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Regional Banks and Institutions: the Case of Russia

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We examine the regional distribution of Russian banks and bank branches in 2000-2016 to show that the institutional features of Russian regions along with the economic factors such as a size and the structure of the regional economy and the population are important factors for location of regional banks. At a time when a significant reduction of the number of banking institutions have been observed outside the capital, Russian regions, having certain specifics, keep the number of banks and branches relatively large and unchanged. The conclusion of our study is that regional specifics related to institutional factors (i.e. a republican status, significant share of non-Russian population, federal district center status, and diversity of active political forces) impact on the number of regional banks, multi-branch banking, and their location. We present the quantitative evaluations of how these factors impact on the number of regional banks and multi-branch Moscow banks.

1. Banking geography in Russia.

The geography of banking in Russia has undergone essential changes. The era of a rapid growth of the number of banks, which began in the early 1990s, finished by the end of the decade and was replaced with an opposite trend. The number of banks reduced more than twice, mostly due to the reduced number of regional banks as a result of the growing concentration of financial flows and institutions in Moscow. Moscow and Moscow region concentrated 47% of Russian banks and 83% of bank assets in 2000 and already 90% and 52%, respectively, in 2016. In 2017 there are no independent regional banks in 12 regions. Some of regional banks are formally independent. About 90% of credit activity in regions is carried out by Moscow banks. 13% of all bank offices represent local banks and 87% are offices of other banks.

Russian regional banks have gone into liquidation or replaced by branches of Moscow banks. Some regional banks remain independent but formally, in fact being subsidiary structures of Moscow banks. Here we do not concern the reasons of this phenomenon as they lie in the Russian governmental banking and economy policies and they are connected with the rent redistribution taken place in the Russian resource-dependent economy. We focus on what factors could (or could not) contribute to the fact that non-capital regions of Russia keep their banking structure relatively unchanged. Our hypothesis is that, along with pure economic factors, these factors are of institutional character such as a region's status in the federative structure of the country, national-ethnic characteristics, and political processes. We show that a generally accepted link between a socio-political sphere and economy could be visible on the example of Russian regions, including their financial sectors.

To understand why regional banking business shrinks, we analyze the distribution of regional banks and branches in the regions outside Moscow. We will explore the dynamics of the number of institutions in banking sector in all Russian regions using data concerning the number of independent credit institutions and branches existed from 2000 to 2013 in Russia (Central Bank of Russia, website cbr.ru) except Crimea and Sevastopol (due to a lack of most data) and Moscow and Moscow region

(due to our interest in regional processes taken place outside Moscow). St. Petersburg and Leningrad oblast are considered together. Chechnya and Ingushetia are excluded because of a lack of data of the early 2000s.

2. Regional banks and institutions.

The cross-countries studies devoted to comparing financial development focus on three groups of the explaining factors: liberalization of economy, macroeconomic stabilization (monitoring over inflation and budget expenditures), and institutional reforms [8; 9]. For the purposes of our research, the first two groups of factors (open access to financial and commodity markets, absence of restrictions on capital movement, and etc.) are of equal impact on all regions, while institutional environment (according to that formulated by D. Nort) differs in different subjects of the Russian Federation due to historical traditions, customs, social capital, and etc. Classical works by Asemoglu, La Port, Nort, showed a close correlation between institutions and financial sectors [1; 14; 16]. The detailed results have been received thanks to detailing the concepts ‘financial sector’ and ‘institutional environment’ (and ‘institutions’ and ‘financial sector’ in the studies on such a correlation) for countries with the high, average, and low levels of the income per capita. Researchers also study how institutions impact on the development of separate components of the financial market such as a banking sector, stock market, and debt and credit markets [8;11], and how separate institutions (economic, political, and social ones) impact on a financial market and its segments [9; 11]. It is intuitively clear that various segments of financial sector differently depend on quality and structure of institutions. Equity capital markets are the most particular about quality of institutions in a financial sector as its functioning directly depends on to what degree investors’ property rights are protected, while debt capital markets, including banking sectors, are less particular; that is why market reforms in developing economies start, as a rule, with their bank sector. It is established that quality of economic institutions is a key factor for development of banking sectors, especially for developing countries [15]. As for developed countries, political institutions are more statistically significant, while economic and social institutions are significant for the countries with the low and average levels of the income. Governmental policy is a significant factor of a banking system regardless of the level of development of a national economy.

