

# **“Unidentified Shareholders”: The Politics of Banking in Russia**

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*I hereby declare that this thesis contains no materials accepted for any other degrees in any other institutions. This thesis contains no materials previously written and/or published by another person, unless otherwise noted.*

## Abstract

This thesis presents an explanation of the ways in which Russian banks dealt with money throughout the initial period of the post-Communist transition. I analyse how structural, institutional and agency-type factors have formed certain institutions in the country's banking sector with high incentives for related party lending and little incentive for public trading of banks. This tendency conditioned both the diversity and peculiarity of bank behaviour. In order to demonstrate that I analyse the behaviour of the three types of banks - the so-called "petroleum" banks, the regional banks and the State Savings Bank Sberbank. "Petroleum" banks, being owned by the Russia's oil companies, exercise profit strategies that are entirely deferential to the motives of their owners. I explain this phenomenon by the influence of oil and gas enterprises upon the institutions of the Russian state, including those involved in bank regulation. The second most prominent group of banks in Russia, the regional banks, are subjected to patronage by local leaders. I link this to the peculiarity of the federalist arrangement, which evolved without the mutual accountability between the federal centre and the regional power structures. The last group, represented by a single player called Sberbank, has maintained special relationships with the Central Bank of Russia. It thus received regulatory treatment, which allowed it to dominate the national deposits market. This fact created a major constraint for the development of private banks with sophisticated retail networks. I link this phenomenon to a policy choice of the Russian reformers during the early nineties, which upheld a number of institutions of *ancien regime* during transition, thus maintaining their original structure and personnel recruitment methods. Ultimately, each of the Russian state bureaucracies involved with the banking sector and the three types of banks listed above – regulators of the hydrocarbons industry, federal power structures and the Central Bank – was affected by the decision of reformers not to restructure those institutions. This offered them certain degree of autonomy to exercise large control over the banks - petroleum banks, regional banks and Sberbank in each respective case – which explains the course of development the sector pursued throughout the first two decades of transition.