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Assessment of the Systemic Importance of Regional Credit Institutions in the Subjects of the Arctic Zone of the Russian Federation and Determination of the Opportunities for Their Support *

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Abstract. The article is devoted to the analysis of the banking sector in the Arctic regions of the Russian Federation, the identification of systemically significant regional credit organizations in the subjects of the Arctic zone of the Russian Federation and the study of possible areas of their support. The dynamics of existing credit organizations and their subdivisions in the Arctic zone of the Russian Federation in 2020–2021 is considered. It is determined that there are five regional credit organizations operating in nine Arctic regions now, of which one is a private non-banking one. Their activities are mainly aimed at the development of the real sector of the economy of the home region, at lending to small and medium-sized businesses. The detailed characteristics of the regional banks registered in the Arctic regions and the indicators of their activity are given. It is concluded that the allocation of significant banking structures for the functioning of regional economic systems and their support is an important issue in the analysis of the modern banking system. It is noted that the problem of developing criteria for identifying systemically significant banks for specific regions has been repeatedly raised and discussed in scientific research. It is concluded that for the practical assessment of the systemic significance of regional banks, modification and refinement of currently existing methods are required. The article offers the author's methodology for calculating the indicators used in assessing the systemic significance of a regional credit institution for a subject of the Russian Federation. The indicators of assessing the degree of systemic significance of regional commercial banks registered in the regions of the Arctic zone of the Russian Federation are calculated, and their score assessment is performed. The directions of support for regional systemically important credit organizations are presented.

Keywords: *Arctic zone of the Russian Federation, regional policy, banking system, regional bank, systemically significant bank, financial resources*

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Introduction

In modern conditions, regional banking structures are not only a significant source of financing and crediting of enterprises in the real sector of the region's economy. They also actively participate in the organization of financial flows between the links of economic system, serve financial transactions of the authorities of the constituent entities of the Russian Federation, are major taxpayers in regional budgets.

Having the focus on the development of the real sector of the regional economy, high level of adaptation to regional processes and specifics of the economy, efficiency and flexibility in decision making, the regional banks can become an instrument of financial and credit policy implementation at the sub-federal level.

Numerous domestic and foreign studies are devoted to the role of regional banking structures in the development of home territories. Leading scientists have proved high importance of regional credit institutions for organizing financial processes and increasing investment activity. In particular, based on the processing of a large array of statistical information, it was determined that small regional banks, compared with large interregional banks, are more effective in stimulating local economic growth [1], are characterized by a higher degree of adaptation to various kinds of crisis phenomena [2], while the dynamics of indicators of socio-economic development of regions is quite sensitive to reduction in number of small regional credit institutions [3]. In recent years, several major studies have been published, testifying to the effectiveness of the activities of small regional and municipal banks in such economically developed countries as Germany [4], Japan [5], China [6].

There are only 60 registered regional credit institutions in Russia (excluding the federal cities of Moscow and St. Petersburg). At the same time, it should be noted that as of July 1, 2021, there are no such organizations in 23 Russian regions. The number of such regions is growing every year.

Recent trends associated with reduction in the number of regional banks, formation of significant competitive advantages for systemically important large capital banks, due to the scale effect and state support, create risks of complete displacement of regional credit institutions in most Russian regions. These risks are especially dangerous in relation to regional banks, which are currently actively involved in investment processes, supporting priority sectors of the economy and providing the necessary credit resources to small and medium-sized businesses in the constituent entities of the Russian Federation. Thus, an important issue that arises in the analysis of the modern banking system is not only to single out the system-forming credit institutions at the level of the country's economy, but also the significant banking structures for the functioning of regional economic systems.

Methodology for assessing the systemic significance of regional credit institutions

Currently, systemically important banks in Russia are identified annually by the Central Bank of Russia on the basis of Directive No. 3737-U dated July 22, 2015, "On the Methodology for

Determining Systemically Important Credit Institutions”. According to this methodology, quantitative indicators of the activities of credit institutions are taken into account when determining systemically important banks: the size of the credit institution, its interconnectedness with credit and other financial institutions, the amount of attracted deposits of individuals and compliance with the criteria for the international activity of the bank. The methodology involves the use of indicators to assess the activities of banks on a national scale and does not provide for the possibility of assessing the significance of credit institutions at the regional level.

The task of developing and adopting criteria that would allow to evaluate contribution of regional banks to development of specific territories and take into account when correcting state banking regulation was raised and discussed repeatedly in modern studies. In particular, O.A. Antonyuk points out the feasibility of identifying systemically important banks for specific regions [7], highlighting three key areas of interaction of a regional bank that determine the degree of systemic importance: interaction with other banks in the region; interaction with the subjects of the regional economy; interaction with banking capital in social development programs. V.A. Fedoseeva proposes to assess the contribution of regional banks to the development of specific territories using the methodology for determining the impact of regional banking structures on the level of socio-economic security in the region [8]. T.E. Diachkova, D.A. Kosareva and O.V. Zakharova emphasize the ability of credit institutions to provide the population and businesses with the necessary banking products as a key direction for assessing the effectiveness and importance of regional banking structures [9].

The method of assessing the systemic importance of regional banks proposed by G.L. Avagyan [10] is one of the most adapted to practical application. The methodology involves two stages of analysis:

1. Calculation of indicators of the systemic importance of regional banks based on the indexes of the bank’s reporting, as well as indicators of the socio-economic development of the region where the bank is based (the list of such indicators and the methodology for their calculation are presented in Table 1).
2. Calculation of threshold values of the significance degree for the specified group of regional banks on the basis of the application of the Sturges formula.