The estimations of how institution of democracy, among other political institutions, influences on financial sectors vary very much. It is shown in [4] that democracy strengthens financial development in the countries with strong institutional structures; however, it can slow down development of financial sectors in the country with a poor quality of institutions. The reforms carried out in some countries demonstrate that transition to a democratic government won't encourage the development of financial sectors. Empirical results show that the international distinctions in the level of development of banking sectors can be explained a character of the legal systems. Democratic institutions in developing economies do not always encourage financial development because of the distorted principles of democracy in the countries with no historical traditions and experience of democratic procedures [9]. The studies concerning democratization in various countries demonstrate that democratic transformations are very risky if they are carried out in countries with low incomes, weak institutions, and ethnic conflicts. In these conditions, the transition to a representative government results in uptick in violence [13]. This conclusion is especially important for Russia – the democracy level in its regions, including national republics, as well as their national peculiarities, significantly vary. Moreover, the studies, which explain the distinctions in development financial sectors in different counties by institutions, show that countries have different institutions because of the difference of their legal norms or initial development conditions [1; 15]. The latter hypothesis seems to us applicable for making estimations for federative countries. The subjects of the Russian Federation have various institutional starting levels.

Despite numerous studies concerning the above topics, there are different points of view on some aspects. For example, there are discrepancies in assessing the sequences of the actions aimed at the development of financial sectors. One opinion is as follows: a country must create good institutions at first, and then a good financial system will appear. Another view – simultaneous development of institutions and financial sector – is presented in [15]. Most likely, such differences in opinions on a ‘financial sphere–institutions’ dependence is a result of complexity of the specification of institutional variables. Firstly, institutional characteristics have a long period of ‘accumulation’. Secondly, there is no statistics which can adequately

reflect them. Institutions are characterized by numerous specific social and political factors, many of which can be observed by econometricians only partially [14]. Most commonly, the quality of institutions is specified through indices and ratings calculated by international organizations, for example, through Legal Structure and Security of Property Rights Index included in the Economic Freedom of the World and others. Here we also use an index estimating the democratic features of Russian regions [17]. The state of a financial sector, including a banking one, is well specified due to the reliable and systematic statistics provided by central banks of the countries.

We use in our analysis only one variable being studied such as the number of banking institutions in regions of the country instead of those usually used to characterize the development of a banking system such as volumes of banking crediting, assets or liquidity [8; 18] since our focus here is a scale of the reduction of the number of banking institutions in the country and their uneven spatial distribution. The location of banking network in the form of ‘parent organizations-branches’ reflects the most important characteristics of the financial sector such as steady financial periphery–center links, horizontal financial links between adjacent regions, and presence of regional financial centers. Thus, a spatial architecture of regional banks, which is a set of parent organizations of regional banks and their branches together with branches of capital cities banks, is very significant and reflects not only the economic potential of a region, but also its vertical links.

Our hypothesis is that the number of banks and branches is a result of interaction and influence of both economic and institutional factors that finally affects the volumes of banking sector activities, its accessibility, adequacy to needs of the regions, and etc. It is expectable that the connection between political processes and banks is quite natural in the country with weak and started institutions, and such a connection can impede the general development of the banking system. Our idea is that the occurrence of connections between institutional and political features of regions and characteristics of their banking sectors at the sub-national level can mean an unfavorable institutional environment for development of banks at the level of all country.

For our purposes, we have divided the factors, which could determine the state of a regional banking network, into two groups: economic and institutional.

