This situation is made possible by virtue of the basic principles of modern banking system is a partial reservation of funds, recorded in demand deposits, current, current and other accounts.

In terms of economic substance and legal significance, there are two fundamentally different types of contracts: the loan agreement and the contract of storage. This is due to the fact that one and the same thing can not belong to two different individuals. The number of property rights or

the rights of property requirements should not exceed the amount of the property. Each person may transfer funds to a bank or storage, ie, put them at the expense of demand, or provide them as a

loan, opening a term deposit in the bank.

Demand accounts, in fact, are the contract of storage: the person who opened a demand deposit is calculated at any time to remove them and use them for their own purposes. In addition, demand deposits may themselves be non-cash money as possible to carry out the payment by changing the balances in the accounts of different persons, ie, bank transfer.

Term deposits have an entirely different nature: they reflect the attitudes of the loan. The client provides the funds as a loan for a fixed term and can not use them until the expiration of the loan.

The Bank may use for lending funds raised as term deposits, which is the normal practice. A proposal deposit denied access to their funds for a specified period. The person will get a bank loan at the expense of this deposit to receive funds. The same money at any given point in time belong to only one person. The number of property rights does not exceed the amount of the property.

With this approach, it becomes clear that lending the funds on demand accounts (current account) is invalid because the funds belong to the investors and just kept the bank.

However, banks have the opportunity to work under the terms of fractional reserve may be used for lending not only fixed-term deposits, but the means and demand accounts. In this case, the bank expects that all investors do not decide at one point to withdraw money from their accounts. As a result, the bank credits the funds that investors believe their money and want to stay at any time. This leads to the fact that the bank is able to further expand lending by increasing the amount of money in circulation. Number of ownership begins to exceed the amount of the property. A person who has received a loan due on demand, physically owns the means, according to their own uses and at its discretion. A person who has made money at the expense of demand has the right to claim to the property, which can be implemented at any time.

Here it is necessary to emphasize that there is an increase not cash, and records on bank accounts, ie non-cash money. Non-cash money, credit, or are a promise to issue a bank cash. But since these credit money used along with cash, there is an increase in the money supply.

This mechanism is called the money multiplier. The money multiplier - a factor which shows the degree of monetary growth at the expense of credit and deposit banking. Often, this multiplier is called a bank. However, this confusion of terms. Below we show the difference of these terms. The money multiplier describes the mechanism of increasing nothing of the money supply, ie, the process of the emergence of money out of nothing. This is possible only if the bank lends the funds on demand deposits and current accounts. If banks are kept fully funds raised in demand deposits, and used only for lending term deposits, increasing the amount of money would not have occurred. The process of increasing the quantity of money is because the same funds belong to two different people at the same time.

Banking activities (system) at which banks use demand deposits for lending and keep in reserve to meet the obligations under these deposits is only part of the funds, called banking fractional-reserve. In the event that the bank holds 100% of the reserves for all accounts on

demand, the system is called a system of 100% redundancy.

Application of the fractional reserve has a number of consequences: 1) a steady increase in the quantity of money in the economy, ie, inflation; 2) pyramidal nature of the banking business: any bank at any given point in time can not meet all the demands of depositors on demand accounts; 3) periodic bursts of demand of the population and businesses for cash, resulting in recurrent banking crises; 4) cyclic development of the lending process leads to the economic cycle, the financial crisis; 5) the inevitability of periodic devaluations of currencies that are not redundant. [4]

It is a partial redundancy makes banks "special". For only they can use the mechanism of animation and increase the amount of money in circulation. Only banks can maintain demand accounts and the accounts that are directly involved in the mechanism of animation. Other companies are deprived of such opportunities. Thus, the partial reservation - it is a privilege, received by the Bank from the state. For example, in the Russian Civil Code procedure for maintaining bank accounts allocated in a separate chapter. He is neither a contract of storage, or to loan agreements. And understand its legal nature, respectively impossible.

Partial redundancy is a specific type of fraud, which is applied to the banking activity is legalized.