Table 1

Indicators taken into account in determining the degree of significance of regional banks and the methodology of their calculation (according to the method of G.L. Avagyan)

No.	Indicator	Methodology of calculation
1	Bank size	The ratio of bank assets to total assets of regional banks
2	The level of institutional accessibility of the bank	The share of internal structural divisions of a regional bank in the total number of internal structural divisions of regional banks
3	The degree of participation of the regional bank in the development of the regional economy	The ratio of the loan portfolio (net loan debt) to attracted resources in the form of customer funds and household deposits
4		The ratio of the loan portfolio to the value of investments in fixed assets of enterprises in the non-financial sector of the regional economy
5	The impact of the bank on the social development of	The share of loan debt aimed at lending to the service and social sectors

	the region	
6	The role of the bank in the investment process	The ratio of regional bank assets to GRP
7	The level of credit risk	The ratio of the net loan portfolio to the total loan portfolio
8	Interbank interaction of the bank	The ratio of attracted deposits and loans of the bank to the total attracted interbank deposits and loans of banks in the region
9		The ratio of liabilities on bank LORO accounts to total liabilities of regional banks on LORO accounts
10		The ratio of bank liabilities on loans raised from the Bank of Russia to the total liabilities of regional banks to the Bank of Russia
11	Bank's dependence on household deposits	The share of household deposits in total liabilities of banks in the region

Recognizing the rationality of the methodology proposed by G.L. Avagyan, it should be noted that its modification and refinement are required for the practical assessment of the degree of significance of a regional bank.

In particular, there are doubts about the possibility of applying the methodology and conducting a correct analysis of the bank's position for regions with a small number of regional credit institutions. Moreover, the author's methodology for calculating indicators makes it impossible to compare the level of systemic importance of regional banks registered in different regions.

It also seems questionable whether it is appropriate to use the indicator "the impact of the bank on the social development of the region" when assessing the level of systemic significance. In addition, the depth of relations with other credit institutions is not a priority factor in the systemic importance evaluation at the regional level.

At the same time, from our point of view, when assessing the systemic importance of a bank, one should take into account the interaction of a credit institution with regional and local authorities, which is expressed in the inclusion of authorities in the list of bank founders or the registration of a special status for a credit institution ("authorized bank of the regional administration", "backbone bank", etc.). Thus, the modified methodology for assessing the level of systemic significance of a regional credit institution can be defined as a set of stages shown in Fig. 1.

