

საბანკო სექტორის განვითარების სტრატეგია არამდგრად გარემოში

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საქართველოს ეკონომიკამ, მიუხედავად გლობალური ფინანსური კრიზისისა და რუსეთის მიერ განხორციელებული აგრესიისა, რამაც სერიოზულად დააზარალა ქვეყანა და ეკონომიკის ცალკეული დარგები, შეძლო ეკონომიკური სტაბილურობის უზრუნველყოფა. არსებული არასტაბილური რეალობა ხელს არ უწყობს მწყობრად შედგენილი სტრატეგიით მოქმედების ბანკინგის პრაქტიკაში დანერგვას და საბანკო სექტორის განვითარების სტრატეგიების ვადიანობა არ აღმატება 2-3 წელს. თანამედროვე მენეჯმენტის პრაქტიკა კი ადასტურებს, რომ ახალი ეკონომიკის პირობებში წარმატებული კომპანიების უმეტესობა ეყრდნობა მმართველობით სტრატეგიებს, ბიზნეს-პროცესების ეფექტიანობას, ორგანიზაციული სტრუქტურის თანამედროვე კონფიგურაციებს (დიზაინს) და მათ ადექვატურ კორპორაციულ კულტურას. ბაზელის კომიტეტის რეკომენდაციებით, ორგანიზაციული სტრუქტურა და შიდა აუდიტის სისტემა უნდა იყოს ბანკის სტრატეგიასთან შესაბამისობაში. ნაშრომში ყურადღება გამახვილებულია საქართველოს საბანკო სისტემის მდგომარეობაზე და თანამედროვე გამოწვევებზე, საქართველოს საბანკო სექტორის განვითარების ტენდენციებსა და ეროვნული ბანკის ახალ როლზე, ასევე კომერციული ბანკების სტრატეგიებზე მოქმედ ფაქტორებზე. ამ მხრივ შეფასებულია ბანკის არამატერიალური აქტივები, რომლებიც ყალიბდება შინაგანი კომპეტენციების (ეფექტიანი ბიზნეს-პროცესები, ოპტიმალური ორგანიზაციული სტრუქტურა, პერსონალის პროფესიული კვალიფიკაცია, ორგანიზაციული კულტურა და ა.შ.), გარეგანი კომპეტენციების (ურთიერთკავშირი აქციონერებთან, ინვესტორებთან, პარტნიორებთან, კლიენტებთან, სახელმწიფო ორგანოებთან და სხვა დაინტერესებულ აუდიტორიასთან) და დინამიკური შესაძლებლობების (მოხილურობა, გადაწყვეტილებების ოპერატიულად მიღება, სწავლების გზით ორგანიზაციული განვითარება, კარგი კომუნიკაციები, წარმატებული გამოცდილების დანერგვა და სხვ.) შეჯერებით ერთიანი სტრატეგიის ფარგლებში. გაკეთებულია დასკვნა, რომ კომერციული ბანკების მართვის სამამულო პრაქტიკაში წარუმატებლობები ხშირად განპირობებულია არა ცუდად შემუშავებული სტრატეგიით, არამედ მისი განხორციელების და იმპლემენტაციის არაეფექტიანი სისტემით.

The Strategy for the Development of Banking Sector in Turbulent Environment

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Modern management practices show that in terms of new economic environment majority of successful companies are based on managerial strategies, efficient business processes, new configuration of organizational structure and adequate corporate culture. According to the recommendations by Basel Committee, organizational structure and internal audit system should correspond to the banking strategy. Against the background of global processes, world's entire financial market is being developed, resources are being moved easily and virtual economy is being activated on the basis of internet technologies. Financial globalization results in unification and standardization of financial services as well as business processes and puts national banking systems under one unified international control. As a result of it, the role of intangible assets is constantly increasing and the importance of strategic approach is evident. The above said changes the conjuncture of national as well as world's other markets and high lights the issue of global competitiveness. These processes influence the trends of development in the banking systems:

Consolidation of banking capital is taking place – up to 80% of world's banking capital belongs to 12 largest international banking institutions. Against the background of the crisis in mortgage markets, merging and unification of banks is accelerated;

Traditional banking operations give a way to innovative products: bank clients replace traditional deposits with more profitable and liquid securities, which results in increased demand on portfolio management and financial consulting services. Corporations are increasingly emitting their securities in substitution of bank credits, though the same banks serve clients on capital market, which is the basis for their nontraditional incomes.