Fundamentally flawed is the notion that a partial backup is a feature of banking, the bank simply uses the temporarily available funds for lending, etc.

Partial redundancy used in other sectors of the economy as long as it was forbidden by the state. For example, in the United States "in the 1860s granaries subscribed fake warehouse receipts for grain, lent them to speculators at the Chicago wheat market and caused changes in the prices of wheat and bankruptcy cases on the market. Only tightening pledge law, which states that each issue of fake warehouse receipts is illegal and counterfeit finally put an end to this unacceptable practice ". [5] However, in the banking industry, about the beginning of XX century fraudulent practice

fractional reserve entrenched as the norm, and is currently the main feature of the banking system in any country, and Russia in particular.

National banking legislation has another important feature. In our country, there is no concept of irrevocable contributions, ie deposits that depositors can not withdraw before the expiration of the deposit. Any bank deposit of a natural person must be returned upon request of the

depositor. This leads to the fact that banks are actually in our country only attract deposits. They basically do not have a stable resource base received from individuals, even though individuals are the main actors engaged in accumulation. National banking system can not be stable as long as there are no irrevocable contributions.

Completely solve the problems arising from banking activities based on fractional reserve can only be legally prohibit the practice. However, the historical process, due to the desire of banks to maintain this practice and the desire of the state to receive an endless source of credit funds led to the creation of the Institute of the central bank, which determined the configuration of the banking industry. This allows short-term face the challenges of banking activities based on fractional reserve. However, in the long term problems only intensified and become chronic.

The banking system - a combination of different types of national banks and other credit

institutions operating within the framework of monetary relations.

The banking system is part of a larger credit system, which has the following structure:

- The banking system;
- Specialized financial and credit institutions: credit cooperatives, factoring, forfeiting, leasing companies and others.

Russia's banking system is divided into two levels. The first covers the establishment of the Central Bank of the Russian Federation (Bank of Russia). The second level consists of a variety of commercial banks that serve customers (companies, organizations, population), providing them with banking services.

Historically, in Western Europe the appearance of the central banks was a consequence of banking fractional-reserve and the desire to benefit the state by issuing fiat money. As a result of concerted action by the State issuing activity was assigned to a bank that could lend to the government at the expense of unsecured money, provide support to other banks, to regulate the banking system as a whole.

In our country, the Central Bank was originally created by the state. It happened much later than in Western Europe, ie Our country just copied the existing model of development.

The above effects of banking activities based on fractional reserve determine the objectives of the Bank of Russia:

- The protection and stability of the ruble, ie control inflation;
- Development and strengthening of the Russian banking system, ie control of banks;
- Ensuring the effective and uninterrupted functioning of the payment system. [6]

It is important to note that two of the three goals directly related to the stability of the banking system. The crisis means to stop any bank of the payment system, ie accounts of customers served by the bank. The bigger the bank, the more "defeat" of the payment system. Accordingly, trying to fulfill the objectives of its activities, the Bank of Russia is interested in the stability of banks more than in the stability of the national currency.

Making a profit is not the objective of the Bank of Russia.

To realize its goals the Central Bank of Russia performs a number of functions that are defined by law. The most important are:

1. Issue of cash, the organization of cash circulation. Issue of cash is a monopoly of the Bank of Russia.
2. The conduct of monetary policy.
3. Refinancing credit and banking institutions.
4. Management of official foreign reserves.
5. Conducting monetary policy.
6. Regulation of the activities of credit institutions.
7. Functions of the financial agent of the government.
8. Analysis and prediction of the state of the national economy, the publication of relevant materials and statistics.

