Financial Reserves of Households as a Factor in the Sustainable Development of Territories

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Abstract. Household finance is a new sub-branch of financial science, so the terminology has not yet been formed. Least developed approaches to understanding the financial reserves of households. The article presents the author's understanding of the financial reserves of households, proposes their classification into perfect and imperfect reserves, discloses their regulatory, risk, accumulation and investment functions, assesses the possibility of their formation by Russian households in modern economic conditions. The scientific novelty of the study lies in the identification of the specific mixed nature of the financial reserves of the household as part of income and type of expense. The basis for further scientific and practical research of the financial reserves of households has been laid.

1 Introduction

The relevance of the study of theoretical and practical aspects of understanding, formation and use of financial reserves by Russian households from the standpoint of their impact on territorial development is determined by a number of factors.

Firstly, the terminological apparatus of the young scientific sub-branch of finance - household finance is characterized by underdevelopment, debatability and underdevelopment [1]. So, there is still no common understanding of income, expenses, savings, investments, reserves, funds and their ratios in the system of household finances [2]. While the development of the theory of any science is always accompanied by the evolution of views on the content, functions, forms and other features of the cornerstone definitions in the direction of their clarification and subordination.

Secondly, in practice, it is the financial reserves of households at the macroeconomic level that: are the source of long and cheap money in the economy (it is generally recognized that the population is the largest saver in the country’s economy); play the role of a safety cushion in the event of shock effects and financial and economic crises in the country; form the base of effective demand of the population for expensive durable goods, real estate, financial products and assets. Consequently, the level of development, structure, specificity and elemental composition of the finances of the population of a particular territory affect its development. This impact can be positive or negative, but never neutral.

Thirdly, at the nano- (personal level) and micro- (household level) economic levels, in the process of ensuring the personal financial security of an individual and his family members, financial reserves play a leading role, protecting them from the risks of losing...
their job, income, labor function, help in the event of unforeseen expenses, carry out a balanced (safe for financial stability) consumption of durable goods and the implementation of predictable and unpredictable spending. If the country’s population has a good level of financial security, then this reduces social tension in society and the social burden of the state in the areas of state pensions, compulsory medical insurance, and other areas.

Fourth, household finances are the least regulated by the state of all parts of the financial system. What does the independence of individuals and their households mean in making financial decisions regarding the formation and use of monetary income, the consumption of financial services and products, the management of personal finances, the budget and the formation of a system of reserves to protect against all kinds of risks (loss of income, disability, deterioration in health, the occurrence of unforeseen expenses and other foreseeable and unforeseeable risks).

Fifth, in financial science, the category of reserves is poorly understood, although it is widely used in practice in public and corporate finance [3].

It should be noted that Russians have been facing unpredictable economic shocks for more than three years now. This was first due to a decline in income due to the COVID-19 pandemic, and then due to anti-Russian sanctions. In such a situation, the importance of having financial reserves for households became apparent.

According to the estimates of the Shares service from Tinkoff Bank, only 38.7% of Russians manage the budget, another 33% are thinking about the need to start doing it, 14% have not kept a personal budget and are not going to do it in the future [4].

The current financial behavior of Russians, according to the Marketing Research Laboratory MarketingLAB, is characterized by the fact that 18.6% of Russians have large loans (more than 500 thousand rubles or a mortgage), 56.6% of Russians keep their savings in rubles, 4.8% of the population - in securities, 38.6% do not have savings [5].

The general trend in 2022 was that Russians began to save, and some began to spend previously accumulated savings on current consumption. Thus, households reduced spending on: entertainment (66% of respondents), travel (57% of respondents), cafes and restaurants (59%), luxury items (56%), and due to rising prices, spending increased in 21% of respondents [6]. According to estimates, more than 50% of respondents began to carry out their consumer spending on a more budgetary basis. And 33% carried out current expenses from their savings, which they saved for other purposes [4] (according to VTB estimates, 57% of those who had savings were forced to spend them in 2022 [7]), some switched to paying for goods in installments, and 67% Russians decided not to take loans in the next six months.

