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Anti-Crisis Management in Commercial Banks: Principles, Methods, Organization

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Abstract: The need for a specific approach to the management of commercial banks is formulated according to the principles of social role, features of the functional component, a high degree of risk, openness, and dependence on the constantly changing market conditions. These factors lead to the application of preventive measures to eliminate and prevent crisis difficulties. In the transitional crisis period of the Russian Federation in 1995-1998, the concept of the banking industry crisis was formed. Involving the banking sector in the borders of the crisis imbalance led to the reform of the country's economy. The borderline condition of the Russian banking sector, the implementation of restructuring and renewal of the banking sector, the emergence of ambiguous banks in the market formed the need for anti-crisis management of commercial banks. The mistrust of commercial banks is reinforced by the lack of an anti-crisis policy in the sector's management system, which also leads to a decrease in its result. The need for the formation of anti-crisis management of a commercial bank is dictated by its activities as a public apparatus which refers to the factors of financial intermediaries. The banking crisis is a process of instability in the activities of a financial institution, an increase in internal disagreements in the banking sector, which entails the harassment of its core functions, the reduction of reliability and financial stability. Consequently, the characteristic of the banking crisis can be to the greater extent compared with the activity of a single object, and the functioning of the entire banking industry. This determines the need for forming within the management of the bank a certain direction, represented by the anti-crisis management, which determines the relevance of the research topic.

Keywords: crisis management, crisis rates, inflation, SWOP analysis, anti-crisis management

JEL Classification: H12, G21, C55, P51

INTRODUCTION

Russia is among countries which faced the problems resulting from the extensive economic crisis as well as the crisis in the banking sector. The experience of studying banking crises in the world is quite diverse. At the end of the 20th century, there is hardly any country that has not experienced the consequences of such a crisis. With the observance of preventive measures and relying on world experience, Russia could have avoided the deep consequences of the banking crisis, as well as its recurrence in particular.

Recently, there has been a modernization of both the banking sector and the country's economy, in general, which was followed by sufficient changes and restructuring (Silnov, 2015). Reducing the degree of state intervention in the economy, simplification of financial structures, a dynamic policy of privatization of state property was combined with the progress of the latest information technologies. These changes made it possible to form the newest financial markets and to unite national systems into a single market.

The crisis of the banking system can be characterized as an inability to carry out its main functions of spending and activating free financial means, issuing loans, performing payments and payments in the economy of the state. Crisis situation in a commercial bank is determined by the rapid growth of the risky and hopeless debts in credit assets of commercial banks, increasing the amount of their expenses in connection with the re-interpretation of the outstanding market positions, reduction in the market value of banking assets. These factors contribute to the emergence of negative consequences, namely: a decrease in the solvency of commercial banks and shows the inability of the banking industry to make an effective sharing of financial resources.

A range of factors influences the formation of a crisis situation in the commercial bank, the most ambitious of them are macroeconomic, systemic, financial, undermine, regional and corporate factors. The existence of internal fundamental problems in the banking process limit dependency on external factors, environmental stability, the social component of banks accounts for the need for a specific management approach - crisis management. Anti-crisis management in a commercial bank is a system of activities that are focused on preventing a crisis, the formation, and implementation of measures to remove from a crisis situation with minimal losses.

The crisis of the late 20th century in many countries around the world was determined by the fall in the price of oil and oil products, as well as export products. The decisive role was played by the rise in prices for servicing external debt in the wake of a rapid increase in rates in the face of tight US policy.

The crisis situation was preceded by a rapid growth of external debt of developing countries due to the growth of debt in the international financial market.

In the current situation in the banking sector, two approaches to the definition of anti-crisis management have been formed. The first is determined by the definition: "the management of the withdrawal of commercial banks from the crisis" (Bolnokin *et al.*, 2016). The second contains a broad definition of crisis management and defines as a system of measures, which are directed at preventing the crisis, the organization and the formation of the bank's activities on the conclusion of a crisis situation. Along with this, anti-crisis management is an integral part of the banking management and should be carried out on an ongoing basis.