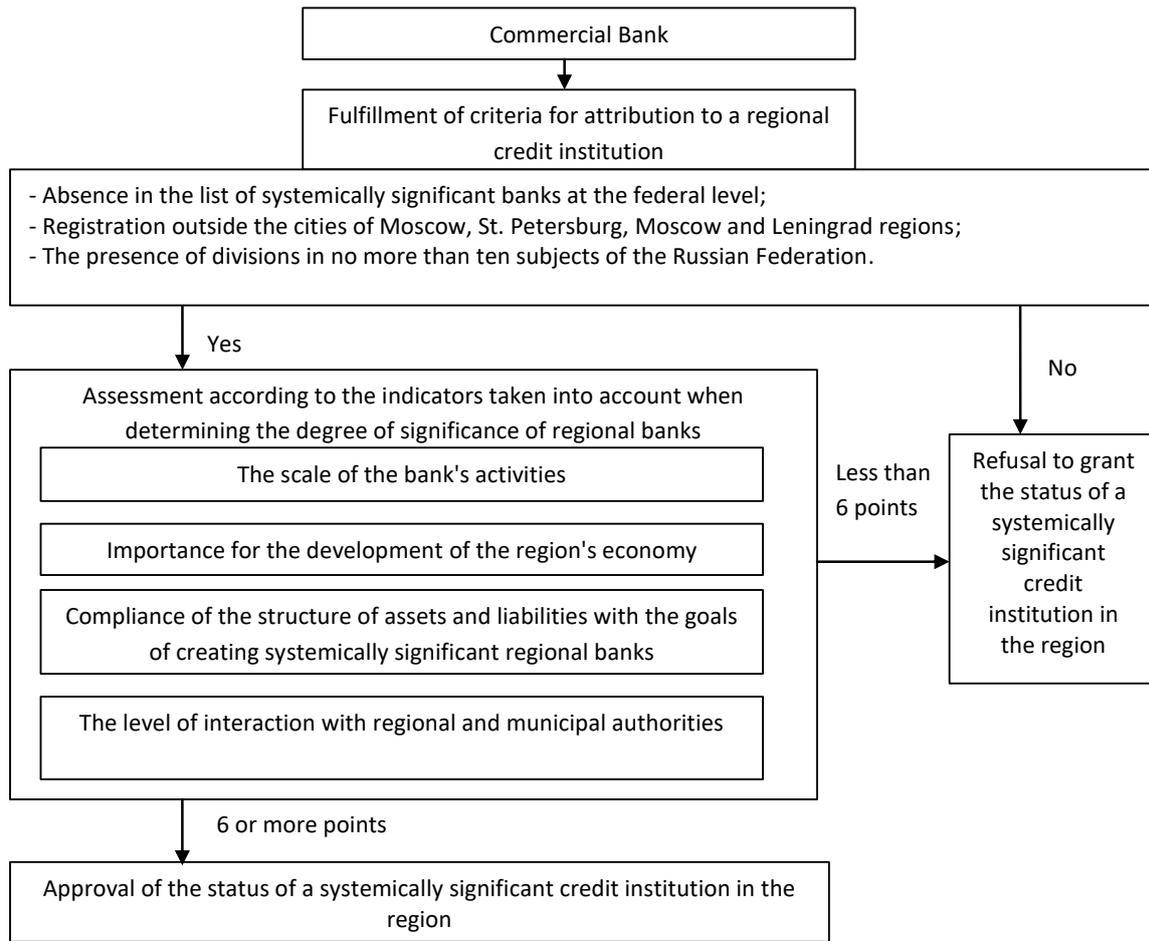


Fig. 1. Modified methodology for assessing the degree of systemic importance of a regional credit institution for a constituent entity of the Russian Federation.

The actual methodology for calculating the indicators used to assess the degree of systemic importance of a regional credit institution for the RF subject and their interpretation is presented in Table 2.

Table 2

Methodology for calculating the indicators used in assessing the degree of systemic importance of a regional credit institution for a constituent entity of the Russian Federation

No.	Factor	Indicator	Interpretation	Score
1	The scale of the bank's activities (A)	The ratio of bank assets to the volume of production of goods and services in the region (A ₁)	Assesses the size of the bank in relation to the scale of economic activity in the region	Large bank (2 points) — more than 0.02 Average bank (1 point) — more than 0.01 Small bank (0 points) — less than 0.01
		The share of internal structural divisions of the regional bank in the total number of internal structural divisions represented in the region (A ₂)	Characterizes the infrastructure of the bank in relation to the general banking infrastructure in the home region	Large bank (2 points) — more than 0.05 Average bank (1 point) — more than 0.025 Small bank (0 points) — less than 0.025
2	Involvement in the development of the regional economy (B)	The ratio of the loan portfolio to the amount of investment in the fixed capital of enterprises in the region (B ₁)	Assesses the bank's potential contribution to investment activity in the region	Significant involvement (2 points) — more than 0.05 Moderate involvement (1 point) — more than 0.025 Slight involvement (0 points)

				— less than 0.025
		The share of deposits of the population in the total volume of deposits of the population of the region (B ₂)	Necessary to assess the bank as a mechanism for transforming savings into investment resources	Significant involvement (2 points) — more than 0.02 Moderate involvement (1 point) — more than 0.01 Slight involvement (0 points) — less than 0.01
3	Compliance of the structure of assets and liabilities with the goals of creating systemically significant regional banks (C)	The share of the loan portfolio in the total liabilities of the bank (C ₁)	Characterizes the specialization of the bank	High specialization in credit operations (2 points) — more than 0.66 Medium specialization in credit operations (1 point) — more than 0.33 Low specialization in credit operations (0 points) — less than 0.33
		The ratio of the volume of loans to corporate clients to attracted resources in the form of customer funds and household deposits (C ₂)	Assesses the bank's involvement in the organization of financial flows in the region	Significant regional activity (2 points) — more than 0.66 Moderate regional activity (1 point) — more than 0.33 Low regional activity (0 points) — less than 0.33
4	Level of interaction with regional and municipal authorities (D)	The share of regional authorities in the authorized capital of the bank (D ₁)	Characterizes the degree of involvement of the authorities in the management of banks	Significant control (2 points) — more than 50% Moderate control (2 points) — more than 0% No control (0 points) — 0%
		Special status of the bank (D ₂)	Allows to assess the potential for participation in regional and municipal projects	Availability of status — 2 points No status — 0 points

Debatable issue is determining the boundary for granting a bank the status of a regional systemically important credit institution. With the maximum possible score according to the calculation methodology (16 points), a threshold of 50% of the maximum score, i.e. 8 points, can be used as a rigid criterion for systemically important credit institutions (which is more consistent with the current policy of the Central Bank of Russia aimed at enlarging the banking sector and increasing the requirements for credit institutions). At the same time, a softer approach, advocated by the authors of the study, requires a minimum score of 1 point for at least 75% of the indicators (6 points). Another possible approach is to allocate several ranges with different levels of systemic importance for the region: for example, at least 2/3 of the maximum score (11 points) — regional banks with a high level of systemic significance; at least 1/3 of the maximum score (6 points) — regional banks with an average level of systemic significance.

Analysis of banking systems in the regions of the Arctic zone of the Russian Federation

By early 2021, the banking sector of the Arctic regions of the Russian Federation approached with generally stable indicators and several trends that are typical for the entire banking system of Russia. In particular, in 2020, a steady trend towards the reduction of credit institutions was observed. In the regions of the Arctic zone of the Russian Federation, the trend towards a reduction in credit institutions was expressed, first of all, in a decrease in the current number of

branches and representative offices of commercial banks (Table 3). The total number of banks registered in the Arctic regions of the Russian Federation decreased by one unit. In December 2020, the banking license of the Karelian bank Onego was revoked. The reason for this decision was systematic violations of banking legislation ¹.

