

Abstract

This article presents approach to build indicator for financial instability in the banking sector by constructing the indices of structural changes in its aggregate balance. From our view such approach promotes transformation the concept of banking crisis into numerical value.

In this article the term «banking crisis» is treated as event when appears the risk of stoppage the going concern in banking industry and banking sector not have enough resources to eliminate such risk independently without public or other kind of external support. The main thesis in this paper is that the consequence of banking crisis should cause sufficient changes of the banking balance structure. In order to find support for this concept we going briefly through the cases of the banking sector in Russia during 1992-2013 time period and describe the major changes in the structure of banking business.

The estimated part of the article based on data from official reporting form of banking balance for commercial banks on monthly basis starting from 2007. The aggregated balance of Russian banking sector in this article contains 13 items for assets side and 15 items for liability side. Index of structural changes estimated as average value of yearly absolute change in weight of item in balance sheet. Two indices for asset and liability sides of balance sheet were built separately. In addition the yearly growth rate of aggregate profit was calculated.

The results in the article has shown that banking crisis in 2008 caused the significant changes in balance sheet structure and banking business model in Russia.

Keywords: banking crises, forecasting, early-warning systems, finance, bank balance sheet, finance

JEL: C51, G32, G18

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