LITERATURE REVIEW

Foreign experience reflects the following situation on the market: the monetary body, the main aspect of which is banks, with productive management formed by a relatively effective method to express a significant impact on the economic potential. In this case, the problem of forming effective methods for overcoming the crisis threshold is quite topical, it can be an obstacle to the economic growth of the bank.

More recently, the emergence of market economic relations, the methodology, the diagnosis and forecasting of the prospects of the banking industry has not been given sufficient attention. This has formed a negative impact on the development of economic relations, and on the use of opportunities that are formed within the framework of this development to eliminate the banking crisis, reduce inflation, economic stabilization of economic entities.

The theoretical component of the work is the works of Russian and foreign authors on crisis management and banking, methodological literature, legislative and regulatory documents of the Russian Federation, which are associated with the problems of restructuring and management of the banking sector.

The methodological component of the study was metaphysical and system - functional benchmarks, methods of optimal logic, functional and institutional research, statistical aspects of the study (Silnov & Tarakanov, 2015).

The formation of the scientific thought of issues of bank liquidity is correlated with the emergence of the banks themselves. The questions of the bank's functioning in the conditions of an unstable economic environment were reflected in its studies by such popular foreign economists, as E. Baverk, I. Schumpeter, J.M. Keynes, etc. Since the formation and promotion of the financial market and the formation of new financial paradigms at the end of the twentieth century, the issues of managing banking profitability and risks have been determined by an acute angle of view of specialists. T.Koch, P.S. Rose, and other economists devoted their studies to these problems.

Issues of crisis management and transformation, the study of banking crises have been well-studied. The most famous authors in this field are A.N. Guriev, S.F. Pamfilov, Z.V. Atlas, E.I. Lamansky, I.F. Gindin, G.A. Tosunyan, Matovnikov, and others.

A great contribution to the formation of the system of anti-crisis management, the settlement of the issues of growth in the economic solvency of enterprises, their transformation, and functioning during the period of the transition economy was reflected in their works by many foreign and Russian scientists. Among them are G.A. Abbasov, V.I. Barilenko, S.G. Belyaev, L.P. Belykh, N.D. Kondratiev, M.N. Kreynina, E.A. Utkin, N.F. Tagiev and others.

The issues of operationalization of the issue of anti-crisis management, the formation of models of anti-crisis management in credit enterprises, information management as a segment of crisis management and crisis operation as a parameter of anti-crisis management are much more extensive in the monographs of foreign researchers such as A. Schmoll, U. Kristek, A. Dicken, S. David, D. Fechner, T. Grents, R. Bertl, G.F. Von Leoprechting, T. Zender, G. von Reventlov.

Today the issue of ensuring dynamic development of the banking system and the urgency of improving the crisis management and preventing banking crises are very important. The essentiality of this work is

that as a result of improving the techniques of anti-crisis management and the orientation of bank managers to the anti-crisis management views, the practical goal of overcoming and subsequently preventing crisis issues in banks will be solved, in addition, the stability of the Russian banking system as a whole will be improved.

MATERIALS AND METHODS

The possibility of applying modern foreign methods of anti-crisis management at Russian credit enterprises is argued and the analysis of the use of isolated tools in domestic conditions is determined; A basic model of anti-crisis management in the credit enterprise is created which makes it possible to apply a comparative analysis of the experience of crisis management in various types of credit enterprises, regardless of the state in which they operate and on what operations they are based, in addition, what specific approach to the issue of anti-crisis management is based top management of the credit enterprise; On the basis of the analysis of the main functional relationships in the field of the crisis management process, the issue of crisis management was operationalized, which made it possible to distribute the problem to a number of goals with the final outcome of the solution options and form the order of their implementation; Based on the analysis of the experience of foreign enterprises, a functional model of crisis management has been determined, which was put forward as a recommendation for application in Russian credit organizations.

The object of the study was the banking area of activity in a dynamic and transitional economy.

The subject of the study was the system of relations between the anti-crisis management of commercial banks during the restructuring of the Russian banking system.

The methodological component of the research was dialectical and system-functional approaches, methods of a certain logic, functional and institutional synthesis, statistical methods of recommendations.

