

Supply Chain Management in the Sphere of Household Economies in the Modern Economy of Russia

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Abstract- Despite the fact that the terms "household finance", "individual finance", "supply chain strategy" and "personal finance" are recently found in the scientific literature and statistical studies quite often, their place and role in the financial system of the country and in the life of the population are not yet sufficiently visible and these terms need to be clarified. In modern Russia households direct certain share of their income to savings, but only if there are effective communications with the financial market, those savings can become significant sources of investment that are needed by any government. The article concluded that current savings of Russian population cannot be recognized as full – valued free resources that can be directed to investment due to certain problems.

Keywords- householdsavings, householdfinances, personalfinances, supply chain management,public finances, household budget management.

1. Introduction

In recent years, particularly from the end of the 90's, articles devoted to personal and household finances started to come out in Russia. In these articles an individual is investigated as an active participant and a constituent unit of economic systems and processes. This has happened mostly due to observable economic transformations that occurred in our country and awareness of the increasing role of personal finance in Russian economy. By the end of XX century there was a shift of priorities in favor of the final consumption sector finances. In scientific terms the neoclassical theory of finance was raised, which focuses on

personal finance. House hold finances should be regarded as the basis of the modern financial system of any government. The domestic market capacity parameters, the volume of resources in the budget system, the pace of the investment process and the standard of living of the population depend exactly on it. This is due to the fact that in a developed market economy personal incomes are approximately 70% of GDP. [1] One of the most significant indicators of a developed economy is the size of the income excess over current consumption. In this situation, the population is able to provide the bulk of investments at the expense of their savings. An increase of technology development leads to the transformation of the existing proportions of income distribution to consumption and savings. This directly affects both personal finance and personal financial assets. Banks and other financial institutions in the modern economy are intended to accumulate monetary incomes and savings of the population, and as a result they turn into loan capital and other financial products. Household savings are one of the most significant and massive sources of long-term capital base in the formation of the investment resources of the banking sector.

2. Main part

The demand for banking services from the population as the owner of savings is increasing as scales of production and exchange relations between producers grow, figure 1.

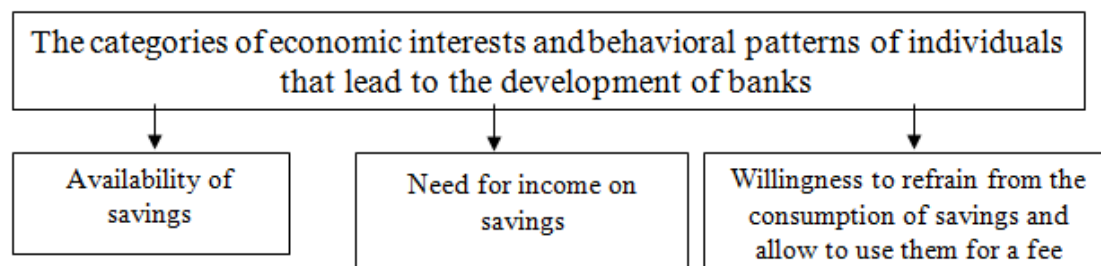


Figure 1. Economic interests and behavioral patterns of individuals leading to the development of banks

For the short history of the modern banking business, Russian banking sector gradually went through its development stages from purely corporate to universal credit organizations. In such activities the retail client is essentially important. The investigation of new market segments led the majority of large and medium-sized banks to the private clients orientation. Today, banking services are not limited to loans extending and possibilities of opening deposits. By cooperating with the bank, there is an ability to earn money by investing

in investment products. Almost all large banks provide services of saving and multiplying money deposited by clients and give an opportunity to earn money using particular investment products. At the same time, the bank is focused on providing full information and support to the client[2]. Figure 2 shows the main advantages of investing savings of the population in banks.