And only 17% of respondents increased their savings activity [6]. According to the sociological survey of VTB Bank, Russians want to have money “at hand”, for which 57% of respondents opened savings deposits in banks (mainly in rubles), and only 25% of respondents use investment products [6].

This data suggests that Russians face challenges in maintaining financial sustainability for their households, with the need to cut spending, misuse savings, seek income-generating financial assets, and other challenges and risks.

Solving the problem of the sufficiency of financial reserves of domestic households in the current crisis conditions is of particular relevance and significance.

The purpose of the triune study is to reveal the content of financial reserves in relation to household finances, to identify the specifics of their formation and to assess their size.

Accordingly, the logic of the study is reflected in its structure: firstly, the author’s understanding of the financial reserves of households, functions and their typology is presented; secondly, statistical data reflecting the savings and insurance forms of financial reserves of Russian households are summarized and analyzed; thirdly, the main conclusions of the study are formulated.
2 Research methodology

The study is based on the methods of synthesis and analysis, comparative, systemic and functional approaches and the graphical method.

The empirical base of the study is represented by data from Rosstat and institutional experts - Anderida Financial Group, Zarplata.ru Center, Shares service from Tinkoff Bank, MarketingLAB Marketing Research Laboratory, VTB Bank. The empirical base of the study accumulates data from sociological surveys of the population about savings, their motives, expenses, and incomes. The data of official statistical bodies are presented by the results of selective monitoring of the standard of living of Russian households.

3 Results and Discussions

3.1 Types and functions of household financial reserves

In the presented study, the carrier of financial relations was chosen as a household as a group of people “living in the same dwelling or part of it, jointly providing themselves with food and everything necessary for life, that is, fully or partially combining and spending their money. These people may be related by kinship or marriage, or be unrelated, or both; one person living independently and providing himself with food and everything necessary for life” [8].

The reserves are considered by the author as indivisible funds, the coordinating criteria of which are the volume, composition, time required for their existence and purpose. This approach corresponds to the economists’ understanding of the category of reserves as a stock of specially saved resources in case they are needed [9], as a type of future expenses [10], as a tool for managing household risks [11].

The main reason for the formation of reserves by households is the need for a reserve of financial resources for: uniform financing of unforeseen expenses (regulating function of reserves) and large expenses for the purchase of vehicles, real estate, consumption of expensive goods and services (repair, recreation, education, treatment, ritual expenses) (cumulative function of reserves); generating additional income (investment function of reserves); protection against risks (risk function of reserves).

The author believes that the first step towards a theoretical generalization of reservations at the household level is an attempt to classify reserves. The classification system must include their types and functions that can be performed by certain classes of financial reserves. Different classes of reserves can simultaneously perform several functions, for example, regulatory, accumulation and investment are inherent in perfect reserves, while risk and regulatory are imperfect (Fig. 1).
The first simplest form of financial reserves are imperfect, they are part of the household budget and represent a certain declared and limited amount of cash (in cash and non-cash forms), which is allowed to be used for purposes that cannot be accurately predicted at the planning stage. As a rule, they talk about a reserve for “just in case”. Imperfect reserves, even when placed in a bank, do not bring income to their owner, since they are in transaction accounts, most of which are ordinary debit cards that do not accrue income. The main purpose of creating such reserves is the relatively secure storage of money. Imperfect reserves can also include risky insurance products - VMI, OSAGO, CASCO policies, policies in case of disability, inability to self-service, long-term care needs, accident, critical illness (cancer, stroke), fatal illness, injury or poisoning, surgery, hospitalization, etc. etc. Some of these types of insurance policies are very expensive, but their validity is limited to either a year or five years. In addition, the “eternal” structural unit of imperfect reserves are cash kept by the owner himself or in bank cells.

Perfect reserves are reserves that are created in households in order to preserve and increase their value (traditionally called investments), they are withdrawn from personal budgets and materialized in the form of organized savings. Perfect household reserves are realized in: bank deposits; pension savings in state and non-state pension funds; savings of citizens on transaction accounts in the form of debit cards, on which interest income is accrued; foreign currency; annuity insurance; consumption of funded and mixed insurance products.

