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Banking: conservative fundamentals and challenges of creativity

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Abstract

The study aims to investigate banking as conservative fundamentals and challenges of creativity via comparative qualitative research methods. As a result, the analysis of the dynamics of some banking indicators — capital, total assets, total profit — shows an increase in the banking resource potential. However, this growing potential, as an important factor in the market economy as a whole, is used less and less efficiently upon the same market criteria. In conclusion, banking at the present stage of development should be considered as one of the backbones in the process of the formation of the creative economy.

Keywords: Banking, Creative economy, Digitalization, Blockchain.

Banca: fundamentos conservadores y desafíos de la creatividad

Resumen

El estudio tiene como objetivo investigar la banca como fundamentos conservadores y desafíos de la creatividad a través de métodos comparativos de investigación cualitativa. Como resultado, el análisis de la dinámica de algunos indicadores bancarios (capital, activos totales, ganancias totales) muestra un aumento en el potencial de recursos bancarios. Sin embargo, este potencial creciente, como un factor importante en la economía de mercado en su conjunto, se utiliza cada vez menos eficientemente con los mismos criterios de mercado. En conclusión, la banca en la etapa actual de desarrollo debe considerarse como uno de los pilares del proceso de formación de la economía creativa.

Palabras clave: Banca, Economía creativa, Digitalización, Blockchain.

1. INTRODUCTION

The concept of the creative economy, as it is generally accepted, was born at the beginning of this century. It proceeds from the provisions on the emergence of specific socio-economic relations, forming in the space of post-industrial economy under the influence of creative activity, as a distinctive feature of modern human capital, which determines the prospects for its development. First of all, these relations were systematically embodied in creative business, as a leading sector of the national and global economies. In addition, the interpretation of the creative economy was also initially developed through the definition of its specificity, by the virtue of creative features of professions, occupations, attributive characteristics of certain types of entrepreneurship and business organizations (SEDELNIKOV, 2015). In our opinion, this fully applies to the bank, where these requirements intensify, as the functional significance of the banking sector in economic development grows (KNYAZKOVA, 2018).

Since the concept of the creative economy is one of the youngest fields of scientific research, it is developed in many areas and is marked by a rather sharp discussion. In particular, the creative economy is characterized by the outstripping growth of new technologies and discoveries in various fields of activity, with the

exponential increase in the volume of knowledge, the need for its further generation, and the growing degree of economic development uncertainty. At the same time, the significance of creative activity is enhanced. It is believed, that it is focused not so much on the emergence of creative ability, but rather on the intensification of creative demand of the market (SADYRZHANOV, 2018).

In the scientific community, the creative content of modern economic development is perceived variously. The differences in approaches sometimes turn out to be sharply opposite - from denying the very phenomenon of a creative economy to seeing the main development perspective in it (SABITOVA & KHAYRULLOVA, 2017).

So, the example of a negative point of view is that the theory of the creative economy is initially erroneously based on the absolutization of the process of innovation commercialization. In this case, the argument is used about the inadmissibility of equality between the creativity itself and those ideas, which can be commercialized. Therefore, the possibility of a direct positive impact of generated ideas on economic growth is rejected. The main factor of the latter is the attraction of additional units of labor and capital. As a general conclusion, it is indicated that the economy, to one extent or another, depends on the use of the creative potential of labor, but itself cannot be classified as creative. In the end, the concept of the creative economy is refused particularly in the economic sense (KOMELKOV, 2017 ;EZE & ADU 2015).

In contrast to the negative attitude to the creation of economic development, there is an opinion that the future is connected with this. We suppose that the most systematic approach is the differentiation between the creative economy and traditional economy, in terms of resources, instruments and products. So, the main resource is information, the key instrument is knowledge, and the most important product is innovation. Moreover, through the noted differences, the creative economy is a category that integrates such concepts as information economy, knowledge economy and innovative economy into a single system (GRUSHIN, 2018).