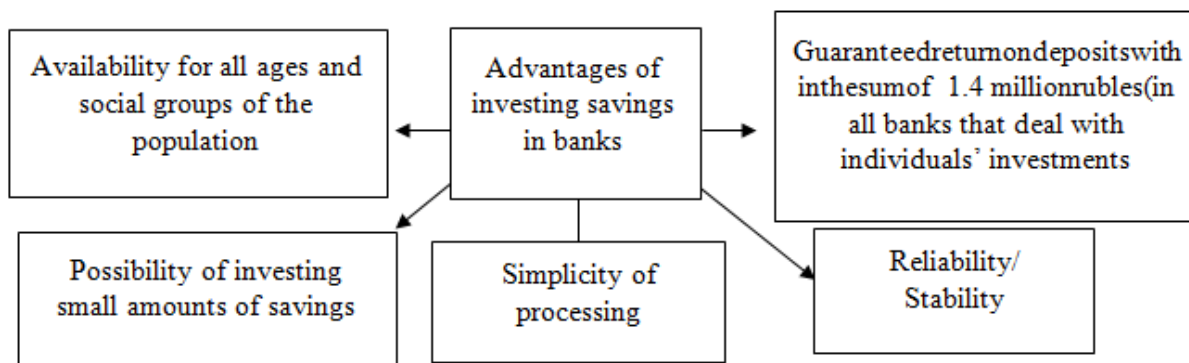


Figure2. Advantages of investing savings in banks

Figure 3 represents banking products that are offered by modern and popular banks in Russia.

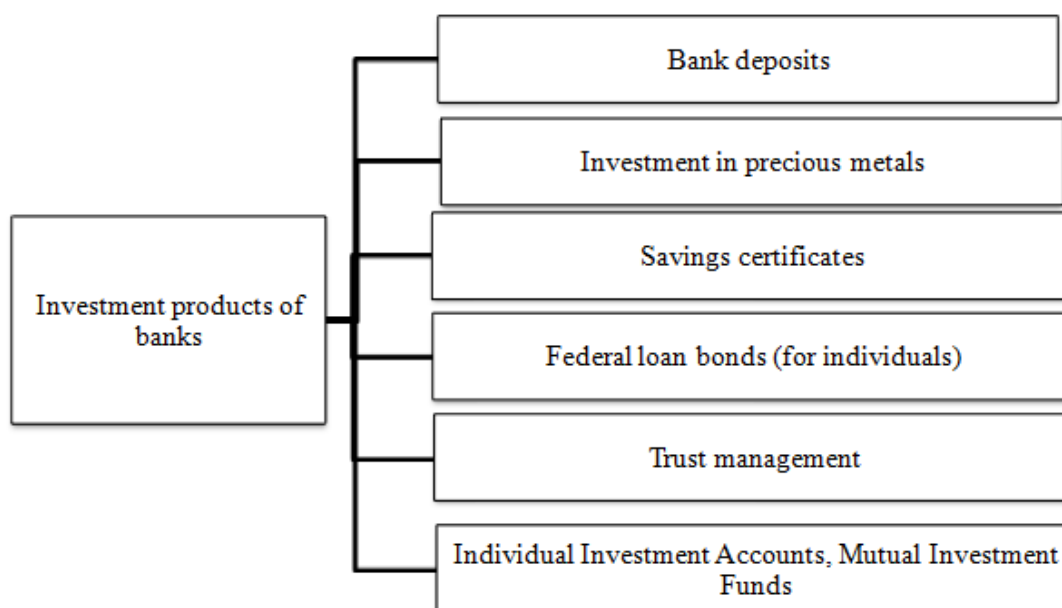


Figure 3. Investment products of Russian banks [3]

A bank deposit has been the most common investment product offered by banks to invest money and remains the same to this day, figure 4.