- *Economic factors*: the real GRP and real GRP per capita; population in a region and conglomeration of the population in the largest regional city (usually, it is a capital city of the region), i.e. a share of the total regional population residing in the largest regional city; structure of the regional economy – its diversification/concentration and shares of major important sectors (such as mining, manufacturing industry, services, trade, construction, and etc.) in total regional production; availability of qualified labor (the quality and scope of the higher education system in a region – we use the number of university students per 10,000 people in 1990)
- *Institutional factors*:
 1. **Political standing and political status of a region and its capital city**. Our hypothesis is that political standing of a region could strengthen the positions of their banking institutions in the context of the increased governmental pressure on the Russian banking sector. There are studies which describe links between political and governmental interests and bank institutions [6; 7; 19]. We use such variables as occurrence of a capital city of the federal district in the region and a republic status of the region.
 2. **The linguistic, cultural, and national features** of a region, especially those supported by political factors. They can strengthen local bank institutions as opposed to branches of bank networks external to the region [3]. Our hypothesis is that in Russia a republican status is much more significant than national and ethnic peculiarities of a regions-republic. We use the following indicators as those reflecting national and ethnic features of the republics: a share of the population who, according to population censuses 2002 and 2010, identified themselves otherwise than ‘Russian’ and a share of the population living in republics who

identified themselves as those of a titular nation in the region (for example, for Dagestan - unit minus a share of the Russian population). We assume that these features aren't well expressed in the regions which don't have a republican status (with a prevailing share of the Russians) and, therefore, these indicators are equal to zero for them. The indicators reflecting national and ethnic features are closely correlated to each other and an indicator of a republic status as well; thus, we use only one of them in our econometric calculations.

3. **Diversity factor and factor of the competitive the political forces and elites in regions.** We use the ranking of democratic regions presented by the Carnegie Moscow Center in 2001-2011 [17]. The authors of these ratings state that political processes, being highly dynamic, are inhomogeneous in the different regions. This results in a variety of political processes in regions of the country.

To assess a state of regional democracy according to the rating technique, we use the following characteristics: elected/appointed authorities, independence of courts, openness/closeness of political life, competition of elections, a role of an 'administrative factor', election fraud, existence of permanent parties and fractions in legislative authorities, electoral pact, political competition and polycentrism, independence of mass media (existence of mass media uncontrollable by authorities, their reader's audience and role in political life, pressure from authorities), corruption (merging of political and business elites, corruption scandals, anticorruption efforts), economic liberalization and privatization (local law and law-enforcement practice, property scandals), civil society (non-governmental organizations, referenda, various forms of public activity unauthorized by authorities, including meetings, demonstrations, strikes, and etc.), rotation of leaders, and local government (elected local governments, their functions and decisiveness). Integrated assessments were calculated as a sum of estimates made according to five-point grading scale for each characteristic. Thus, the democracy index reflects a variety of political forces and elites in the region and their competition. According to this index, the industrial and large regions and regions-large cities (except Moscow) are leading, while the majority the national republics with their clan society and specifics in political system and political culture are in an opposite pole. Mostly, they are small regions having no large cities and industrial centers. By the way, Novosibirsk Oblast is among leading regions due to, according to authors of ratings, the presence of competition between the regional and city authorities. The absence of consolidated elites and existence of current political conflicts and those taken place in the recent past are characteristic of the most democratic regions. The latter are especially characteristic of relationship of governors and mayors of the capital cities.

Though there is a correlation between a democracy rating and other variables (a size of the population, republican status, share of the population of titular nation, share of the largest city, and others), it is not high (less than 0.6 in all cases). This means that this index has its own independent value which isn't determined completely by other factors. Our hypothesis is that the number of banking institutions depends on the presence of various political forces in the region. It is true if different players in the regional political field prefer and are supported by their regional banking institutions.

To illustrate this hypothesis, we constructed a dependence of the number of branches of banks located in other Russia regions in 2013 on a democracy index. It is not surprising that a positive dependence can be seen – the variety of elites is higher in regions with large cities where there are more banking institutions (see. Fig. 1).