Improvement of banking services is more and more related to the use of modern Information and communication technologies.

Organizational configuration is adequate to network, virtual organizations, and e-commerce requires formation of “virtual banks”. The attention is increasing towards the growth of banks' market price by improvement of each component within the network of values.

Investment banking business is being developed through integration of investment banking, insurance security and other financial banking businesses. Investment banking includes emission of securities for clients and organization of primary setup, as well as operations on secondary market of securities, which provides banks with profitable business. Banks' strategy is more closely linked to its clients' interests, which is the supreme factor for banks' competitiveness.

Competitiveness of commercial banks greatly depends on the values offered by banks and compatibility of these values to their clients' needs. Physical persons and organizations use different criteria for evaluating banking operations. While corporate clients pay attention to banks' reliability and stability, physical persons' views on banks is mainly based on public opinion. For physical persons, the trust in any bank is enhanced by bank's engagement in social programs, social-political events, development of branch network, implementation of new technologies, etc. Corporations pay specific attention to the quality of delivered service and qualification of employees, and correspondence of declared mission and strategic goals with business interests. In this regards, bank's intangible assets play an important role; that are formulated by internal competences (effective business processes, optimal organizational structure, professional qualification of employees, organizational culture, etc.), external competences (relations with shareholders, investors, partners, clients, state agencies, and other stakeholders) and dynamic opportunities (mobility, quick decision-making, organizational development through trainings, good communications, implementation of best practices, etc), within the scope of unified strategy.

In Georgia, commercial banks' development strategy is greatly influenced by State's monetary and credit policy and the priorities set by the national bank. Despite the global financial crisis and Russian aggression, that inflicted great damage on the country and specific fields of its economy, Georgian economy managed to provide stability. Though, despite certain progress in the field of economy, Georgia still lags behind its neighbor countries and post-soviet states. After the Rose Revolution fiscal order was established in Georgia; the large-scale privatization with participation of foreign capital and direct investments provided large supply of foreign currency, which determined the conjuncture of internal currency market; in particular, foreign citizens have to convert USD into local currency to operate in the country. Up to the recent period, currency appreciation was characteristic for the local currency LARI; though, it is worth mentioning, that natural and artificial methods of appreciation influenced realization of exporting capacity of the country. According to the results of the analysis on the investments made in Georgia, incoming investments were mainly fragmented and thus less stable. During the past years, majority of investments were related to construction of international oil and gas pipelines. Since then investments were mainly directed towards the service industry, and investments received via privatizations are of single nature, if not followed by capital investments. So far the country could not attract capital for high-tech trends. It is a fact, that capital investments made into real estate and infrastructural facilities improves overall situation, but it is less effective in terms of industrial and export growth. In perspective capital investments should be promoted in those sectors of production, which will support the growth of export capacity of Georgia.

The Bank of Georgia must ensure stability of financial system and support economic growth; for this reason current and possible risks must be identified and reduced. Currently, risk factors influencing forecasted dynamics of consumer price are mainly related to fluctuation of global oil and food prices, risks related to geopolitical and geo-economical issues, import of inflation from trade partner countries, etc. Risks

related to inflation finds its resemblance on the formation of credit market and banks' strategies, as instability of the environment is increasing. Inflation negatively influences social-economic state of the country, that is why the government is obliged to fight inflation, elaborate anti-inflation plan and by its implementation enhance financial-economic stability of the country. Two main approaches are identified: first is implementation of adaptive policy, which implies adaptation of economic activities with inflation processes; the second is minimization of inflation via implementation of anti-inflation policy. Adaptive policy involves high risks and it is a temporary measure that does not give desirable results in long-term; Anti-inflation measures were identified as priority for Georgia by the recommendation of international financial organizations. Therefore, monetary and Keynesian approaches that are based on maneuvers of monetary aggregates and exchange rates, gradually give a way to regulation of process i.e. inflation. It is called inflation targeting, which means orientation on specific target meaning of inflation during forecast period.