The scientific hypothesis of the study was the recommendation that in the conditions of the origin of market relations, the banking and credit system became an effective instrument of socioeconomic reorganization. In this case, the question of the formation of the most effective options for overcoming the crisis, the formation of an effective anti-crisis policy of financial and credit enterprises, is the basis for the formation of an anti-crisis management mechanism, an acceptable strategy for socioeconomic modifications.

The scientific novelty of the conclusions of the research is to promote the theoretical foundations of banking management in the period of the current modernization of the banking system of the Russian Federation and to determine the methodology of the enterprise of crisis management of local commercial banks.

Theoretical validity of the work is to promote the idea of anti-crisis management as an exceptional kind of banking management. Theoretical studies of the proposed study can be applied in the process of teaching banking disciplines and bases of crisis management.

The theoretical and practical significance of the work. The scientific and practical meaning of the research is to study the specifics of the formation of a systemic crisis in the Russian economy, the definition of effective exit from the crisis, the formation of a mechanism for regulating the crisis management of financial and credit organizations during the transformational changes in the Russian economy. The

theoretical significance of the research is that the presented research has become a definite method for clarifying theoretical opinions and judgments about the nature, tasks and methods of crisis management of commercial banks. Along with this, the study reflects the lines of the subsequent study of the issues reflected.

The practical importance of the research is the ability to use the main findings and proposals of national commercial banks to form an effective system of crisis management, in the issue of regulating the elements of early warning of crises and the system of crisis management and risk management, in shaping anti-crisis programs, determining the parameters of the activities of the bank's divisions within the framework of preventive anti-crisis measures, in addition, with the organizational optimization of the bank.

DISCUSSION

The Banking System in Times of Crisis. Statistically, the decrease in the result of the sharing of resources is fairly transparently determined in the growth of the level of overdue loans under the volume of bank loans. The most vivid signal is the emergence of a liquidity crisis, besides the fact that it can "infect" a certain number of insolvent banks, in addition, it can attack stable banks.

When determining their activities, banks, of course, provide for possible losses in their financial portfolio. But it is impossible in practice to provide completely safe credits that will be given out to the private sector since there is a problem of asymmetric redistribution of information. Large and solvent banks repay these losses through previously formed risk reserves. Banks determine the level of risk for all assets and form certain funds to pay off expected expenses.

The main reason for the existence is the economic content of the industry itself, until the banking crisis. The main thing, it is necessary to have the potential to rapidly promote assets, supplying of own capital, the content of the loan portfolio.

1. A dynamic policy of reducing loan rates, given the continued growth - this aspect is a provocation of the crisis. A dynamic increase in rates leads to a depressing of the loan portfolio, an unjustified increase in the assessment of the supply of loans and an increase in the degree of risk.
2. Inflation affects a number of aspects at a time, by reducing interest rates, reducing the number of deposits and lack of incentives for savings. In the process of depreciation of finance, the assets of a commercial bank can rapidly increase, along with the profit of banks, in this case the distinctive feature is that the net profit percentage is at a high level.

Liquidity difficulties are not long-lasting, with an imbalance, and then there is a seizure of finance, this process occurs in large numbers, in a number of credit companies. Consequently, the scale of the crisis is undoubtedly growing

At the initial stage of economic development, a process was observed when commercial banks ceased operations of their branches in order to save their deposits and carry out the reform process. Currently, there are several ways to overcome the crisis of a commercial bank:

- state support;
- restructuring of the banking system;

- acquisition or merger of companies;
- the introduction of other types of services, products, reduction of the number of employees;
- the evocation of the license, this approach is used when the actions of banks lead to a systemic crisis due to financial difficulties.

Forms of Banking Crisis in the Commercial Sphere. Crisis, as a rule, has several forms of manifestation. Economists classify them differently, thus, it is not possible to consider each of them to be full and definite. In this study, we will classify the forms into groups.