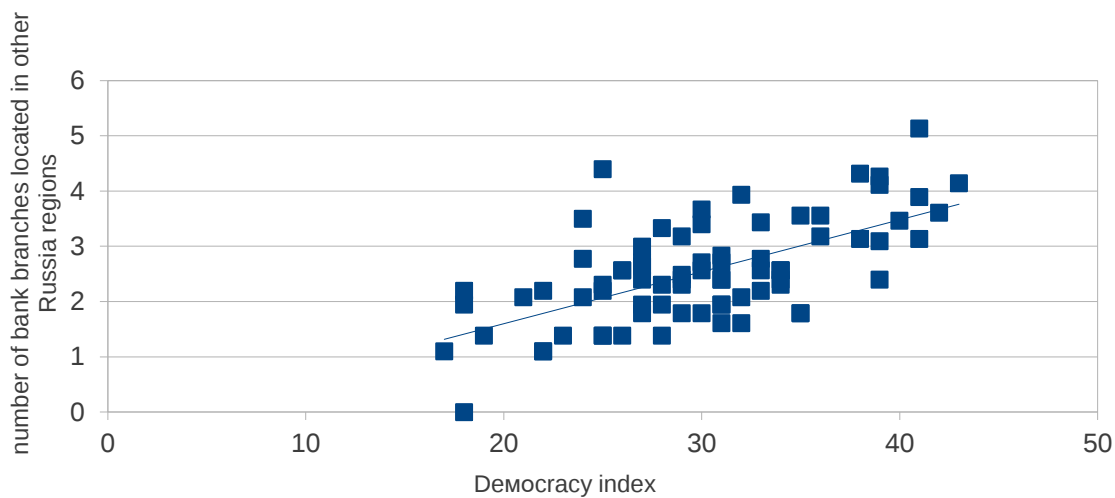


Fig. 1. Democracy index and the number of bank branches located from other Russia regions in 2014 (in logarithms).

However, there is some dependence observed if we analyze the number of bank institutions per capita (see Fig. 2)

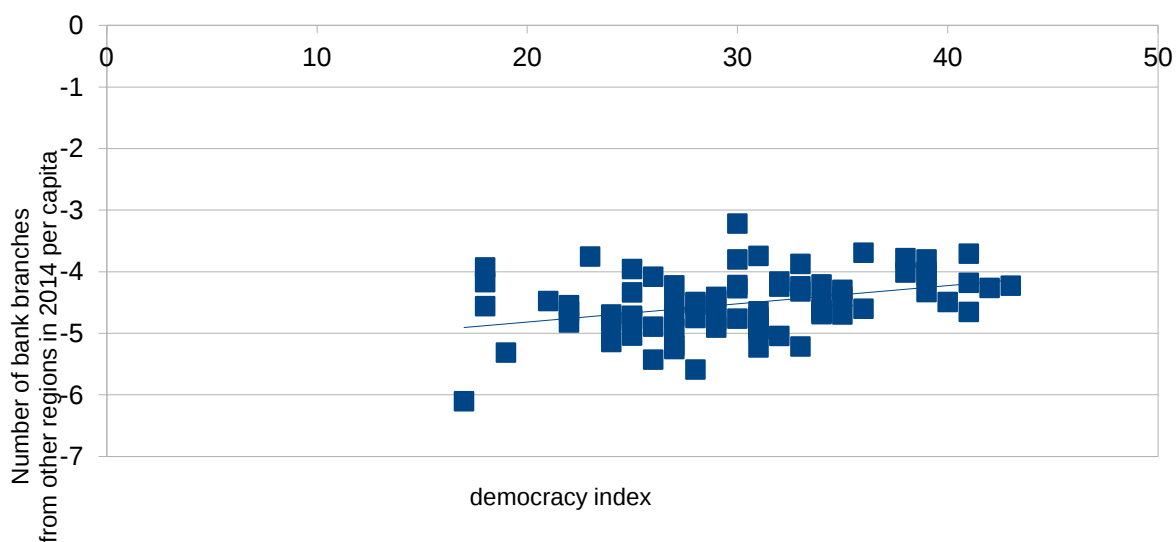


Fig. 2. Democracy index and the number of bank branches from other regions of Russia in 2014 per capita (in logarithms).

Among the factors listed above, the real GRP per capita, size of the population, population concentration, and indicators of the economy structure are dynamic over all period 2000-2013. Other factors such as political, national and ethnic, geographic, and education factors are practically unchangeable.

3. Model and calculations

We estimate the dependence of Y_{it} (the number of bank institutions (banks and branches)) in i - region in t -year on the basis of panel data as follows:

$$\ln(Y_{it}) = a_1 \ln(POP_{it}) + a_2 \ln(GRPPC_{it}) + bCITY_{it} + c1STR1_{it} + \dots + cnSTRk_{it} + d1X1_i + \dots + dnXni_i + f_0 Year2000 + f_1 Year2001 + \dots + f_{13} Year2013 + e_{it}, \text{ where:}$$

POP_{it} is the population in i - region of t -year;

$GRPPC_{it}$ is the real GRP per capita in i - region of t -year;

$CITY_{it}$ is the share of the population living in the largest city in i - region of t -year;

$STR1_{it} \dots, STRk_{it}$ are the variables reflecting the economy structure in i - region of t -year (concentration indices and shares of major branches and sectors in the economy);

$X1_i \dots, Xni_i$ are the characteristics of i - region which are invariable over time; and

$Year2000, Year2001 \dots, Year2013$ are the dummy time variables.