Table 3

Dynamics of operating credit institutions and their subdivisions in the Arctic zone of the Russian Federation in 2020–2021 ²

Region	Head Office	Branches	Representative offices	Additional offices	Operating cash desks outside the cash center	Credit and cash offices	Operational offices	Mobile points of cash transactions
As of 01.01.2020								
RF	442	618	279	19997	870	2198	5724	290
Regions of AZRF	7	32	20	1082	45	111	494	10
As of 01.01.2021								
RF	406	530	201	19453	719	1967	5479	289
Regions of AZRF	6	27	12	1074	33	96	454	9

The reduction of various kinds of internal divisions in the regions of the Russian Arctic zone is related to a number of objective factors, such as the general trend towards enlargement of the banking market participants and displacement of small commercial banks divisions in the regions, development of remote banking technologies and reduction of physical visits of clients to the offices of credit institutions (this trend significantly increased during the period of coronavirus restrictions and a decrease in the social activity of citizens in 2020), decrease of population in many municipalities in the Arctic regions.

As of July 1, 2021, there were five regional credit organizations operating in nine regions of the Arctic zone of the Russian Federation (two in the Murmansk Oblast, one each in the republics of Komi and Sakha (Yakutia) and in the Krasnoyarsk Krai), of which one is a private non-bank credit institution (Murmansk Settlement center), and four are regional banks.

The values of the main indicators characterizing the activities of regional commercial banks are presented in Table 4.

¹ Press release of the Central Bank of the Russian Federation of December 11, 2020. URL: https://cbr.ru/press/pr/?file=11122020_083159lic.htm (accessed 05 July 2021).

² According to the Central Bank of the Russian Federation. URL: https://cbr.ru/statistics/bank_sector/lic/ (accessed 07 July 2021).

Table 4

Performance indicators of regional banks registered in the regions of the Arctic zone of the Russian Federation as of 01.01.2021³

No.	Bank	Total divisions	Number of regions where the bank's divisions are represented, units	Size of assets, million rubles	Total loan portfolio excluding interbank loans, million rubles	Account balances of private individuals and entrepreneurs, million rubles	Net profit for 2020, thousand rubles
1	JSC Almazergienbank	26	3	28 976	22 534	16 872	187 002
2	PJSC Severny Narodny Bank	11	2	8 066	2 255	2 931	12 987
3	JSC Yenisei United Bank	35	1	6 559	2 820	4 032	33 870
4	PJSC Murmansk Social Commercial Bank	1	1	925	622	347	-22 193

Let us focus on the characteristics of each of the regional commercial banks.

Almazergienbank was founded in 1993. Having started as a private commercial bank, the Bank has become a backbone credit institution of the regional authorities of the Republic of Sakha (Yakutia) since 1998. The largest part of the Bank's shares is owned by the Ministry of Property and Land Relations of the Republic of Sakha (Yakutia), which now holds more than 97% (the remaining shares were bought out by the Bank itself (1.62%) or are held by minority shareholders (about 1 %)). The status of the main bank of the region allowed Almazergienbank to engage in the implementation of regional and municipal projects, in particular, the Bank was appointed the authorized agent of the government for servicing investments in the oil and gas industry, state targeted programs for the ecology and socio-economic development of the "diamond province", as well as microcrediting of agricultural producers of the Vilyui group of uluses.

The Bank has a fairly wide network of branches in the republic. In addition to the head office in Yakutsk, Almazergienbank is represented by 15 additional offices, 9 operating offices and 1 operating cash desk outside the cash center in the cities of the Republic of Sakha (Yakutia). In addition, the Bank's divisions are represented in Primorskiy and Khabarovsk kraises.

As of June 1, 2021, in terms of net assets, the Bank is ranked 117th in the rating of Russian banks, in terms of the size of the loan portfolio and attracted deposits from the population, it is among the Top 100 banks (81st and 72nd in the rating, respectively).

Assessing the structure of assets and liabilities of Almazergienbank, it should be noted that the specialization of the institution is quite wide. Servicing corporate clients (including regional and municipal state institutions), raising funds and lending to individuals and legal entities are singled out as the main activities. The basis of the Bank's capital is formed by attracted funds from the population.

Since February 1994, Severny Narodny Bank has been operating in the Komi Republic (currently PJSC Severny Narodny Bank). The initiative to create this Bank belonged to subsidiary re-

³ According to the Central Bank of the Russian Federation. URL: https://cbr.ru/statistics/bank_sector/ (accessed 02 July 2021).

gional structures of Gazprom, including Severgazprom and Severgaztorg. Since the early 2000s, Severny Narodny Bank changed owners and become a private bank.

The Bank was established to service local businesses (including regional Gazprom entities) and the population of the Komi Republic. These remain the Bank's key areas of focus today. The bank is active in lending to small and medium businesses in the region. In addition to the head office in the city of Syktyvkar, the bank is represented by three branches in the cities of Ukhta, Usinsk and Moscow, as well as seven additional offices.

As of June 1, 2021, the Bank's assets amount to about 7 billion rubles. According to this indicator, the organization is in 203rd place in the rating (it should be noted that in the first half of 2021, the volume of the Bank's net assets decreased by more than 1.2 billion rubles). In terms of the size of the loan portfolio and the amount of funds raised from the population, Severny Narodny Bank is in the rating at 201 and 159 places, respectively.

The only operating regional bank of the Krasnoyarsk Krai at the moment is Yenisei United Bank. The bank was founded in 1994 in the city of Yeniseisk. The development of the Bank was facilitated by the decision to grant it the status of an authorized bank of the Evenki Autonomous Okrug in 1998, as well as the merger of another regional bank in 1999, CB Lesosibirskiy. Active interaction with regional authorities allowed the Yenisei United Bank to receive the status of an authorized bank of the administration of the Krasnoyarsk Krai in 2001. At the same time, the regional authorities also own part of the Bank's shares (at the moment, the State Property Management Agency of the Krasnoyarsk Krai is the owner of a large block of shares (28.61%).