Consequently, the human capital, domestic demand, innovations, financial resources, as well as the constructive functioning of all market participants are defined as the main priorities for the formation and development of the creative economy. But at the same time, such components as applied art, design, architecture, IT technologies, the sphere of leisure and entertainment, literature, music, cinematography, mass media and advertisement are systematically in demand in the creative economy. As a result, the main essence is not only in the production of fundamentally new products but also in the fundamentals of technology and the methods of this production (BEREZHNOV, 2007).

Without going into a more detailed analysis of the approaches to the interpretation of the creative economy, due to the chosen topic of the article, we note one important point regarding modern priority technologies. We consider it reasonable to define common components

in the creative and digital economies. For example, it is noted that both in creativity and in the field of information technology, cooperation is no less important factor of development than the competition. The provision that the digital economy is predominantly based on the partnership rather than hierarchical relations is particularly emphasized. Moreover, both creative and digital economies are the systemic factors of innovation in the global economy and social development. Thus, the concept of the creative economy is one of the modern areas of scientific research, which is in the process of its formation (VERSHININA & ZHDANOVA, 2017).

2. METHODOLOGY

The creative economy is a space for new economic relations, which are based on creative innovations. It is extended over all spheres and sectors sequentially, but not evenly. In this advancing movement, the banking sector is one of the leaders in the development of creativity in the Russian national economy. However, this process is quite controversial (BOZIEVA, 2019).

According to the general results of the banking system functioning for the decade after the global financial crisis, officially presented by the Bank of Russia, the main result is the formation of tendencies of development and strengthening in difficult and uncertain conditions. First of all, this was reflected in the growth of sector assets, which in quantitative terms has almost reached the level of gross

domestic product (GDP) of the country, despite the fact that their number significantly decreased after 2008. The main factors for the achievement of these trends were, on the one hand, the strict compliance by banks with the requirements of conservative management in the current commercial policy, and, on the other hand, the implementation of effective operational activities (GALAZOVA, 2017).

The dynamic growth of the indicators of banking sector development after the global crisis is indicated by the leadership of the Bank of Russia as the main argument for the effectiveness of the conservative approach (Table 1).

Table 1: Capital and financial performance indicators of the banking sector of the Russian Federation in 2010-2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Equity capital (own funds), trillion rubles	4.6	4.7	5.2	6.1	7.1	7.9	9.0	9.4	9.4	10.2
Total assets, trillion rubles	29.4	33.8	41.6	49.5	57.4	77.7	83.0	80.1	85.2	94.1
Capital adequacy N1.0, %	20.9	18.1	14.7	13.7	13.5	12.5	12.7	13.1	12.1	12.2
Current-year profit, billion rubles	205.1	573.4	848	1012	994	589	192	930	790	1345
Return on assets, %	1.9	1.9	2.4	2.3	1.9	0.9	0.3	1.2	1.1	1.5
Return on equity, %	12.5	12.5	17.6	18.2	15.2	7.9	2.3	10.3	8.3	13.8

* The table was compiled by the author, according to the annual reports of the Bank of Russia for 2009-2019

However, in this generalization of the results of the development of the banking sector, especially regarding the criteria for the most attributive characteristics of banking, which are correlated with the strengthening of its creative nature, there are pronounced contradictory tendencies. So, the most expressive dynamics can be seen in terms of total assets against the background of less pronounced dynamics of banks' equity (Fig. 1).