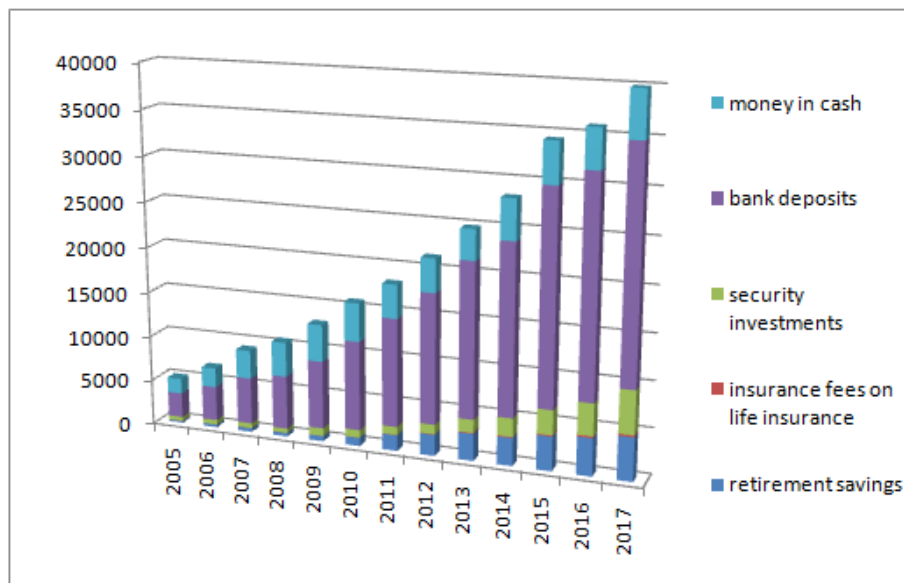


Figure 4. The structure and dynamics of financial investments of Russians (bln rubles) Federal State Statistics Service. The official website. <http://www.gks.ru>

It is important to observe the features of bank deposits to this day:

a) All deposits in Russian banks are insured. However, attention should be drawn to the fact that the sum of insurance is limited. All deposits of individuals are insured in the amount of 1 400 000. It is considered as a large sum of money in Russia. Therefore, such amounts of money should be deposited in a larger and more stable bank with long-term experience and positive reputation. As a rule, the interest rate in such banks is lower than that of young commercial competitors, when the risk of losing money from a bank deposit account or not making an expected profit is minimized.

b) When choosing a bank for investing your own funds, it is not recommended to choose banks where high interest rates are offered. It reflects the fact that bank extremely needs funds and its main action will be attracting money by using any appropriate methods.[4] Nevertheless, if you decide on such a risk, limit your money deposit account to a shorter period of time- 3-6 months.

c) The most appropriate term for deposit account in a reliable bank is 1 year. Despite the fact that long-term deposits are much more profitable, they are less protected and not always profitable in economic terms. Every day banks offer more profitable terms of deposits by raising the level of interest rate. That is why it is more viable to deposit money for a shorter period of time in order to invest money again by opening up a new account when there will be more profitable offer of bank deposit [5,6].

d) It is desirable to open a bank account with capitalization of interest. Such type of bank deposit is more profitable because it assumes the addition of monthly accrued interest to the main body of deposit. Thus, next month interest will be accrued to a larger sum.

In Figure 5 we have considered the dynamics of deposits in large banks of Russia at 1.7.2018 in ratio to 1.7.2017 and we can observe the growth of deposit accounts amount, which again proves the popularity of such kinds of banking services around the population.