1. Financial

- A) lack of funds or non-compliance with the formed mandatory standards;
- B) existing losses, or increase in profits, over actual or unrecovered losses of previous years;
- C) non-payment of mandatory payments, in addition, the inability to timely repay the credit debt;
- B) facts of violations of the established order of mandatory reservation;
- D) illiterate policy of attracting and placing finance, namely, the current lack of a financial recovery prospect, or the unjustified use of short-term loans to finance long-term assets;
- E) immobilization of funds in capital expenditures;
- F) inadequate quality of the loan portfolio;
- G) debts on the return of profits or stopping their payment.

2. Production:

- A) failure to comply with the regulatory requirements of the Central Bank of Russia on the formation of a risk management system, internal control system;
- B) untimely reporting or absence of reporting;
- C) dismissal of employees without replacement;
- D) reduction of positions in financial markets;
- D) sufficiently strong dependence on the client, the project, etc.;
- E) an overestimated interest rate for raising customer funds, a strong excess of interest rates of competitors.

3. Other:

- A) failure to meet the requirements of the Central Bank of the Russian Federation in due time or the obligations taken to eliminate the defects, including shortcomings in the work of the branches;
- B) failure to comply with the regulations for the organization of the authorized capital;
- C) legal costs.

The open form of the crisis is the bankruptcy of the bank, previously known as bank panics, which were characterized by massive withdrawals from commercial banks. In modern crisis situations, as a rule, with the established system of insurance of deposits and loans, and all kinds of configurations of state guarantees, the discontent of depositors with bank services is quite rare. Today, the modification of the crisis from a hidden to an open form, for the most part, is characterized by a peculiarity of the institutional

and legal basis of the state and the measures of the Central Bank and other governing bodies in relation to the bank's problems. Today, the definition of an open form of the banking crisis, in the West, is used quite often.

The Essence and Types of Crisis Management. Anti-crisis management is a management that fully predicts the crisis's difficulties, which predetermines the analysis of crisis symptoms, works to reduce the negative consequences of the crisis and the application of its factors for further development.

Anti-crisis management is represented by a set of measures:

1. Analysis of the external environment and internal opportunities, of competitive advantages of the bank to determine the strategy based on the forecasting of the financial condition.
2. Preliminary diagnosis of the trigger factors of the crisis in the economy and the bank.
3. System analysis of the financial and economic state of the bank to determine the methods of its financial stabilization.
4. Business planning, increasing competitive advantage, and financial stabilization.
5. Determining the procedures for financial recovery of the bank.

The essence of anti-crisis management of the bank is determined by a number of factors:

- crises can be foreseen, expected and formed;
- crises can be accelerated, preceded, avoided;
- crises can and should be prepared for;
- crises can be tempered;
- management in times of crisis needs certain approaches, the formation of a system of knowledge, experience, and skills;
- crisis processes can be manageable;
- managing the processes of getting out of the crisis: it is possible to increase the duration of these processes and reduce the consequences.

In practice, there are several factors that characterize the effectiveness of anti-crisis management. They are:

- the ability of anti-crisis management and special training;
- the art of management;
- methodology for the formation of risky outputs;
- scientific analysis of the situation, forecasting of actions;
- corporate culture;
- leadership;
- prompt management;
- the flexibility of thinking;
- strategy and quality of crisis management;
- human factor;
- crisis monitoring system.

Figure 1 shows the types of crisis management.

