

Analysis of Bank Stability and Profitability in the Eurasian Economic Union

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論 文 名： Analysis of Bank Stability and Profitability in the Eurasian Economic Union
(ユーラシア経済連合における銀行の安定性と収益性に関する分析)

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論 文 内 容 の 要 旨

This thesis examines the stability of the banking sectors of Russia, Kazakhstan and Belarus as a critical prerequisite for the successful formation of the single market for financial services in the Eurasian Economic Union (EAEU). The research work starts with a definition of financial integration; discusses its benefits and costs for economic and financial development; presents a brief historical overview of financial integration in the EU; describes the most common bank stability and profitability indicators; examines the prior literature on the relationship between bank business models, ownership types and stability measures; explores prior research works on bank funding liquidity, systemic importance and their effects on profitability. Then the thesis presents three chapters on the descriptive and empirical assessments of EAEU banking stability, which objectives and findings are summarized next.

First, the thesis analyzes structures, regulatory frameworks and key stability indicators of EAEU banking sectors. The analysis is performed in comparison with the banking sectors of Central and Eastern European and Baltic States. It is indicated that the removal of cross-border barriers for financial services will reinforce the power of Russian banks in the EAEU through penetration of their capital in smaller member states. Harsh cross-border competition will lead to a decrease in a market share of state banks and facilitate further consolidation of the EAEU banking sectors. There is a lack of harmonization of banking regulations in EAEU member-states, which creates an unequal regulatory burden for participating banks. Russian banks' regulation is more advanced and compliant with Basel III standards for capitalization and liquidity. With respect to stability indicators, it is found that Russian banks experience high funding liquidity risk, Kazakhstani banks report excessive credit losses, whereas Belarusian banks operate at suppressed profitability. Unless regulation is strengthened and specific banking risks are properly addressed, the financial integration may lead to their dissemination in other member states and may threaten overall financial stability in the EAEU.

Second, the thesis empirically investigates the effect of bank ownership and business activities on financial (Z-score) and funding (NSFR: Net Stable Funding Ratio) stability indicators of EAEU banks. Evidence is provided that state ownership is strongly associated with a lower likelihood of bank failures and mitigates the destabilizing effect of Western sanctions. Financial stability of Eurasian banks deteriorates with size and lending growth. Funding stability of EAEU banks, however, does not depend on ownership types and mainly driven by external factors. The NSFRs of Russian and Belarusian banks are the most affected

by sanctions. Greater reliance on short-term market borrowing clearly suggests a trade-off as it improves the Z-score and negatively impacts on the NSFR. Enhanced equity capitalization, however, improves both bank financial and funding stability.

Third, profit persistence is a vital component of bank stability. Therefore, the thesis empirically analyzes the relationship between funding stability (NSFR), systemic importance and profitability of EAEU banks. The results show strong degree of stability in Net interest margin (NIM) but not in Return on assets (ROA) of Eurasian banks. Compliance with the minimum level of the NSFR will reduce both funding liquidity risk and the NIM. This, in turn, may induce EAEU banks' engagement in non-interest generating activities to support their profitability. Moreover, the evidence is provided that systemically important banks in the region operate at imprudent NSFR and lower NIM. Hence, they should be subject to tighter capital requirements. Equity capitalization positively impacts on both NIM and ROA and remains the powerful stabilizing tool for regulators. Western sanctions adversely affect the NIM of Russian banks and are not material with respect to the ROA.

The results of this research work are essentially micro-prudential. Future research should incorporate the effect of business models' risks on systemic stability for narrowing the gap between micro and macro-prudential regulations of the EAEU banking sectors.