Under accumulative insurance, the insured is always paid income (insurance for surviving to a certain date or event, for example, insurance for marriage). If the policy is of a mixed nature, i.e. includes both a risk and an accumulative function, then in any case, the policyholder can receive income under such a policy, which will be somewhat less than without including the risk component (for example, survival and death insurance), and less than interest income on bank deposits.

The composition of reserves formed in households can be very diverse, however, practice shows that among this diversity, stable groups can be distinguished, the main feature of which is not just the purpose of their creation, but a goal that persists over long periods. For example, savings “for a rainy day” were noted in sociological studies of 1992 and modern studies of Rosstat. The author believes that this group of reserves can be “eternal”, since it symbolizes the endless options for life situations that a person can get into, the impossibility of their accurate forecasts, the fragmentation and incompleteness of a person’s knowledge about himself, his life, the laws governing nature and society.
3.2 Analysis and evaluation of financial reserves of Russian households

To characterize the reserves that are created at the household level, it is necessary to have information about their possible composition and quantitative characteristics. There are no official statistics on household reserves in Russia. There are only aggregated data on the types of savings as part of household spending, which are broadcast by several departments - Rosstat, the Deposit Insurance Agency and the Bank of Russia, as well as information from sociological surveys conducted by institutional experts in the financial market. Based on Rosstat data, it can be concluded that the savings (or savings) of households are accounted for separately in the form of material and financial reserves.

According to a study by Anderida Financial Group, only 40% of the population in Russia have savings, and in 2022 they have accumulated 48 trillion rubles. taking into account bank deposits and cash on hand [12].

According to surveys by the Zarplata.ru Center, 30% of respondents save up for a “rainy day”, 24% - for the purchase of real estate, 18% for large purchases, 13% for vacations, 6% for repairs, 1% for expensive home appliances [13]. Those who believe that it makes no sense to save (and such 13%) do not do this because of low wages (62%) and the availability of loans (20%).

According to Rosstat, in the third quarter of 2022, one member of the average household had 34,464 rubles of disposable income per month, of which 90% is in cash [14], that is, the annual amount of cash amounted to 372,211 rubles. in year. While consumption expenditures on average per household member amounted to 23,999 rubles per month (or 287,988 rubles per year). At the same time, 49.7% of surveyed households noted that they have enough money for food and clothing, but cannot afford to buy durable goods; 34.7% of households can buy food, clothes, durable goods, but not a summer house, a car, an apartment; 2.8% of households can buy whatever they want [14]. 91.9% of households do not experience any difficulties in paying fixed payments (housing and communal services, education, medicines, repayment of consumer and mortgage loans) [14]. Accordingly, the estimated difference in the form of relatively free cash is RUB 84,223. per year or 7,019 rubles. per month (which is 22.6% of cash disposable income per household member). These funds could be used to create financial reserves for households, given that most of them can cope with the payment of established payments.

4 Conclusions

The classification proposed by the author and the allocation of the main functions of the reserves allow us to formulate their definition. The financial reserves of households should be considered a set of financial resources that perform two main groups of tasks when they plan their home budget. First, these are spending funds temporarily free from current consumption, which enter the financial market in the form of flows that form savings (savings) of households. Secondly, these are targeted spending funds that act as regulators of the uniformity of providing households with income, as well as risk management tools, the likelihood of which is predicted by household members based on their own experience and the experience accumulated by society.

It is proposed to divide the financial reserves of households into two groups: perfect and imperfect, each of the groups performs its own set of functions. Household financial reserves perform 4 functions: regulatory, accumulation, risk and investment.

An analysis of empirical data on the financial behavior of Russian households revealed that they are able to maintain reserves on average up to 22.6% of disposable cash income per household member. While in practice only 40% have savings. Last year was difficult for Russians - more than 50% began to save, 57% of those who had savings spent them, and 33% of the population partially cover their consumer spending with previously made...
savings. The need for households in the current situation to have financial reserves has been empirically proven and the financial ability of Russians to form them has been revealed.

References

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