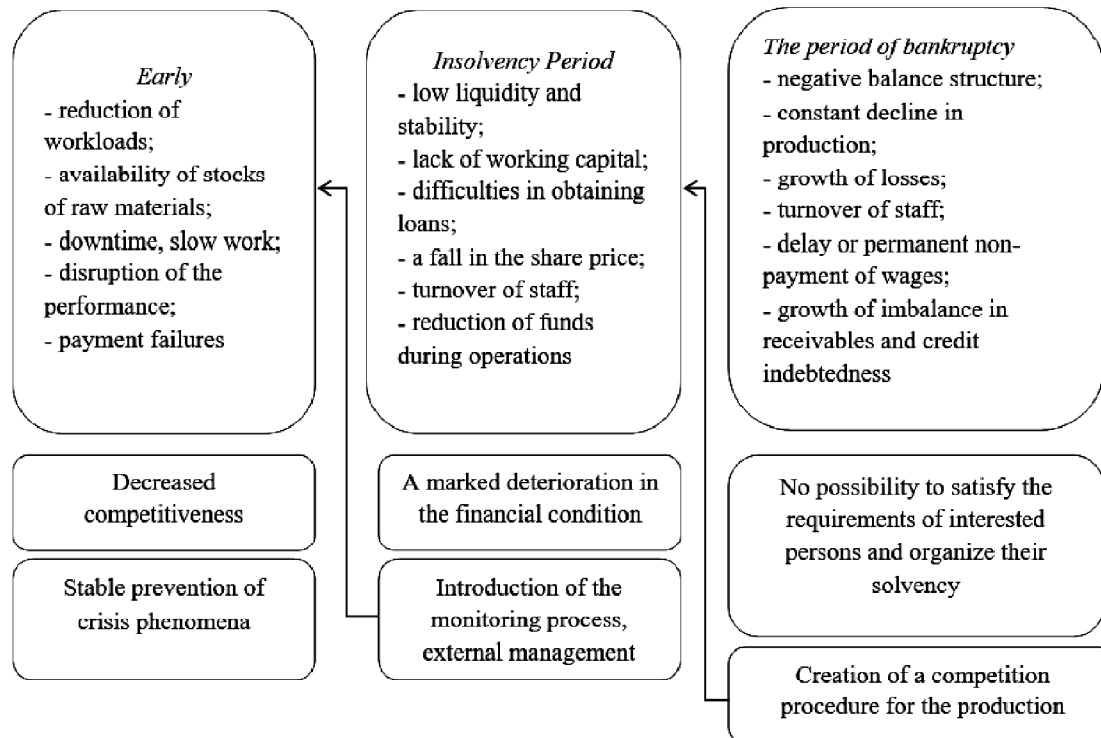


Figure 1: Types of crisis management

Crisis management in a global sense defines a special function, which contains a preparatory, preventive measure and procedure in a crisis and exit from it.

Methods Used for Proactive Anti-Crisis Management. A proactive anti-crisis method is used in the regular business of a commercial bank and involves the use of preventive and preparatory methods. Let us single out the main ones:

- Organizational methods involving the restructuring of the structure of the bank and its main divisions, this process contains a modification of the quantitative composition of employees and departments, the redistribution of functions in accordance with the established procedure under the conditions of a certain risk, the deformation of the degree of efficiency of information;
 - diagnostic methods that allow one to decide on certain risks, in time to identify possible difficulties and form methods of introducing anti-crisis measures, when an event occurs when the complexity passes the stage of latent activity into the obvious and creates a threat of bank insolvency;
 - strategic methods that relate to the presentation of situations that can have a negative impact on the financial condition of the bank, and the preparation of anti-crisis programs.
- Organizational and diagnostic methods are used in the process of preventive work in the field of proactive anti-crisis management. The preventive strategy is aimed at preventing the development of a crisis situation in the bank. The main tools in determining potential difficulties are:

- a systematic financial analysis of the bank's activities; in the process, certain structures of assets and liabilities are formed, the degree of completeness of internal capital and the degree of profitability, the stability of the resource base, the quality of assets, the rapidity of financial performance and performance;
 - monitoring of various branches of the financial market, in addition, markets in which the bank operates;
 - monitoring of clients;
 - control of large operations with customers.
3. Taking into account that commercial banks conduct activities in a dynamically changing environment, as an aspiration for preventive work, we will define:
- definition of internal standards and boundaries that form the limiting degrees of the number of transactions that are allowed to units assigned to employees, in addition, transactions that are performed with different categories of customers;
 - a stable analysis of independence and prospects, the definition of strengths and weaknesses based on SWOP analysis;
 - periodic self-assessment for the bank, using tools such as stress testing.

As an element of the proactive anti-crisis management in the field of preventive work, the constant monitoring of the implementation of legislative and regulatory acts, moreover, for such failures commercial banks are punished by the regulatory bodies up to the termination of the license.

Russian Practice on the Application of the Methods of Anti-Crisis Management. For this period of time, the Russian banking industry has seen events that stimulate the need to apply such methods of crisis management as stress testing and PSA.