Monetary (or monetary) policy - a set of measures of state bodies, affecting the amount of money in circulation. The declared objectives of this activity is to ensure price stability, full employment and growth in real output of goods and services. However, in reality the result of monetary policy is often a rise in inflation and fluctuations in business activity.

$$\text{Bank multiplier} = (M2 - MO) / (\text{monetary base} - MO)$$

Date	Cash outside bank system money (M0)		Non-cash money	Money bulk (M2)	Money base (in broad definition)	Money multiplier (M2/Money base), %	Bank multiplier,%	Bln.rubles	
	2	3=4-2						GDP (in current prices)	GDP monetarization, %
1	2	3=4-2	4	5	6=4:5	7=(4-2):(5-2)	8	9=4:8	
01.01.1998	130	244	374	205	183%	327%	2 343	16%	
01.01.1999	188	266	454	258	176%	378%	2 630	17%	
01.01.2000	266	449	715	426	168%	281%	4 823	15%	
01.01.2001	419	732	1 151	722	159%	242%	7 306	16%	
01.01.2002	584	1 026	1 609	928	173%	298%	8 944	18%	
01.01.2003	763	1 367	2 131	1 233	173%	291%	10 831	20%	
01.01.2004	1 147	2 058	3 205	1 914	167%	268%	13 208	24%	
01.01.2005	1 535	2 819	4 354	2 380	183%	333%	17 027	26%	
01.01.2006	2 009	4 023	6 032	2 914	207%	445%	21 610	28%	
01.01.2007	2 785	6 186	8 971	4 122	218%	463%	26 917	33%	
01.01.2008	3 702	9 167	12 869	5 513	233%	506%	33 248	39%	
01.01.2009	3 795	9 181	12 976	5 579	233%	515%	41 277	31%	
01.01.2010	4 038	11 230	15 268	6 467	236%	462%	38 807	39%	
01.01.2011	5 063	14 949	20 012	8 190	244%	478%	46 309	43%	
01.01.2012	5 939	18 605	24 543	8 644	284%	688%	55 644	44%	
01.01.2013	6 430	20 975	27 405	9 853	278%	613%	61 811	44%	
01.01.2014	6 986	24 419	31 405	10 504	299%	694%	66 689	47%	

Currently, most of the money in our country is formed by commercial banks: only a third of funds released by the central bank. The increase in the money multiplier characterizes the acceleration of the issue of money commercial banks. If the monetary base in Russia over the past 12 years has increased by 11.3 times, the number of non-cash assets - 23.8 times. Despite this, it is necessary to take into account that the central bank has a significant impact on the bank (and therefore money) multiplier by changing the reserve requirements of commercial banks and other tools of monetary policy.

The constant increase in the money supply is the cause of inflation in our country: the average annual growth in the money supply over the last 12 years was 28%.

Money supply growth is an inherent property of the banking system, built on the principle of fractional reserve and the central bank. The increase in the money supply is independent of the state of the economy, the need for means of payment and other factors. It is determined solely

by the banking system and the central bank.

In a period of economic growth and stability commercial banks seek to maximize lending through the issuance of non-cash, resulting in a bank multiplier increases and the cash reserve ratio and liquidity (ie the ability to perform its obligations) of commercial banks reduced. As a result, during the crisis, banks begin to experience a shortage of cash. In order to prevent the reduction of the money supply, the central bank is forced to increase the amount of cash and the value of the monetary base. As a result, the issue of money by the central bank and bank money multiplier remain at current levels or reduced. After normalization of the economic situation, banks extend loans again and the process repeats again. The result of this, it becomes a continuous increase in the money supply and inflation.

The above inflation process can be simplified to the following description: a period of economic growth, commercial banks increase the amount of non-cash money, ie assume the obligations obviously impracticable. And when, due to various factors, there comes the need to pay on the loan, commercial banks are turning to the central bank, which produces the emission of paper money and provides (as a loan, equity, etc.) of commercial banks to meet the obligations. Thus, obviously impracticable liabilities of commercial banks 'turn' in tickets Bank of Russia, ie, cash. Once again, this is an oversimplification, but the essence of the dynamics of the monetary sphere it reflects true.

Despite the fact that the negative effects of fractional reserve banking and the multiplier are well known, the domestic economics largely ignores them, although in the early XX century Austrian school developed the theory of inflation and the business cycle, appropriately reflecting the impact of the banking system based on the principle of fractional reserve on economy [8].