To reflect better the specifics of each region, it would be necessary to include individual effects of regions in the specification. However, it will make impossible to estimate the influence of regional characteristics invariable over time (which mostly are of our interest) on the number of bank institutions. Therefore, we don't use individual effects of regions.

The problem arising during the work with regional panel data is a non-stationary character of the panels in our case which is confirmed by stationarity tests. The number of bank institutions and population reduce in the majority of regions throughout the most part of the period under study, while the real GRP per capita grows. As a result, the estimation allows obtaining, for example, a negative dependence of the number of banks and branches on the GRP per capita, that is a consequence of a spurious regression since the decreased number of bank institutions and growth of real GRP took place beyond the reasons independent from each other.

A standard mode of work with non-stationary data is to use incremental indices and to estimate dependences of growth rates of variables. However, in our case it is unlikely that annual changes of the number of banks institutions can depend on annual changes of the population, real GRP, or economy structure. It is more likely that changes of these values over years and correlations between them are more important; in other words a long-term, but not a short-term aspect expressed by the annual dynamics of incremental indices is important. Moreover, the transition to using incremental indices would not allow the estimation of influence of the factors invariable over time.

The problem of occurrence of a spurious regression can be partially removed by including in the specification the dummy time variables reflecting specifics of every year such as economic and demographic tendencies, features of the pursued banking policy, and etc., which are general for any region from year to year. It is an approach we use. Moreover, it is obvious that such annual specifics are very important in our case; therefore, inclusion of dummy time variables is expedient. We make assessments both for 2000-2014 in whole and for 2000-2009 and 2010-2014 separately.

Another method to avoid this problem consists in estimation of the equation on the basis of both cross data for every year and average annual ones for the different periods and entire period under study. This allows avoiding the problem of non-stationary data in time completely; the estimation can be made only on the basis of regional distinctions between regions, but not time distinctions. We also use such an approach.

In the a long-term horizon, the development of the banking sector can potentially influence the GRP, its structure, level of diversification, and even a size of the population; and the problem of endogeneity is possible too. To separate the impact of the listed factors on the banking sector from a reverse influence of

banks development on the size and structure of economy, it is necessary to instrument economic development indicators by variables, which can be considered independent of banking activities, such as geographical, climatic, and natural indices, or by predetermined indices of development of economy in last decades [12, 18]. The existence of the problem of endogeneity for our case was confirmed by endogeneity tests carried out by us. As for Russia, it is easy to solve the problem since the indices of the development of regional economies observed in the Soviet time don't depend on the development of finance and banks during the Post-Soviet period, but considerably defined further formation of the population, structure and a size of economy; therefore they are good tools. So, we use a two-step least-squares method and as our tools – such indicators as a size of the population, share of population living in the largest city of the region, the industrial output, oil production, currency export, a share of the mineral and fuel industries in 1989-1993, climate variables and regional land areas and remoteness. We also apply the multicollinearity and heteroscedasticity tests and use robust standard errors.

The assessment is carried out separately for regional banking institutions and branches of banks with parent organization located out of the region (mostly in Moscow) as we assume that their localization is explained by different factors. The variables such as the size of the population and its concentration in the capitals of regions, real GRP per capita, and structure of economy were instrumented. We do not present below the regression tables for the first step of estimation (for compactness) and present the results of endogeneity tests for all endogenous variables below. The tables include only statistically significant variables.