Regarding the above-mentioned, current strategy of the National Bank of Georgia was defined by the resolution of Georgian Parliament on "basic trends of monetary-credit and currency policy for 2010-2012", which established the main goal – in order to maintain stability of prices in general, as well as purchasing power of the local currency, it was needed to keep average annual rate of inflation not more than 6 %; (though it is admissible to deviate from this rate under unpredictable circumstances). According to the official information, priority of the country's currency policy still is reduction of sharp fluctuations of nominal exchange rate of LARI and "LARIZATION". Correspondingly to the enhancement of local currency rate, the prices on many consumer products went high compared to nominal increase of their prices in GEL. According to the document, monetary policy of the National Bank will not respond to temporary and minor deviations of inflation. Such forecast was born at the crossroads of neoclassic and neo-Keynesian concepts and is based on the following activity of the National bank: forecast of expected level of inflation; comparison of desirable (target) level of inflation with expected (forecasted) figure; correction of monetary policy in order to neutralize difference between the goal and the forecast. The main principle of this regime is independence of the national bank in selecting monetary-credit mechanisms. As it was already mentioned, National Bank of Georgia mainly uses the following tools of monetary policy: refinancing loans; (liquidity delivery); deposit certificates' auctions; (removal of liquidity); state securities operations; currency swap operations; currency interventions, permanent tools; (one-day loans and deposits); minimal reserve requirements, etc. Thus, formation of banks' strategies is influenced by basic monetary tools applied by the National Bank, especially open market operations, that serves as the main and the most effective tool of the national bank.

Usage of open market operations means operations of the national bank with commercial banks via selling-purchasing the securities and /or with further redemption. For this purpose the National Bank of Georgia uses its securities – deposit certificates and state treasury stock. The National Bank withdraws money from turnover and thus limits money supply, but at the moment of acquisition of securities, the National bank increases money supply and establishes mandatory reserve standards. On the basis of

relevant normative act, the National Bank obliges all commercial banks to keep part of their deposits and loans in the National Bank. Change in mandatory reserve standards influences money supply and credit terms and conditions. In particular, by increasing mandatory reserve standards, the National Bank limits credit resources available for commercial banks. Thus, banks can grant small loans; loan limitations result in limitation of money supply. Decrease of mandatory reserve standards has a contrary impact on money supply. One of the most important tools of the National bank is permanent loan means. Commercial banks can receive one-day loans from the national bank with penalty interest rate. If commercial bank does not have sufficient available funds, first of all, it may apply to interbank credit market, and if its requirement is not satisfied – apply to the national bank. While taking a one-day loan from the National Bank, the commercial bank is obliged to pledge either state or national bank securities. The National bank is also involved in currency operations. The National Bank interferes into currency market on a regular basis. While acquiring foreign currency at interbank currency market, the National Bank injects LARIS into economy and thus, increases money supply; when the National Bank sells foreign currency, money supply is decreasing.