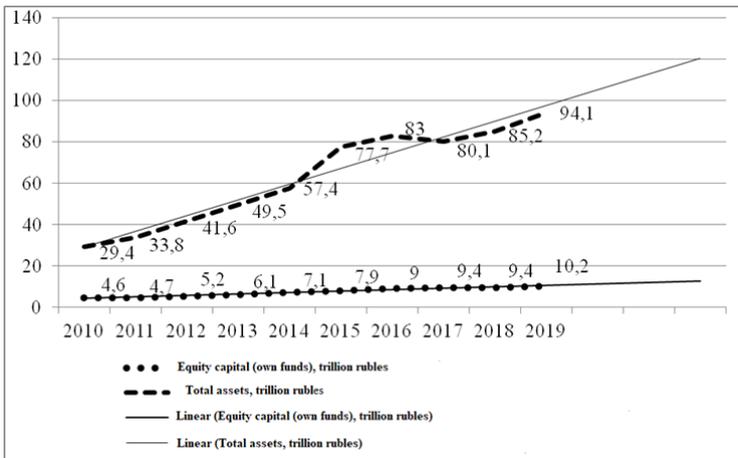


Figure 1: The dynamics and linear trends of the indicators of equity capital (own funds) and total assets of Russian banks in 2010-2019 (compiled by the author according to Table 1)

The indicator of profit of domestic banks is characterized by the general positive dynamics. It was more controversial and opposite in direction in some years but quite pronounced (Fig. 2).

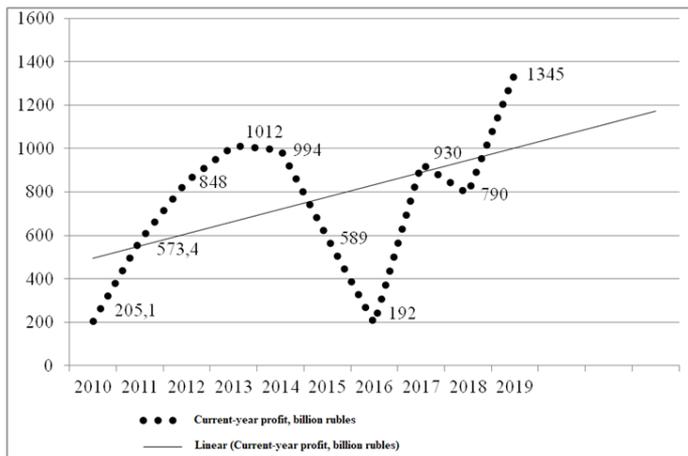


Figure 2: The dynamics and linear trend of the total profit of Russian banks in 2010-2019

Against this background, the indicators of return on equity and return on assets of Russian banks had negative dynamics (Fig. 3.) In comparison with the positive dynamics of indicators of capital, total assets and total profit, there is a clear contradiction. On the one hand, there is a quite active growth in the resource potential of the banking sector. On the other hand, this growing potential, as an important factor in the market economy as a whole, is used less and less efficiently upon the same market criteria.

Such a contradiction, with the tendency of its strengthening due to the expressed perspective of a further decrease in return parameters, becomes not only one of the essential characteristics of modern Russian banking, but it also represents a real prerequisite for limiting the prospects for increasing its creativity.

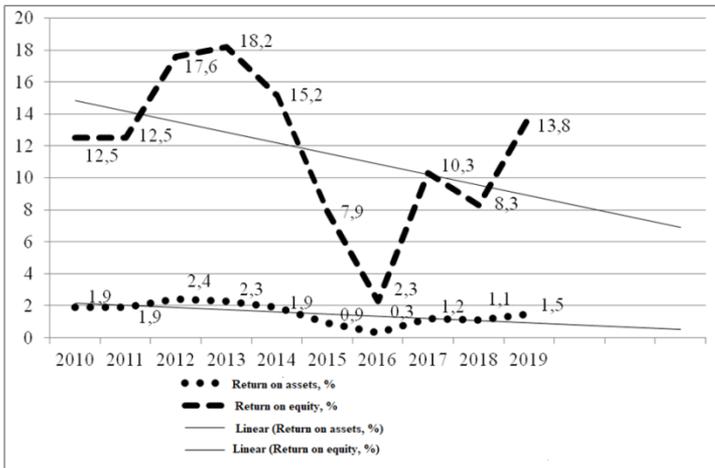


Figure 3: The dynamics and linear trends of the indicators of return on equity and return on assets of the Russian banking system in 2010-2019 (compiled by the author according to Table 1)

Along with the aforementioned decreasing trends in the efficiency of the use of credit resources, the degree of nationalization of the banking sector was intensified. So, for the period from 2008 to 2017, the percentage of state-owned banks in the total assets of banks increased from 41.9% to 58.5%, that is, almost one and a half times. It also becomes an additional obstacle in the creative direction of banking development (FLORIDA, 2005).