The priority areas of activity and specialization of the Yenisei United Bank throughout the years of its work were lending and servicing local enterprises (including those with state ownership) and authorities of the Krasnoyarsk Krai, as well as attracting public funds, which form the basis for attracting borrowed capital of the bank. The bank is also quite active in the consumer lending market.

The Bank has a head office and a branch directly in the city of Krasnoyarsk, as well as a wide network of additional offices, numbering 33 units.

In terms of assets, the bank ranks 211th in the middle of 2021 (the volume of assets is 6.2 billion rubles). In terms of the volume of the loan portfolio and the volume of attracted funds from the population in the rating of credit institutions in Russia, Yenisei United Bank occupies 188 and 136 positions, respectively.

Murmansk Social Commercial Bank is a small commercial bank in terms of assets, which operates in the Murmansk Oblast. The history of the Bank dates back to 1994, when it was founded as a limited liability company. Later, in 2011, the bank was transformed into a joint stock company, and four years later — into a public joint stock company. Today, 100% of the Bank's shares are owned by a private individual. The network of divisions of the Murmansk Social Commercial Bank consists of a head office in the city of Murmansk and two additional offices.

Since its foundation, the Murmansk Social Commercial Bank has been specializing in servicing and lending to enterprises and organizations of the Murmansk Oblast, as well as attracting funds from individuals. The Bank's clients are enterprises of the main sectors of the economy of the Murmansk Oblast, in particular, non-ferrous metallurgy, the fishing industry, transport, the construction complex and energy. The basis of the attracted capital of the Bank is the deposits of individuals and equity.

The size of the net assets of the Murmansk Social Commercial Bank is less than 1 billion rubles. According to this indicator, the bank occupies a modest 336th place in the rating. In terms of the volume of the loan portfolio and attracted funds from the population, the bank occupies higher positions — 271 and 247 places, respectively.

It should be noted that of the four regional banks operating registered in the regions of the Arctic zone of the Russian Federation as of mid-2021, two banks have a universal license (Almazergienbank and Severny Narodny Bank) and two banks have a basic license (Yenisei United Bank and Murmansk Social Commercial Bank).

Assessment of the level of systemic importance of regional banks registered in the subjects of the Arctic zone of the Russian Federation

The assessment methodology presented above allows estimating the systemic significance of regional commercial banks registered in the subjects of the Arctic zone of the Russian Federation. The initial data for the evaluation of the four regional commercial organizations are presented in Table 5.

Table 5
Initial data for assessing the degree of systemic importance of regional commercial banks registered in the regions of the Arctic zone of the Russian Federation (as of 01.01.2021) ⁴

Indicator	JSC Almazergienbank	PJSC Severny Narodny Bank	JSC Yenisei United Bank	PJSC Murmansk Social Commercial Bank
Total assets of the bank, million rubles	28 976	8 066	6 559	925
Number of internal divisions in the home region, units	24	1	35	1
Total loan portfolio excluding interbank loans, million rubles	22 534	2 255	2 820	622
Deposits of individuals, million rubles	16 823.7	2 839.3	4 032.5	346.9
Total liabilities of the bank, million rubles	32403.1	8210.8	6592.3	888.1
Portfolio of loans to enterprises, million rubles	14 685	1 300	1 155	533
The balance of funds on the accounts of enterprises, million rubles	7 138	3 720	1 867	142
The balance of funds on the accounts of individuals and entre-	16 872	2 931	4 032	347

⁴ According to the Central Bank of the Russian Federation (URL: <https://cbr.ru/>) and the Federal State Statistics Service (URL: <https://rosstat.gov.ru/>).

preneurs, million rubles				
The share of regional authorities in the authorized capital of the bank	Ministry of Property and Land Relations of the Republic of Sakha (Yakutia) — 97,34%;	-	Agency for State Property Management of the Krasnoyarsk Krai — 28,61%;	-
Bank has a special status	Backbone Bank of the Republic of Sakha (Yakutia)	-	Authorized by the bank of the regional administration	-
	The Republic of Sakha (Yakutia)	The Komi Republic	Krasnoyarsk Krai	Murmansk Oblast
The volume of production of goods and services in 2020, billion rubles	1143.1	632.7	2 786.8	1 133.2
The total number of internal structural divisions of banks in the region, units	275	202	566	156
The volume of investments in fixed assets in 2020, billion rubles	221.7	140.4	478.6	191.1
Deposits (deposits) of individuals and other attracted funds of individuals (excluding funds on escrow accounts), million rubles	124 588	133 734	359 716	170 020

According to the data presented in the table, one can see that these regional banks differ significantly both in size and characteristics of their activities, and in the specifics of the regions where they are registered.

Taking into account the presented initial data, we calculate the indicators for assessing the degree of systemic importance of regional commercial banks and conduct their scoring (Table 6).