In 2000 the independent regional banks and their branches made about 40% of the total number of banks and branches, and they played a noticeable role. In some regions (Tatarstan, Dagestan, and Karachay-Cherkessia) their share reached 60-70%. Only three regions had no regional banking network (the Jewish Autonomous Okrug, Chukotka Autonomous Okrug, and Chechen Republic). By 2014 there were already much less independent regional banking institutions remained, and they made 30% of the total number of banks and branches in regions, the total number of which had also decreased. Six regions had no regional banks (eleven ones – in 2016). Many regions have very few banks remained – one or two banks. Most regional banks have no branches at all (except for banks in Tatarstan, Dagestan, Chelyabinsk, and Tyumen, where a fast reduction of the number of branches of regional banks can be observed too).

Our calculations show that there are more regional banks in the regions which have the republican statuses and large population of the titular nation than in others. Such regions (republics) have their local features and specific relationship with the federal government that makes them more survivable and attractive to regional banks despite their modest economic potential. It is institutional characteristics are of our interest.

Table 1

The Number of regional banks and its branches located in the same region, (panel data)

Variables	2000-2009гг.	2010-2013гг.	2000-2013гг.
Real GDP per capita	0.95*** (0.07)	0.91*** (0.16)	0.93*** (0.07)
Population	0.66*** (0.05)	0.63*** (0.09)	0.65*** (0.04)
Share of the population in the largest city of the region	-1.12*** (0.25)	-1.11** (0.45)	-1.09*** (0.22)
Education (the number of students in 1990. per 10,000 people.)	0.45*** (0.07)	0.63*** (0.13)	0.49*** (0.06)
Democracy index in Russian regions	0.69*** (0.17)	0.48* (0.27)	0.63*** (0.15)

A share of the population of the titular nationality in republics	1.11*** (0.15)	1.36*** (0.24)	1.17*** (0.13)
Capital city of the federal district	0.41*** (0.08)	0.17 (0.13)	0.34*** (0.07)
Distance from Moscow	0.31*** (0.03)	0.20*** (0.05)	0.28*** (0.02)
Climate	-1.15*** (0.27)	-1.48*** (0.44)	-1.23*** (0.23)
Land area	-0.17*** (0.04)	-0.12* (0.07)	-0.15*** (0.04)
Dummy	significant	significant	significant
Constant	-7.35 (1.04)	-6.40 (1.77)	-6.76 (0.90)
Observations	729	282	1011
Number of regions	74	72	74
R2	0.64	0.57	0.63

Note: All variables (except shares) are in logarithms. The instruments are: the population, a share of the total regional population residing in the region's capital city, the structure and size of industrial production, mineral industry, export in 1989-1993, climate, and land area of regions. Standard errors are in parentheses; *, **, and *** denote significance at the 10%, 5%, and 1% level, respectively.

The local regional bank institutions appeared to be more numerous in regions with a republican status and the prevailing population of titular nation. Such regions being the republics have their local specifics and specific relationship with the federal center that makes their regional banks more economically viable and popular despite their modest economic potential.

The number of regional banks positively depends on the diversity and competitiveness of the regional political forces – such dependence could be observed up to 2009. However, since 2010 Moscow banks branches, which had the less noticeable democracy index than regional ones, captured this dependence. It is likely that the replacement of regional banks by branches of Moscow banks has a political dimension. A democracy index can be regarded significant even if such factors as the population, GRP, and statuses of a large city, republic with the prevailing ethnic population, capital city of the federal district are included in the analysis. For example, a status of the region, being the republic with the dominated ethnic population, makes the size of the regional banking network higher, while the low democracy index, which is characteristic of such regions, makes it lower (see Table 2).

In the period up to 2009 a status of the region as a center of the federal district was considered by regional banks as important. Since regional banks played a prominent role that time, the status which a region had within the federative structure impacted on its position. Later, however, the beneficiaries of such a status became branches of Moscow banks while regional banks lost such benefits.

Geographical factors also matter for localization of the regional banking network that isn't surprising for such a large country as Russia. It is quite possible that such a factor as the remoteness from Moscow was favorable for the development of local banking network by slowing down the expansion of Moscow branches. However, since 2009 the coefficient showing how the distance to Moscow influences on the number of local regional banks has decreased and this change is statistically significant according to Chou's test. Severity of climate influences regional bank institutions negatively although not exclusively through the population size, but due to the higher unattractiveness of such regions.