Current global crisis and 2008 August events had negative impact on social-economic environment of Georgia. Flow of investments was decreased (portfolio and direct investments decreased up to five times); export-import structure is irrational – import is four times as much as export; besides export products are mainly represented not as final products, but as scrap-iron, copper, hazelnuts and other raw materials; the vast majority of enterprises are not operating; Foreign capital abandons risk zones and liberalization of economy will not be sufficient enough for providing adequate incentives for the owners of cheap money. Apart from serious damages of infrastructure, people's trust towards banks and national currency is decreasing. Stability of Georgian banking sector is greatly determined by the conditions on real estate market. More than 30% of loans, granted by commercial banks, are related to this very sector. Rapid development of real estate sector during "high credit season" was accompanied by rapid increase of prices on real estate, though the problems in the financial sector resulted in decreased prices and demand. As a result of reducing credits by commercial banks, developer and construction companies started to receive limited funds for their project. Problems in real estate sector reflected on the quality of loans granted by commercial banks and by June 2009, 52% of business loans granted to construction sector were classified as inoperative. If we compare the coefficient of adequacy of supervisory capital in Georgia to the same coefficient of eastern European and other neighbor countries, we will see that inadequacy of capital in Georgia is much higher than in many other countries. It is worth mentioning that Georgian Banking legislation reflects Basel I principles, though some specific requirements towards banks are still more conservative. In particular, primary and supervisory capital for Georgian banks must make no less than 8-12 % of risk-assessed assets, while Basel requirement does not exceed 4-8 %. There are other differences in the methodology referring to calculation of capital's adequacy. Namely, loans granted in the foreign currency have risk assessment figure of 75% in Georgia. Basel I does not imply such requirement;

besides, residential houses and apartments' loans encumbered by the mortgages have risk assessment figure of 50%. At the same time, it must be noted that due to high "DOLLARIZATION" of banking sector in Georgia, currency risk plays an important role, as many bank clients, who get loans in foreign currency, have incomes in local currency. In many countries that have joined Basel I, currency risk is limited to open currency position only. Despite this, Basel I requirements envisage risks related to both, interest and investments into securities; these are not assessed in Georgia due to their absence. High demands on capital's adequacy decrease credit resources available for banks and loans issued to economic sector. Therefore, according to currency risk, by the decision of Financial Monitoring Agency of Georgia, assets assessment coefficient was reduced from 100% to 75 % in September 2008.

Flexibility of small economies regarding taxation and economic freedom will not be a counterbalance to the decisions made by the big 20. All the above mentioned will find its resemblance on increasing the level of unemployment, which has already reached its peak during the past five years in Georgia; according to the official sources it reached 16.5% (it is worth mentioning that the developed countries, that reach 11% of the unemployment rate, appeal to special measures). With this index Georgia evens with Kyrgyzstan, Iraq, Morocco, etc. Closest neighbors – Russia, Turkey, Armenia and Azerbaijan have not crossed 5-10% barrier before the crisis. As for Uzbekistan, Belarus and similar countries, unemployment did not exceed 2% of economically active population. Unemployment rate has always been high (40 %) in Turkmenistan, Bosnia Herzegovina, Kosovo, etc. Rise in unemployment level was obvious in Georgia. In particular, during past five years number of economically active population was decreasing and according to official statistics it made 1 900 000 persons by 2008, out of which 1.6 million is considered employed; More than one- half of the employed population is self-employed in agriculture; according to the latest data, number of people employed in business sector does not exceed 311 000 persons, while 315 000 people are officially registered as unemployed; Number of registered businesses / enterprises was increasing during the past five years. It reached 280 000 units during the past two years, when amendments in legislation resulted in simplifying the registration process. Majority of employed people work in large companies and small enterprises; as for the medium business - it lags behind. Business is in condition of financial starvation. Interest rates in banking system increased dramatically; besides the terms became stricter. Last year over 200 million Gel of "bad debt" was written off. Granted loans are three times as much as deposits; it decreases their liquidity. Money transfers from outside are also reduced in number – it made 7 % of GDP and its 63 % was received from Russia. Georgian immigrants find it difficult to maintain their businesses in Russia and other countries, due to political and economic constraints. Foreign debt (GEL 3.7 million) increased significantly during past two years; and soon it will be necessary to accumulate funds to settle this debt. According to donor-provided funds, 2 billion USD out of 4.5 billion USD is US loan; as for the rest, they are grants that must be used to ensure economic stability (budget support 930 million USD and support for banking sector 700 million USD), development of infrastructure (power, communications, etc. 1273 million USD), urban and municipal services (257 million USD), increase of in-

vestment and support to IDPs (1248 million USD is designated for social sector, and 7 million USD will spent on environment protection).