Table 6

*Calculation of indicators for assessing the degree of systemic importance of regional commercial banks registered in the regions of the Arctic zone of the Russian Federation (as of 01.01.2021)
(calculated by the authors)*

Indicator	JSC Almazergienbank		PJSC Severny Narodny Bank		JSC Yenisei United Bank		PJSC Murmansk Social Commercial Bank	
	point	score	point	score	point	score	point	score
The ratio of bank assets to the volume of production of goods and services in the region (A_1)	0.025	2	0.013	1	0.002	0	0.001	0
The share of internal structural divisions of a regional bank in the total number of internal structural divisions represented in the region (A_2)	0.087	2	0.005	0	0.062	2	0.006	0
The ratio of the loan portfolio to the value of investments in fixed assets of enterprises (B_1)	0.102	2	0.016	0	0.006	0	0.003	0
The share of deposits of the population in the total volume of deposits of the population of the region (B_2)	0.135	2	0.021	2	0.011	1	0.002	0
The share of the loan portfolio in the total liabilities of the bank (C_1)	0.695	2	0.275	0	0.428	1	0.700	2

The ratio of the volume of loans to corporate clients to attracted resources in the form of customer funds and household deposits (C ₂)	0.612	1	0.195	0	0.196	0	1.090	2
The share of regional authorities in the authorized capital of the bank (D ₁)	97.34%	2	0	0	28.61%	1	0	0
Bank has a special status (D ₂)	yes	2	no	0	yes	2	no	0
TOTAL	-	15	-	3	-	7	-	4

Among the operating regional banks of the Arctic zone of the Russian Federation, only JSC Almazergienbank (which is systemically important for the Republic of Sakha (Yakutia)) can be recognized as systemically important for the territory of its base. When using a softer approach, which is advocated by the authors of the study, JSC Yenisei United Bank can also be classified as systemically important (for the Krasnoyarsk Krai).

Areas of practical support for regional systemically important banks and their participation in territorial investment processes

The experience of identifying systemically important banks for the constituent entities of the Russian Federation by means of the presented methodology can be used to develop measures to support regional credit institutions at the present stage. The importance of such support in recent years has been repeatedly stated both in the scientific community and at the level of the Government of the Russian Federation.

In particular, domestic researchers offered a wide range of tools to support regional banks. At the same time, scientists offer not only a standard set of tools related to the optimization of supervisory activities and the reduction of requirements when setting standards in relation to regional credit organizations [11, 12], but also quite specific measures. Thus, Minatulaev I.Sh. and Suleymanova S.S. proposed to form a fund of financial support for small banks as an instrument of institutional support for regional credit institutions that have fallen into a difficult financial situation [13]. The need to develop a full-fledged state program to support the regional banking system of Russia was stated in research by Varlamova S.B. [14]. Zhironov V.I. proposed a set of measures related to the creation of conditions for the formation of effective options for cooperation of stable regional banks (for example, holding of banks of one federal district), as well as the adaptation of the programs of JSC “Federal Corporation for the Development of Small and Medium Enterprises” for the implementation of regional credit institutes [15].

The necessity and possibility of supporting regional banks has recently been actively discussed in the authorities. In April 2021, as part of a working meeting between the leadership of the Federation Council of the Russian Federation, the Bank of Russia, federal executive authorities and representatives of regional banks, Federation Council Chairman Valentina Matvienko said that the presence of strong banks in the region is one of the indicators of the quality of life, and the work of small banks makes the financial market more competitive and open. A similar opinion was

expressed by the Chairman of the Central Bank of the Russian Federation Elvira Nabiullina⁵. Only during the last year, several areas of support for regional credit organizations were discussed at the level of the Government of the Russian Federation. These areas include:

- possibility of participation of regional banks in government programs to support the banking sector and lending activity on the basis of providing banks with access to government financial resources, not only in terms of the scale of activity, but also on the basis of other indicators;
- transition to the implementation of “smart regional mortgage”, when the program of state subsidies for mortgage rates takes into account the specifics of subjects of the Russian Federation, the territorial need of the population for real estate, and the preferential mortgage program itself is implemented not only through systemically important federal banks, but also through regional lending structures;
- development of a mechanism for the transfer of information banking technologies to the level of regional organizations, the possibility of developing and implementing which is available due to the use of economies of scale in large federal banks, as well as more active work on the part of the authorities to ensure cybersecurity in the banking sector, increasing the availability of databases, state information resources for small and medium-sized banks.

However, with all the potential effectiveness, these areas are under development and discussion, and their practical implementation will depend primarily on the views of the federal financial authorities on the further development of globalization and integration processes in the banking market.

In our opinion, the need to support systemically important regional credit institutions is currently obvious. At the same time, such support should contribute to increasing the attractiveness for regional banks of the direction of activity, which is currently defined as a priority by the authorities — servicing and lending to the real sector of the region’s economy. The areas of support for regional systemically important credit institutions are shown in Fig. 2.

⁵Press-reliz vstrechi rukovodstva verkhney palaty parlamenta, Banka Rossii, federal'nykh organov ispolni-tel'noy vlasti i predstaviteley regional'nykh bankov ot 12.04.2021 [Press release of the meeting of the leadership of the upper house of parliament, the Bank of Russia, federal executive bodies and representatives of regional banks dated 04/12/2021]. URL: <http://council.gov.ru/events/news/125995/> (accessed 04 July 2021).