Table 1

**The number of regional banks having parent organizations outside the regions, panel data
2000-2014, two-step least spreads method**

Variables	2000-2009	2010-2014	2000-2014
Real GDP per capita	0.35*** (0.04)	0.42*** (0.07)	0.37*** (0.04)
Population	0.74*** (0.02)	0.76*** (0.03)	0.75*** (0.01)
The share of the population in the largest city of the region	0.47*** (0.10)	0.93*** (0.21)	0.60*** (0.10)
Democracy index in Russian regions	0.01 (0.08)	0.45*** (0.15)	0.12* (0.07)
The share of the population of the titular nation in the republics	-0.46*** (0.06)	-0.09 (0.09)	-0.36*** (0.05)
Capital city of the federal district	0.00 (0.04)	0.47*** (0.07)	0.13*** (0.04)
Distance from Moscow	-0.06*** (0.01)	-0.03* (0.03)	-0.05*** (0.01)
Climate	0.06*** (0.01)	0.03 (0.03)	0.05*** (0.01)
Dummy	significant	significant	significant
Constant	-3.05 (0.27)	-5.72 (0.58)	-3.68 (0.26)
Observations	750	300	1050
The number of regions	75	75	75
R2	0.88	0.89	0.88

Note: All variables (except shares) are in logarithms. The instruments are: the population, a share of the total regional population residing in the region's capital city, the structure and size of industrial production, mineral industry, export in 1989-1993, climate, and land area of regions. Standard errors are in parentheses; *, **, and *** denote significance at the 10%, 5%, and 1% level, respectively.

Also it is worth noticing that the structure of a regional economy and degree of its dependence of resources and diversification do not considerably impact on the number of bank institutions of both local and Moscow branches located in regions. The same result is presented in the cross-country study (see [5]).

As for branches of the banks located in other regions (mostly Moscow ones), two major economic factors define the "invasion" of such branches; they are the GRP, population, and a share of the population in the

largest city of the region. However, in addition to an obvious tendency to the concentrated branches observed in the regions having large population or large cities and rich regions, the following institutional factors of their location can be seen.

Firstly, the ‘invasion’ of branches of Moscow banks into regional banking markets (republics) with the dominated ethnic population was less noticeable up to 2009. To some extent, these regions remained a ‘home territory’ of local banks. Later, since 2010, numerous Moscow branches have been observed in other republics too. As expected, the distance from Moscow restrained such an invasion to some extent.

Since 2010 the factor of availability of a capital city of the federal district in a region started working to the benefit of Moscow branches, but not to independent regional banks. Such a status seems to provide benefits to business, including banking one. Our results show a high significance of this factor. Although the role of the institution of the Plenipotentiary of the President in federal districts could not be considered economically significant, our assumption is that governmental financial flows being extremely important for Russia banking business are higher in capitals of the federal districts.

4. Conclusion

Since 2010 the number of branches of the capital cities banks began to depend also on the variety and competition of political forces in the region too. It reflects the fact that local elites started to be serviced by branches of Moscow banks. Thus, there has been rather less branches of Moscow banks in republics (since 2009) and ‘non-democratic’ regions (since 2010). The local institutional environment influenced on such a practically irreversible, as it is quite clear now, process as the replacement of local bank institutions by external banking networks.

We showed that institutional factors determine the location of regional banks and branches of Moscow banks. Regional banks tend to be located in the regions which have a republican status, relatively independent regional authorities, prominent national and ethnic characteristics; they rely on its own local labor market and potential of qualified labour. Until 2009 the number of local banks positively depended on availability of a federal district center and diversity of political forces in these regions. Since 2010, the latter two factors affected the number of branches of Moscow banks as the role of regional banks kept decreasing. The current structure of regional banks indicates the increasing concentration of power in Moscow. Currently a republican status and local features do not impede the expansion of Moscow banks too as it happened earlier.

In spite of the fact that the replacement of regional banks by branches of capital cities banking networks is practically an accomplished fact, there are many questions about further evolution of regional banking institutions. How inevitable and economically expedient is disappearance of regional and often small banks? Though the future of the banking sector in regions depends generally on the policy pursued at the federal level, we show that political and institutional features of regions are of importance. Distinctions in the banking sphere in subjects of the Russian Federation confirm the conclusion about the importance of historical, cultural, and national peculiarities – so-called peculiar regional features. Therefore, to obtaining new results, it is necessary to carry out an additional search for specifications of institutional variables.

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