Georgia will find it more difficult to recover from the crisis, due to the undeveloped financial markets and unbalanced economy: the rate of debt increase exceeds the growth of GDP; employment capacity is decreasing in leading fields: construction, trade, financial sector and service industry. Increase in prices is not yet catastrophic due to the fact that import-oriented Georgian market applied price-lowering policy during global crisis; though in the nearest future, changes in pricing strategy are expected to take place in trade partner countries and aggravation are envisaged.

In spite of the facts, mentioned above, in 2009, after an year from the august events, according to the evaluations provided by rating agency Fitch Ratings, Georgia's rating went from "B+" to higher "BB" and the condition was assessed as stable, thanks to international financial assistance. Country's long-term credit rating went up to "B+", according to rating agency Standard & Poor. It is also worth mentioning that possible increases of other rating indexes are also forecasted. After 4% downfall in 2009, Georgian government predicts 2% economic growth in 2010. Banking sector is also livened up (see table 1).

Georgian banking sector is in a process of permanent reforms. During the transition period new mechanisms for distribution of funds and new financial relations were established; structures that distribute finances on securities and monetary capital market were developed. The role of banking and financial institutions was highlighted as one of the most important ones in these relations. The market of business loans does not correspond with its development to the up to date economic growth. Besides, banking assets increased twice as much during the past three years and made 42.6 % of total GDP (this ratio is lower that those of developed countries). Though, the share of their own capital in commercial banks' assets is still minor and the level of deposits' dollarization is quite high. Despite of the fact that institutions in financial sector have developed, their number per capita is lower than the same indexes in leading countries (in total, 19 banks operate in Georgia; 15 operate with participation of foreign capital; branches of commercial banks make 124 units and 416 service center units; 1390 currency exchange points, 14 insurance companies, 39 micro financing organizations, 18 credit unions, 6 pension funds, 1 stock exchange are registered). Non-banking financial sector makes 5 % of Georgia's financial sector and does not have a systemic meaning. Despite the fact that demand on low-interest credits is quite high among population, people go to banks to pay for utilities. As for micro-financing, its structure is not very different from the structure existing in post soviet space: development of venture investment funds, financial leasing and franchising, mutual support among small structures and self-financing via establishment of credit unions and other self-financed systems (credit unions, funds, mutual insurance, etc.), micro-crediting, state guarantees on loans and other forms. According to experts' evaluation, Georgia's non-banking micro-financing organizations and commercial banks covered 1/3 of potential clients; remaining micro enterprises satisfied their needs for financial resources by means of cash transactions from different sources. Before 2005, interest rate on credits as well as on deposits was decreasing. Since 2005 the process changed its direction and at the