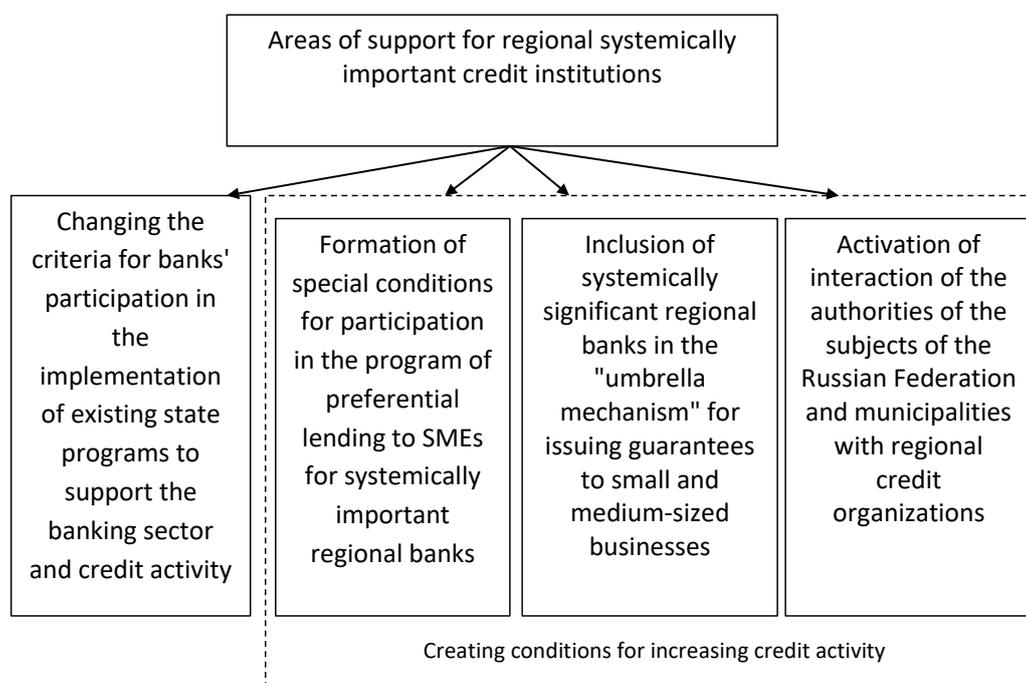


Fig. 2. Areas of support for regional systemically important credit institutions.

As a separate area of support for regional systemically important credit institutions, it is necessary to highlight the change in the criteria for the participation of banks in the implementation of existing state programs to support the banking sector and lending activity. Currently, there is no single approach to establishing criteria for banks to participate in government programs. There are more than 10 different indicators used to determine the selection of participants.

In the first half of 2021, a draft law was developed⁶, according to which it is supposed to establish a single requirement for credit institutions participating in the selection for the right to use public resources — a bank's credit rating. Such a decision should increase the number of participants in government programs and increase the competitiveness of regional banks in this area. However, the fact that the credit rating does not always objectively take into account all indicators of the bank's performance and its significance for the development of the region's economy makes it necessary to allow additional banks with the status of regionally significant (based on the methodology proposed above), but without the required credit rating, to participate in the implementation of state programs. Such a measure would provide additional support to the banks taking an active part in financing the real sector of the region's economy and implementing regional and municipal projects, even if for some reason they lack the required credit rating.

Other measures of support for systemically important regional banks presented in Figure 2 are aimed at creating conditions for more active participation of this category of credit institutions

⁶ Proekt Federal'nogo zakona N 1046569-7 «O vnesenii izmeneniy v ot-del'nye zakonodatel'nye akty Rossijskoy Federatsii v chasti sovershenstvovaniya otbora kreditnykh organizatsiy na osnovanii kreditnogo reytinga dlya tseley investirovaniya i razmeshcheniya denezhnykh sredstv» (red., vnesennaya v GD FS RF, prinyat v pervom chtenii 6 aprelya 2021 g.) [Draft Federal Law N 1046569-7 "On amendments to certain legislative acts of the Russian Federation in part of improving the selection of credit institutions on the basis of a credit rating for the purposes of investment and placement of funds" April 6, 2021]. URL: <https://sozd.duma.gov.ru/bill/1046569-7> (accessed 04 July 2021).

in the processes of lending to small and medium-sized businesses in constituent entities of the Russian Federation.

One of such proposed measures is the inclusion of systemically important banks in the “umbrella mechanism” for issuing guarantees to small and medium-sized businesses. Currently, the Government of the Russian Federation is working on a mechanism to simplify the access of SMEs to guarantee support provided by the Federal Corporation for the Development of Small and Medium Enterprises (SME Corporation) when they receive bank loans (this mechanism was created to increase the availability of credit resources for businesses that cannot provide guarantees to the bank, as well as to reduce the number of rejected loans and the waiting period for credit approval). Amendments to this effect were approved during the adoption of the law on the reform of the development institutions⁷. The new mechanism involves the automatic receipt of guarantees by the SME Corporation when applying to a bank in order to obtain a loan if a small and medium-sized business entity meets certain criteria. As a result, banks that enter into an agreement with the SME Corporation will be able to automatically integrate the “state guarantee” option into the offered loan products for corporate clients. At the moment, the most likely inclusion of large federal banks in this program, however, the expansion of the list of banks participating in the program at the expense of systemically important regional credit institutions, according to the authors, looks appropriate and justified.

