Indicators of convergence assessment of real and banking sectors of the economy

Abstract. In modern conditions, the major prerequisite of economic and social development of the country is the sustainable growth of the national economy, which is why the improvement of the efficiency of all the sectors functioning is of great importance. The effectiveness of cooperation of real and banking sectors of the economy can be assessed in two ways - through the assessment of quality and profitability of enterprises and organizations for which banking services are being provided by commercial banks (mostly crediting), and from the standpoint of businesses and organizations through the assessment of the efficiency of bank loans usage as a source of enterprises’ financing. The diversity of the forms of real and banking sectors interaction is determined by the objective interdependence of their development. Interdependence and convergence of real and banking sectors of the economy has been determined by the developed macroeconomic indicators (ConverS). The approbation of methodology has been realized for the Russian economy for the years of 2010-2015. As a result, we can suggest the creation of a sustainable development strategy for real and banking sectors of the economy based on the effect of convergence.

Keywords: Banking Sector; Real Sector; Convergence Effect

JEL Classification: E44; G21

Acknowledgement. The research is financed by the Russian Foundation for Humanities. Grant No. 15-32-01389, project «Strategy for the Development of Real and Banking Sectors of the Economy Based on the Effect of Convergence».

DOI: http://dx.doi.org/10.21003/ea.V157-0015

1. Introduction. Modern economic and political environment realities determine the need for prompt radical economic, social and institutional reforms. Special attention should be paid to the reforming of conditions, traditions and practice of real and banking sectors cooperation in Russia.

In our opinion, the approach to the regulation of banking and production activities formed before the financial crisis of 2008, demonstrated to some extent its effectiveness [1]. At the same time, under current conditions of a high degree of uncertainty and significant shortage of financial, human and time resources, this approach turned out to be ineffective. It is explained by a number of drawbacks including the following:

1) the taken measures are reactive, which is evinced by the absence of proactive regulation of banking and production spheres;

2) short-term objectives of the development of banking and production activities prevail over long-term objectives;

3) activity of regularity authorities is of a close, contradictory nature;

4) subjects of the banking activity are non-resistant to the regularity authorities.

Levelling of the mentioned drawbacks is possible only within the new approach, which core will be the strategy of the sustainable development of banking and real sectors of the economy on the basis of the convergence effect [2]. The specific feature of the proposed approach is the incorporation of the two biplane objectives of interaction of the studied sectors. They are:

1) A commercial effect. For banks this involves active growth of banking transactions profitability providing that the

Keywords: Banking Sector; Real Sector; Convergence Effect

JEL Classification: E44; G21

Acknowledgement. The research is financed by the Russian Foundation for Humanities. Grant No. 15-32-01389, project «Strategy for the Development of Real and Banking Sectors of the Economy Based on the Effect of Convergence».

DOI: http://dx.doi.org/10.21003/ea.V157-0015

1. Introduction. Modern economic and political environment realities determine the need for prompt radical economic, social and institutional reforms. Special attention should be paid to the reforming of conditions, traditions and practice of real and banking sectors cooperation in Russia.

In our opinion, the approach to the regulation of banking and production activities formed before the financial crisis of 2008, demonstrated to some extent its effectiveness [1]. At the same time, under current conditions of a high degree of uncertainty and significant shortage of financial, human and time resources, this approach turned out to be ineffective. It is explained by a number of drawbacks including the following:

1) the taken measures are reactive, which is evinced by the absence of proactive regulation of banking and production spheres;

2) short-term objectives of the development of banking and production activities prevail over long-term objectives;

3) activity of regularity authorities is of a close, contradictory nature;

4) subjects of the banking activity are non-resistant to the regularity authorities.

Levelling of the mentioned drawbacks is possible only within the new approach, which core will be the strategy of the sustainable development of banking and real sectors of the economy on the basis of the convergence effect [2]. The specific feature of the proposed approach is the incorporation of the two biplane objectives of interaction of the studied sectors. They are:

1) A commercial effect. For banks this involves active growth of banking transactions profitability providing that the
level of risks is acceptable. For businesses this means profit maximization on condition of minimization of the cost of credit resources and the growth of the efficiency of available assets allocation.

2) A social effect. For banks this involves improvement of the accessibility of banks’ services. For businesses this is improvement of the availability of products for consumers through the implementation of programs of mortgage, consumer and automobile lending.

The studied objectives of the interaction of banking and industrial sectors are in inverse relations to each other, i.e. the growth of the commercial effect leads to the reduction of the social effect and vice versa. The prospects of the sustainable interaction of the studied sectors in this case are determined by the condition of the mutual achievement of the optimum of social and commercial interests. The incentives of this convergence is in our opinion impossible or very challenging under conditions of traditional approaches application and requires new methods of regulation of banking-production activities.

Anachronism of traditional approaches, absence of a valid methodology of determination of the tightness of the convergence of the sectors under study determines the importance of the development of a methodology for the assessment of banking and real sectors convergence.