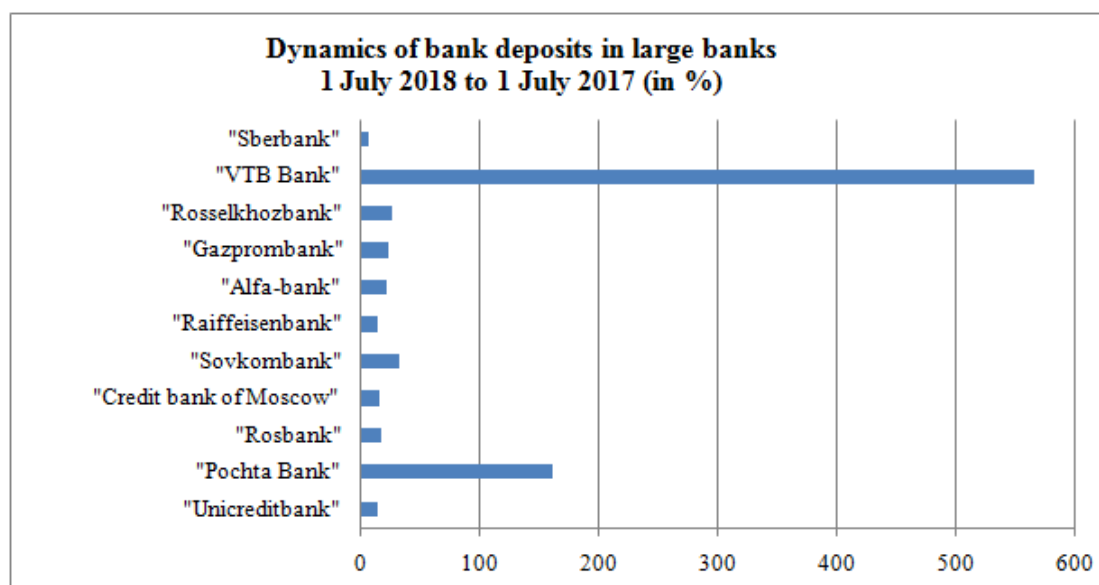


Figure 5. Dynamics of bank deposits in large banks
 Compiled by the author according to the data from the Bank of Russia

At the same time we need to take into account that saving process of households in modern Russia has certain features characterized by the fact that a significant part of the population has clear conditions of savings formation. However, the main part of free money resources continues to stay within the pockets of people or are led to buy a foreign currency. [7] While investing free money resources, the paramount importance is represented by financial instruments which have such characteristics as reliability and profitability. However, the savings kept in hands by Russians cannot be considered as a full-fledged resource that could be invested because of relatively low size of savings and formed unreliability of households to financial institutions. [8] In this regard, it is necessary to highlight the existing problems of effective management of household finances in modern Russia:

1. Insecurity of the population savings. The perfect mechanism to protect the interests of the population when investing in financial products can significantly increase savings activity. Over the past six years, licenses of more than 400 banks have been revoked, and today there are less than 500 of them in the Russian Federation. As a result, the Deposit Insurance Agency found itself in a difficult position. Ref. [9] at the present time Deposit Insurance Agency guarantees the return of savings, but within a certain amount. The limit of the amount that the Deposit Insurance Agency can pay to each applicant, regardless of whether he is a sole trader or a regular depositor, is equal to 1.4 million rubles.

2. Also, another problem is not sufficiently reliable coverage of the existing monetary incomes of Russian population in the official data statistics due to number of factors, such as: cash payments; massive tax evasion; concealment of real wages [10].

3. The inability of the population to adequately interpret the available information and the existing asymmetry of information. The reason of this situation is the continued low level of financial literacy about financial products, services and their characteristics. [11] That is why it becomes essential to increase the level of financial culture and investment literacy of Russian citizens.

4. The next problem comes from the structure and mechanism of the investment services market. The barriers are not only the underdeveloped infrastructure of the financial market, but also very high "entry threshold" for the average person to the market, the limited product line offered to the population for investing savings [12, 13].

5. The impossibility of including large segments of the population in investment processes is due to rather low standards of living of the majority of Russians. The standards of living have significantly decreased as a result of the depreciation of the ruble and sanctions imposed against Russia over the past few years.

3. Results

Personal finance is the main element in the modern financial system. It mediates personal consumption and investment in the public and corporate sectors, thereby creating the conditions for their development. Personal finance plays a significant role in the distribution and

redistribution processes of the financial system, thus being an integral part of the state budget. Today, citizens of our country have come to realize the importance of personal financial planning. However, in general, the savings of Russian households cannot be considered as a free investment resource, due to specific circumstances. The importance of personal savings, as one of the determining factors for the development of the Russian economy, reveals the need for an immediate solution to the issue of forming a unified national policy and a long-term regional investment strategy [14,15]. The goal of this policy should be an intensification of the investment opportunities of personal finance by ensuring an attractive investment climate in the regions and the return of public confidence in banking organizations [16]. Through banking products and services, people can preserve their savings, funds, or invest them in various investment products. Therefore, the priorities for modern economic relations are the involvement of cash savings in the banking segment, as well as the reduction of the part of savings that remains in the hands of the population.

4. Conclusion

Savings can be defined as any use of cash in order to secure future consumption or extract future income. The reason for the lack of savings among the population is, first of all, the problem of channeling these funds to investment purposes. This means the need for households to enter financial markets - participation in such forms of savings behavior that would ensure the operation of their money. The pursuit of savings is not always associated with the accumulation of funds for investment. However, these savings may well become a potential investment resource. In the present circumstances the most significant factor is the maximum involvement of the population in the banking sector of money savings, as well as the reduction of the part that is in the hands of the population. Savings are one of the main sources of the long-term capital base of the banking sector in the formation of investment resources.

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