Many Russian scientists believe that there is some mythical optimal level of monetization of the economy. "The optimal level of monetization of the economy can be an indicator of not less than half of GDP" [9] It is believed that the Russian economy is not enough monetized that impedes economic growth and even a cause of inflation. Of course, this view is beneficial primarily banks. However, its basis is the weakness of economic science in our country.

Under the monetization is the ratio of M2 to GDR In today's economy a high ratio of M2 to GDP is only a high level of debt load of economic agents. In other words, the higher monetization, the more people and businesses debts. It could not be, because M2 includes a non-cash money, which appear in circulation at the time of the loan to the borrower. C on the other hand, non-cash money (balances) may be a long time do not "participate" in the purchase and sale transactions, just be *tezavirovannymi*, located in the remains. In view of this, the increase in non-cash to a certain point does not affect the level of retail prices of goods. It is due to this and achieved the so-called monetization of the economy.

A higher level of monetization of the economy in no way contributes to the growth of the economy and leads only to the economic cycle, the banking crisis and the reallocation of resources in favor of the banking sector. Strengthening the global banking oligarchy occurs throughout the XX century, a significant expansion of the banking business in the Russian economy after the 1998 crisis have the same cause: a significant increase in the banking multiplier (or you can say the increase monetization), which was made possible by the principle

of fractional reserve in banking activities of the Central Bank and the unsecured paper money.

References

1. Access / <http://ru.wikipedia.org/wiki/БаHK>
2. Federal Law of 02.12.1990 N 395-1 (ed. By 06.12.2011) "On banks and banking activity XYZ" // Meeting of the legislation of the Russian Federation, 05.02.1996, N 6, p. 492.
3. Money, credit, banks: Textbook / Ed. O.I. Lavrushina. M., Finance and Statens stick, 2004. Access / <http://bibliotekar.ru/biznes-36/57.htm>
4. Vlasov A.V. Effect of fractional reserve banking activities on the exchange rate // Science and Education: Agriculture and economics; entrepreneur-tion; law and management. 2014. № 3 (46).
5. Rothbard M. The Case Against the Fed, 2007.
6. Federal Law of 10.07.2002 N 86-FZ (ed. By 19.10.2011, as amended. From 21.11.2011) "On the Central Bank of the Russian Federation (Bank of Russia). // Meeting of the Russian Federation, 15.07.2002, N 28, art. 2790.
7. Access / http://www.cbr.ru/statistics/credit_statistics/MS.asp
8. Zaostrovtssev A.R Business Cycles: An Analysis of the Austrian School of Economics. // Finance and business. 2009. № 3.
9. Vladimir Andrianov: monetization of the economy. Access to <http://viperson.ru/wind.php?ID=598300#>

Литература

1. Режим доступа / <http://ru.wikipedia.org/wiki/ЕаHK>
2. Федеральный закон от 02.12.1990 N 395-1 (ред. от 06.12.2011) "О банках и банковской деятельности" //Собрание законодательства РФ, 05.02.1996, N 6, ст. 492.
3. Деньги, кредит, банки: Учебник / Под ред. О.И. Лаврушина. М., Финансы и статистика, 2004. Режим доступа / <http://bibliotekar.ru/biznes-36/57.htm>
4. Власов А.В. Влияние частичного резервирования в банковской деятельности на валютный курс // Наука и образование: хозяйство и экономика; предпринимательство; право и управление. 2014. № 3 (46).
5. Ротбард М. Показания против Федеральной резервной системы. Челябинск, 2003.
6. Федеральный закон от 10.07.2002 N 86-ФЗ (ред. от 19.10.2011, с изм. от 21.11.2011) "О Центральном банке Российской Федерации (Банке России). //Собрание законодательства РФ, 15.07.2002, N 28, ст. 2790.
7. Режим доступа / http://www.cbr.ru/statistics/credit_statistics/MS.asp
8. Заостровцев А.П. Экономические циклы: анализ австрийской экономической школы. // Финансы и бизнес. 2009. № 3.
9. Владимир Андрианов: Монетизация экономики. Режим доступа / <http://viperson.ru/wind.php?ID=598300#>

November, 23, 2014