

The Recent Financial Situation in Russia: With a Focus on the Banking System of the Far Eastern Federal District

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Summary

In this paper I have surveyed the financial situation with a focus on the recent developments in the banking system of the Russian Far East. While the financial sector, which has supported the positive growth of the Russian economy from 2000, has grown remarkably, its financial intermediary functions are today still inadequate. In the area of funding the relative amount of deposits by residents has decreased, and in fund management the relative amount of financing going to enterprises has declined. Furthermore, the regional differences in financial development are great, and in the Far Eastern Federal District in particular, whereas competition is intensifying with the entry of the major banks from the federal center, local banks are being weeded out and there is unease even about the very provision of financial services. The demand for funds by enterprises hasn't been fully met, and a warped state of high profit-earning, deriving from risk avoidance, is emerging. It looks like it will still require some time to invigorate the economy via the action of finance.

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