In aggregate, all the considered trends show the limited nature of conservative approaches to the development of banking activity, which significantly inhibit the market incentives and rely on the non-market decisions in the areas and volumes of use of limited credit resources. In such a situation, it is necessary to increase the level of

banking creativity, which should be considered as one of the directions of its strategic development. At this point, there is a sharp and contradictory interweaving of conservative principles and requirements of increasing creativity.

In our opinion, the prospects of growth of the creative banking component are determined by the priority trends in the banking system. They are associated with the growth in the number of services, provided through the diverse channels, which are systemically integrated on the basis of digital platforms. In turn, digitalization directly affects both the content of banking and the behavior of customers, simultaneously involving many representatives of other areas of the national economy. In essence, a new financial space is being formed with the cross-functioning of digital, telecommunication, technology companies (which are increasingly entering and consolidating in the markets of financial services) and traditional banking. Although traditional banking is quite conservative, it is increasingly being drawn into the development and creation of new ecosystems (HAWKINS, 2011).

This new state of the banking sector forces the management and the specialists of the banking system to reconsider their vision of the future system. So, at the Gaidar Forum, which was held in January 2016, the head of Sberbank G. Gref associated the upcoming change in the banking sector with the change of generations and the sharp decline in demand in the physical network. This means that the consumer's demand for traditional banking services will last no more

than ten years. Therefore, banks in their conservative meaning will be forced to cease their activities, which may begin even before the change of generations. And already at present, practically no bank can remain a market participant without mastering and introduction of new technology platforms, related to the so-called digital, into the daily work.

A bit later, in December 2017, speaking at the events of London Investor's Day, the head of Sberbank strictly emphasized that he did not believe in the prospect of traditional banks, and suggested the need to form the high-tech companies like Google, Apple, Amazon, and Facebook on their basis. At the same time, it should be taken into account the variability in the actions of the indicated companies, which initially rejected the prospects of entering the banking sphere, due to its high regulation, which was unacceptable for free business. But in practice, there was a radical change last year: Facebook registered its bank in two jurisdictions. Also, Amazon Finance and Google Finance are expected to appear soon. Therefore, the Sberbank group cannot afford to be unprepared for these challenges.

Thus, based on the inevitable and objective change in the aggregate preferences of consumers, the task to create its own ecosystem is defined in the official strategy of Sberbank. At the same time, the ecosystems are considered as a tool for the reorganization of the global economic landscape, ensuring the transformation of the value chains from production to distribution.

First of all, Sberbank plans to complete the process of technological transformation of the currently functioning financial business, by transferring to a new platform, and at the same time to create the additional ecosystem directly in the non-financial sectors.

On this basis, the further development of service offers packages will take place in many areas, which are outside the financial markets - trade, healthcare, leisure, household, etc. Thus, new expanded potential of Sberbank is created. It will have a direct impact on the quality of relations with customers, and will also be integrated into the system of financial products. This will create the basic prerequisites for the development of long-term competition and will allow meeting the final requirements of the bank's customers.

Here it should be noted that the growth of business potential and factors for the increase of long-term profit appear to be mainly outside the financial sector. This adds value to the importance of the development of creative components.

Quite close concepts are formulated by the management of Tinkoff Bank. At that, Oleg Tinkov in his interview with the electronic newspaper *Business-gazeta.ru* (published on September 7, 2016), fully shared the policy of Sberbank and classified his bank's strategy as the formation of the financial supermarket. This strategy is already experiencing difficulties in many areas and, especially, in terms of dependence on loans, on the general tendencies of the Russian economy. However, as it is noted in the interview, in any case, there

will be no banks in their traditional meaning within 5-10 years. Accordingly, the development and creation of the most complete set of financial services for a client in one window, in one cloud environment, due to the active diversification of the existing business, become a strategic task.