Table 1.
Basic figures of Georgian commercial banks of April 1, 2010

	Bank	As of 01.04.10 (MIO USD)						Provi- sion/ credit portfolio	Change in 2010 I quarter			
		assets	cap- ital	Ac- counts of legal entities	Accounts of physi- cal per- sons	Opera- tion (profit & loss)	Net profit (loss)		assets	credit	deposits of legal entities	de- posits of phys- ical persons
1.	Bank of Georgia	1 662	348	373	326	15,1	14,3	14%	6%	6%	11%	8%
2.	TBC Bank	1 031	182	203	405	9,1	2,5	11,7%	4%	5%	9%	7%
3.	Bank Republic	422	55	87	138	2,0	-4,6	15,6%	-9%	-2%	-27%	1%
4.	Procreditbank	441	53	62	172	3,9	2,4	5,6%	8%	-1%	11%	7%
5.	CARTU Bank	261	68	20	19	3,9	1,2	13,6%	-6%	2%	-17%	-52%
6.	VTB Bank	237	20	80	43	1,4	1,0	11,3%	8%	2%	71%	8%
7.	Liberty Bank	208	21	94	62	1,2	1,1	10,9%	7%	9%	7%	17%
8.	KORSTANDART Bank	174	29	61	51	-0,1	-0,9	6,6%	12%	11%	17%	6%
9.	TAO PRIVATE BANK	101	17	35	18	-0,5	0,0	22,7%	-3%	-4%	-2%	17%
10.	BTA bank	59	14	12	3	-0,3	-8,2	32,3%	-31%	-30%	-55%	-15%
11.	BASIS BANK	67	12	25	20	0,1	0,5	4,9%	-2%	23%	-13%	14%
12.	HSBC bank	66	10	10	5	0,1	-0,5	6,3%	-18%	4%	-55%	-9%
13.	CONSTANTA	41	7	0	0	0,4	0,1	3,2%	8%	8%	2%	15%
14.	International bank of Azerbai- ian	20	6	6	0	0,3	0,2	18,0%	-55%	-4%	-79%	922%
15.	Halik bank	16	15	0,3	0,5	-0,4	-0,4	2,0%	-4%	-47%	6%	42%
16.	Ziraat bank	13	9	2	2	0,0	0,0	24,8%	1%	-8%	0%	7%
17.	Investbank	11	7	4	0	-0,1	0,0	6,2%	34%	5%	694%	-50%
18.	Caucasus devel- opment bank	8	7	0	0	0,0	0,2	33,2%	-3%	3%	-49%	49%
19.	Progressbank	8	6	0	0	0,0	-0,1	4,7%	1%	35%	13%	269%
	banking system in total	4843	886	1 074	1 265	35,0	8,8	12,4%	2%	3%	2%	5%

beginning of the year, interest rate on foreign currency deposits made 10.1 %, on credits – 16.7 %. Interest rates dramatically increased from 2008, as majority of banks suffered from lack of available / free means. These processes were influenced by August events and on the background of banking sector's aggravated liquidity and in order to avoid follow-up problems The National bank of Georgia established refinancing loans and reduced minimum reserve requirement from 13 % to 5 %. Minimum average liquidity was decreased from 30 % to 20 %. After settlement of foreign liabilities with the help of international financial institutions, Georgian banking sector returned to the position of positive liquidity. By the end of August 2008 the highest interest rates were registered during the period of last five years: 23.1 % on credits, 10.7 % on deposits. This tendency was sustained in 2009 and interest rate on credit reached 25%; later the situation was relatively normalized and by the end of last year credit interest rate lowered to 21.2 %, deposit – 9.3 %. Currently, on the background of critical events in banking-financial world, loan interest rate, which was catastrophically increased, is insignificantly going down and it has once again proved superficiality of so called "successful" banking reforms – in reality, Georgian commercial banks support themselves via classic mediations. Thus, action strategies of their majority do not differ from spontaneous activities of a broker.

Thus, existing instable reality does not support the implementation of linear banking strategies, besides the strategies aiming the development of banking sector do not exceed 2-3 years. Failures in management of local commercial banks are mainly caused not by poorly elaborated strategies, rather by ineffective system of execution and implementation of such strategy. Oftentimes, strategic management starts and ends with preparation of the document on strategic development, and competitive positioning with identified advantages is never made. From the best examples of successful business organizations we may assume that, in order to achieve strategic goals and tasks in an instable and dynamic environment, it is necessary to develop different scenarios for development, choose the most adequate one and adapt it to the to specific situation. In terms of globalization, banking industry requires execution of one of the approaches for development of banking business-structure: universal character of banking institutions or in-depth specialization. Obviously, only large banking structures can claim universality, and relatively small financial institutions are happy to find appropriate market niche. In the environment of enhanced competition, caused by the global financial crisis, many banking institutions apply focusing strategy, which forces banks to develop balancing and effective regime. Based on clients' interests, increasing number of banking products appear on local loan market, which indicates use of differentiation strategies together with striving for leadership with low costs. The above-mentioned strategies require non-typical approaches towards requirements of corporate as well as single clients and focusing on different interest-groups. Analysis of strategic alternatives often leads banking institutions towards diversification policy, though this should not damage bank's performance on traditional markets and quick response to regular customers' needs.

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