It is clear that these methods are of considerable interest not only for large banks that are planning to rapidly develop their business and increase their capitalization, but more important for small and medium-sized commercial banks. Since the internal resources of such banks are narrow, losses that are determined by possible negative events can significantly undermine their sustainability.

Today, there are different points of view that consider the need for practical application by Russian banks of methods of stress testing and PSA. According to a number of representatives of the banking sector, the application of the aforementioned anti-crisis management is an obligatory procedure, because, in conditions of ambiguity, it makes it possible to identify unusual complexes of factors that affect the business and determine the relationship between them.

In addition, one should take into account the point of view that states that stress testing and PSAs are expensive processes, the promotion of which is not available to the overwhelming number of small and medium-sized commercial banks. Such a bank needs large databases, modern computer equipment, software, and highly professional staff.

This is why today only a limited number of banks can afford the use of such tools in the practice of crisis management. Based on the opinion poll conducted by the Central Bank of Russia, of the 130 large

Russian banks, only 30% of the banks participating in the survey conduct stress testing, and the involvement of professional experts in the field of business valuation to form an anti-crisis management program is made in isolated cases. These facts are determined by the fact that even large banks today do not seek to apply stress testing and PSAs because this entails large expenditures because of the inevitable incompatibility of internal systems of departments and the shortcomings of information technology of banks. The use of these methods in practice reduces the time also due to the absence of certain requirements from the Central Bank of Russia.

But, all the same, the process of applying anti-crisis management methods to the Russian banking system is becoming an increasingly popular idea. Significant intensification of this process was formed in connection with the attention of the CBR to the evaluation of the financial sector. As the Central Bank of the Russian Federation decreed in “On assessing the economic situation of banks”, when determining the quality of bank management, the credit institution will take into account the presence in the credit enterprise of certain procedures for assessing its financial condition, which are based on the use of stress testing methods and PSAs in practice.

In addition, the wide application of stress testing methods and PSAs will be accompanied by an introduction to a wide range of possible users with the results of the activities of large banks in this direction, adapting international experience to Russian realities, improving the generally accepted methodologies, and conducting studies that determine the impact of economic and industry cycles on the degree of risk in the banking industry.

CONCLUSION

The banking system in Russia today is not fully in line with the current conditions of the developing economy and the need for stabilization is required. The progress of the country’s economy is slowed down by the backwardness and instability of the banking industry, and also by its restraint to combine the funds of companies and society that are so necessary for lending to investments and depreciation of fixed assets of material production.

Shortcomings in the problem of containing banking crises contribute to the rapid impoverishment of the banking system, the economic base of the economy and the containment of the national security of the country.

The banking crisis needs to be studied from the point of view of the imminent side effect of the liberal financial regime, which has been characteristic of many countries of the world for the past several decades. Work to prevent crises, based on sufficient intense market discipline and perfect control over commercial banks, of course, will reduce the upcoming risks. This will also precede rapid identification of emerging difficulties in the banking industry in order to start working on corrective measures in time. As a result, the completeness of the information flow, more stable institutions and significant effective policy elements can contribute to crisis management.

Therefore, the effective formation of a commercial bank by its nature should become an anti-crisis, containing tools for anti-crisis design, as one of the fundamental objectives of the strategy of a commercial bank. Along with this, the question is the conscious formation of an autonomous management subsystem. i.e the anti-crisis management of the bank.

The banking crisis should be interpreted as the impracticability of the main functions of accumulation and deterrence of unoccupied financial resources, loans, document circulation and payments in the state economy. An increase in the degree of the crisis situation can be achieved due to a progressive increase in the level of riskiness of operations, as well as an increase in the percentage of clients' debts in terms of credit loans by a commercial bank, an increase in the number of costs due to outstanding market spending, and a decrease in the market value of shares. These aspects lead to risk situations. These include reducing the solvency of banks, which reflects the inability of the banking system to develop an effective separation of financial resources.

It is impossible to overestimate the importance of forming an unchanged development of the banking industry and the viability of the issue of modernizing crisis management and preventing banking crises.

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