Along with the business policies of leading credit institutions, an important systemic role in the development of a new form of banking and enhancement of its creativity is played by global information technologies, which are based on the effects of distributed networks, smart contracts, and machine learning. With a systematic addition of big data analysis technologies, numerous payment services are widely used. In large part, they are created by organizations, which are not directly related to financial activities.

This issue is especially acute when the competition in the so-called peer-to-peer lending (P2P) is intensified. The considered type of lending technically uses the online medium. This platform is a specific market organization, which integrates an almost unlimited number of borrowers and lenders, who in some cases can be the same persons. However, the Internet site cannot be a party to the transactions, that excludes the provision of guarantees and the provision of intermediary services. Therefore, the income of the Internet platform consists of a variety of commission fees, depending on the features of its organizational form.

The technological mechanism of P2P lending has proven itself in practice as more adapted and more accessible to consumers than traditional bank lending. It can be used by both banking and non-financial organizations. Moreover, outside the system, this mechanism is neither effective nor competitive advantage. Therefore, its features can be implemented in the system of financial relations.

From the standpoint of creativity of the latter, it should be taken into account, that in Russian practice, Internet platforms are used in conjunction with other financing instruments - crowdfunding, various hybrid financing, etc. The increasing volume of P2P services, provided on the Internet sites in different combinations, represents a significant competition for conservative bank lending. Due to the growing popularity of the considered technologies, the requirement for creativity in banking activities, which can develop in many areas, is substantially increasing.

3. CONCLUSION

In particular, it is proposed to create the nationwide innovation platform, based on the potential of the so-called economy of physical persons. Another example is the proposal to use crowdsourcing to finance mainly social projects, as a result of which the citizens may turn out to be the consumers of products or services in their mass. The wide involvement of the financial resources of the population in financial processes may be effective. Although, it is important to

maintain the stability of the financial system with some changes in the content of banking.

It is believed, that the most promising is the combination of advantages of the blockchain and the mechanism of P2P lending. In essence, it is about the creation of a new lending system, excluding financial intermediaries, since it opens the possibility of provision of temporarily free cash directly to the borrowers from their owners. And banking has a significant advantage in this direction since the modern distribution of blockchain is concentrated here. This is what is advisable to turn into one of the main competitive advantages of banking and into its promising creative tool. Moreover, the scientific literature emphasizes the real transformation of blockchain into the main modern technology for the prospective development of financial relations. For example, the comparisons are made with the new ubiquitous Internet; the impact of blockchain technology on the most diverse aspects of the life of society and individuals is substantiated.

In our opinion, in this context, attention should be paid to the approach of the Bank of Russia. So, the report for public consultations notes the breakthrough innovative potential of blockchain in payments, settlements, clearing and other systems. And what is the main, there is the prospect of an almost radical change in the banking system of customer service. And it seems to us, that this is directly related to the creative potential of banking.

At the end of 2016, the Bank of Russia established the Association for the Development of Financial Technologies (FinTech) together with a number of major financial market participants (such as Sberbank, VTB, Alfa-Bank, Gazprombank, Otkritie FC Bank, QIWI Bank, and others). This association is focused on the development of Masterchain, which is a single platform for the exchange and storage of financial information. So, the participants in the Russian financial market will be able to create and to launch financial innovative services on the market, via this platform.

In parallel, the Bank of Russia became the main initiator and organizer of development of the system marketplace - a unique platform for the provision of financial services and products to individuals on a one-stop basis, using the services of financial and non-financial organizations and institutions. This allows not only to strengthen the creativity of banking, but also to transform it into related areas of the economy, including through the deployment of diffusion processes and the expansion of ecosystems. Banking innovations are widely distributed in the field of consumption and have the potential to become universal for the population. Therefore, banking at the present stage of development should be considered as one of the backbones in the process of the formation of the creative economy. This is becoming an important component of the core content of both banking and the creative economy.

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