2. Statement of the Research Problem. The key problem of the research is connected with the creation of a system of indicators characterizing the effect of convergence of banking and production activities, development of the method for their calculation and testing based at data of the Russian banking and real sectors of economy.

Convergence assessment is one of the key conditions for the creation of the strategy of efficient development for banking and real sectors of the economy. The need for the assessment of the convergence of the sectors under study is determined in our opinion by such factors as:

1) absence of the universal indicator of the symmetrical development of banking and real sectors of the economy;
2) assessment of the convergence of the sectors under study for determination of the nature and courses of the credit organizations of in the financing of the industrial sector modernization;
3) assessment of the capabilities and prospects of the sectors interaction under condition of globalization, exchange rate and sanction shocks;
4) planning and working out of development strategies supported by the assessment of convergence indicators.

As a result, implementing its functions the banking sector meets the following real sector’s needs:

- need for financing - procurement of funds in the form of long-term and short-term credits and loans;
- need for idle cash allocation, reflecting cash flows in investment activities in order to use free funds effectively [9];
- need for the rationalization of the financial assets turnover, expressed in the necessity to provide safe-keeping of available assets, optimization of their flow and use [10].

Affiliation of the studied function and value components of the interaction of banking and real sectors enables creation of a system of indicators of their convergence, indicators ConverS - after «Convergence of Real and Banking Sectors».

The developed ConverS indicators system supplements the following requirements: creation of a system of indicators based on international financial reporting standards; time and geographical comparability of indicators; limitation of the number of indicators to improve their clearness and assessment efficiency (Table 1). The data of ConverS indicator system testing are presented in Figure 1.

The share of the banking sector in the financing of the real sector of the economy (indicator \( I_1 \)) is still rather high; in 2015, it was 7.8% in the total investment in equity, which is 2.8 percentage points less than in the previous year, and 1.2 percentage points less than at the beginning of the research in 2010.

Indicator \( I_1 \), describing the ratio of the volume of credits attracted by the real sector and the volume of credits provided by the banking sector, makes it possible to estimate to what extent the banking sector fulfills its function [13]. For the studied period, this indicator did not reach 1, so, the banking sector does not meet real sector’s needs for credit resources for 37% as for 2015.

### Tab. 1: System of indicators of the real and banking sectors convergence assessment

<table>
<thead>
<tr>
<th>No.</th>
<th>Indicator</th>
<th>Method of calculation</th>
<th>Economic substance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Investment wrap indicator ( I_1 )</td>
<td>Bank loans</td>
<td>Share of bank loans in investments of the common equity</td>
</tr>
<tr>
<td>2</td>
<td>Credit wrap indicator ( I_2 )</td>
<td>Loans obtained by the real sector</td>
<td>Ratio of loans obtained by the real sector to the loans provided by the banking sector</td>
</tr>
<tr>
<td>3</td>
<td>Credit activity indicator of the real sector ( I_3 )</td>
<td>Bank loans to the real sector</td>
<td>Share of corporate lending in GDP</td>
</tr>
</tbody>
</table>

Source: Authors’ elaboration
terdependence and convergence of interests of the sectors of the economy under study. The next stage of the strategic regulation of banking and production activities is the determination of the factors restraining the convergence of banking and real sectors. The following factors should be mentioned as such regress-factors:

- an exceed of the territorial concentration of banking sector assets in comparison with the real sector of the economy;
- a gap between bank assets and production capabilities of regions;
- the banking sector does not meet the requirements of expanded production investing and technological revamp of enterprises, which hinders their effective operation and affects negatively the dynamics of the economic growth;
- the insufficient level of capitalization of commercial banks, which significantly restricts their possible participation in GDP reproduction [15-16];
- local monopolization of regional banking services by partially owned by the government banks;
- the significant impact of the interpenetration and interdependence of the executive authorities and regional large businesses on the direction and pace of the development of the sectors under study, the efficiency of their functioning.

Elaboration of measures for minimization of the presented regress-factors will make it possible to increase the effect of convergence of real and banking sectors of the economy in the achievement of their objectives, which will eventually lead not only to the growth of the sectors under study, but the economy as a whole.

References

1. Teshevsky, V. I., & Ostimuk, O. V. (2014). The impact of the financial crisis and banking system basic strategies. In T. S. Kolmykova (Eds.), Strategy and scenarios of the financial-credit system development (pp. 145-151). Kursk: South West State University (in Russ.).
9. Elaboration of measures for minimization of the presented regress-factors will make it possible to increase the effect of convergence of real and banking sectors of the economy in the achievement of their objectives, which will eventually lead not only to the growth of the sectors under study, but the economy as a whole.

The Economic Annals-XXI Journal is included into seven international indexation databases:

1) Scopus, The Netherlands (SJR 2014: 0.186);
2) Index Copernicus, Poland;
3) Ulrich’s Periodicals Directory, Great Britain, the USA;
4) EBSCOhost, the USA;
5) Central and Eastern European Online Library (C.E.E.O.L.), Germany;
6) InfoBase Index, India;
7) Russian Index of Science Citation (RISC), Russia;
8) ERIH PLUS Index (Norway) new!