Another measure to stimulate lending to small and medium-sized businesses by regional banks is to create special conditions for systemically important regional banks to participate in the program of concessional lending to SMEs. Currently, the main program of concessional business lending is the “1764” program, according to which banks participating in the program provide loans to small and medium-sized businesses according to the formula “key rate of the Central Bank of the Russian Federation + 2.75%”. In order to increase the effectiveness of the implementation of this program in the regions, the following seems advisable:

- active involvement of regional banks in the implementation of this program, including by softening the criteria for participation in the program of systemically important regional banks (as of July 1, 2021, 61 banks have the status of an authorized bank under this program, whereas 53 banks actually extend credits⁸);
- allocation of a fixed quota from the total amount of financing under the program of preferential crediting of SMEs for systemically important regional banks;

⁷Federal'nyy zakon ot 02.07.2021 № 332-FZ «O vnesenii izmeneniy v otdel'nye zakonodatel'nye akty Rossiyskoy Federatsii i priznanii utrativshey silu chasti 1-1 stat'i 8 Federal'nogo zakona «Ob innovatsionnom tsentre «Skolkovo» (na 17.07.2021 Zakon ne vstupil v silu) [Federal Law No. 332-FZ of 02.07.2021 “On amending certain legislative acts of the Russian Federation and recognizing parts 1-1 of Article 8 of the Federal Law “On the Skolkovo Innovation Center” as invalid (as of 17.07.2021, the Law has not entered into force)]. URL: http://www.consultant.ru/document/cons_doc_LAW_389014/ (accessed 17 July 2021).

⁸The current list of banks under the program of preferential lending to SMEs at a preferential rate of up to 8.5%. Official site of the Ministry of Economic Development of the Russian Federation. URL: https://www.economy.gov.ru/material/news/aktualnyy_perechen_bankov_po_programme_lgotnogo_kreditovaniya_subektov_msp_po_lgotnoy_stavke_do_85_.html (accessed 15 July 2021).

- differentiation of the formula for forming the concessional lending rate for small and medium-sized businesses representing priority sectors of the economy of specific subjects of the Russian Federation and lending through systemically important regional banks, in order to further reduce the cost of credit resources for such enterprises.

Another important direction of supporting regional commercial banks and strengthening their participation in regional investment processes, which is not given enough attention at the state level, is the intensification of interaction between the authorities of the subjects of the Russian Federation and municipalities and regional credit institutions. At present, the most promising interaction schemes are based on assigning special statuses (“authorized bank of the regional administration”, “backbone bank”, etc.). Giving this status to regional commercial banks, on the one hand, will enable credit institutions to solve many organizational problems successfully, and, on the other hand, will enable the authorities to participate in decision-making on issues of crediting investment projects that are important for the regional economy.

The scheme of involving regional banks in the implementation of commercially attractive projects under regional development strategies and programs seems to be effective. Such projects could be selected by a council comprising representatives of commercial banks with special status, and representatives of authorities and businesses. Regional banks could lend to the projects selected by this council at preferential interest rates through additional guarantees of repayment of the financial resources provided. Schemes of joint financing of projects significant for the region can also be implemented at the expense of resources allocated for the implementation of regional programs and bank capital.

Another possible area of interaction between credit institutions and authorities of the constituent entities of the Russian Federation and municipalities is the implementation of tools to attract free resources of the population in investment processes through regional banks. Regional and municipal bonds issued for investment purposes can serve as such instruments. In conditions of low interest rates on deposit products, there will be a high interest in such instruments from the population, and regional banks will provide convenient schemes for acquiring these instruments for individuals.

Giving special status to the region’s key banks will also improve the image of these credit institutions and increase the confidence in such banks on the part of the population and business, which is a significant factor in the conditions when the main state support measures are aimed at increasing sustainability and ensuring stable work of the country’s largest systemically important banks.

In general, the implementation of the above measures will contribute to the preservation of banks that are systemically important for the regions on the market, create conditions for enhancing the participation of regional credit institutions in lending to the real sector of the economy of the constituent entities of the Russian Federation and increase the degree of participation of authorities in regulating investment processes.

Conclusion

The study showed a decrease in the number of operating credit institutions and their divisions over the past two years in the Arctic zone of the Russian Federation. Currently, there are five regional credit organizations in nine regions of the Arctic zone of the Russian Federation, of which only four are commercial banks. Of the four operating regional banks, two banks have a universal license from the Central Bank of the Russian Federation (Almazergienbank and Severny Narodny Bank) and two of them (Yenisei United Bank and Murmansk Social Commercial Bank) have a basic license.

The existing methods for assessing the systemic importance of regional banks, in the opinion of the authors, require clarification and modification. The modified methodology for assessing the degree of systemic importance of a regional credit institution can be defined as a combination of two stages: fulfilling the criteria for classifying as a regional credit institution and assessing according to indicators taken into account when determining the degree of significance of regional banks. This technique made it possible to assess the systemic significance of regional banks registered in the subjects of the Arctic zone of the Russian Federation. According to the calculations, under the soft approach advocated by the authors of the study, JSC Almazergienbank (which is systemically important for the Republic of Sakha (Yakutia)) and JSC Yenisei United Bank (which is system-but significant for the Krasnoyarsk Territory) can be classified as systemically significant.

The experience of identifying systemically important banks for a constituent entity of the Russian Federation using the presented methodology can be used to develop measures to support regional credit institutions. The most effective ways to support regional systemically important credit institutions at the moment seem to be: changing the criteria for the participation of banks in the implementation of existing government programs to support the banking sector and lending activity, creating special conditions for participation in the program of concessional lending to SMEs for systemically important regional banks, including the inclusion of systemically important regional banks in the “umbrella mechanism” for issuing guarantees to small and medium-sized businesses, activation of interaction between the authorities of the constituent entities of the Russian Federation and municipalities with regional credit organizations. The implementation of these directions will greatly contribute to the creation of conditions for increasing the participation of the banking sector in ensuring the economic development of the regions.

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