



Assessment of the Personal Investment Capacity for Individuals in the Russian Federation

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Abstract

To analyse individual and collective investments of individuals in financial markets, we evaluate the combination of the following factors: a list of professional intermediaries working with a particular investment object or collective investment instrument, their market position and work results, the totality of the services and products offered, investment conditions, actual dynamics volumes of investments in a given type of asset, its profitability, as well as the dynamics of the market as a whole. The simplest and most understandable type of financial assets available to individuals is deposits. Bank deposits are popular among individuals; with that, there is an annual increase in demand for this type of asset. Since 2007, there has been an increase in deposits by 16.2 trillion roubles, and in 2018 individuals increased their deposits by 3 trillion roubles; that corresponds to a growth rate of 23.5 %. According to the Agency for Deposit Insurance, in addition to the general dynamics of retail deposits, the following features of the deposit market can be noted: deposits with a term of 1 year to 3 years occupy the largest share in the structure of household deposits; the most popular in the structure of deposits are those with a size of over 1 million roubles, as well as from 100 to 400 thousand roubles.

Keywords: An individual, financial market, Deposit, Commercial bank, Asset, deposit, Intermediary

1 Introduction

The main professional intermediaries in the deposit market are commercial banks. Table 1 shows the classification of commercial banks in the state deposit insurance system by the following indicators: the bank's assets and deposits of physical persons. Thus, the following commercial banks included in the list of the largest and most reliable banks in Russia became the most popular for individuals when investing in deposits: Sberbank of Russia, VTB 24, Gazprombank, Alfa-Bank and Russian Agricultural Bank. Next, we analyse the combination of products and investment conditions offered by these banks. Then, in summary table 2, a result of comparative analysis for the conditions of the following deposits is presented: "Replenish" (Sberbank of Russia), "Accumulative" (VTB 24), "Gazprombank- Accumulative" (Gazprombank), "Premier" (Alfa-Bank), "Accumulative" (Russian Agricultural Bank). All represented deposits are in roubles, are replenished, and provide for the capitalization of interest.

The amount of the minimum contribution varies, so the most accessible from the point of view of this indicator are the deposits of Sberbank and the Agricultural Bank (1000 roubles and 3000 roubles, respectively), and the minimum deposit amount of VTB 24 is 200 thousand roubles, which makes this deposit less accessible (1). The most favourable interest rate is presented at Gazprombank. So, when investing for 6 months in the deposit named Gazprombank-Accumulative, the interest rate will be 8.9%. Under similar conditions, Sberbank offers 7.15%. On average, the highest rates are presented at Gazprombank and the Russian Agricultural Bank, and the lowest at Sberbank and VTB 24.

So, we carried out the analysis of deposits for individuals of the largest and most reliable banks in Russia. In addition to these banks, individuals can choose other intermediaries with more attractive interest rates (2). For example, with a minimum replenished deposit of 1000 roubles and a term of 1 year, everyone can get 10.8% per annum when opening the "Profitable Year Online" deposit at Home Credit Bank, or 9.75% when investing from 10 000 roubles in the "Perspective (monthly)" proposed by the Union Bank.

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Table 1: Classification of commercial banks by assets and deposits of individuals as of December 31, 2018

Bank's name	Assets, thousand roubles	Deposits of individuals, thousand roubles	Place of the Bank by the "Assets" indicator	Bank place in terms of "Deposits" indicator
Sberbank of Russia	22433146804	9770509810	1	1
Gazprombank	4984239100	534504255	2	3
FC Otkrytie	2813360795	237153223	3	10
VTB 24	2873642255	1845208861	4	2
Russian Agricultural Bank	2551779006	442841579	5	5
Alfa Bank	2166341765	568587584	6	4
Bank of Moscow	1753618069	370992025	7	6
Promsvyazbank	1221401758	242517817	8	9
Raiffeisenbank	874085221	322255770	9	7
Binbank	756341388	290686863	10	8

Table 2: Terms of deposits for individuals in banks of Russia

Deposit Terms	Sberbank of Russia	VTB 24	Gazprombank	Alfa Bank	Russian Agricultural Bank
Minimum payment, roubles	1000	200,000	15,000	10,000	3000
Interest rate, %:					
3 months	6.85	4.85	6.90	6.10	6.90
6 months	7.15	7.75	8.90	7.60	7.20
1 year	6.90	7.65	8.20	7.60	7.95
1.5 years	6.90	6.25	8.20	-	8.30
2 years	6.85	6.15	7.60	-	8.10
3 years	6.75	6.05	6.90	-	7.95

2 Methods

The method of analysis and synthesis of data is used to study socio-economic phenomena, both in parts and in general. The paper also uses the modelling method.

3 Results and Discussions

Next, we turn to the consideration of such an investment opportunity available to individuals as investments in precious metals. The most optimal way to obtain investment income is to open anonymised metal accounts that do not provide for the actual acquisition of metal in tangible form. Historically, gold is considered the most popular among investment metals, since it tracks actual global inflation and represents a stable and reliable investment option.

Opening a depersonalized metal account is possible in any of the largest Russian banks under the same conditions. As a rule, banks do not charge fees for opening and maintaining an account, however, earning on the difference in the quotes for buying and selling the asset. Since funds on depersonalized accounts are not included in the state deposit insurance system, the only criterion for choosing an intermediary is its reliability and financial stability.

The return on investment in gold is determined by the difference between the purchase price and the sale price of gold. Since 2015, there has been a sharp increase and instability of the market due to the general economic situation in the world, but it can be noted that in the long run the gold market is characterized by an upward trend. Therefore, investments in gold should be considered from the perspective of a long-term investment, although this does not exclude the fact that an individual can earn in the short term by speculation.

The change in profitability cannot be called stable and predictable since it depends on many external factors. For example, the yield for 5 years (from 2009-2014), taking into account cumulative inflation, was -12.57%, and for 6 years (from 2009-2015) - 33.65%, which is caused by a sharp increase in the price of gold for 2014. In general, excluding inflation, the return on investment in gold on average exceeds the profitability of bank deposits, but these investments are associated with great risks. Investing in gold remains one of the ways to preserve capital or generate income in the long term (3).

More profitable, but at the same time associated with greater risks, are investments in the stock market. An individual can independently send their own funds to purchase such securities as stocks, bonds, and Eurobonds. Today, this can be done on the Moscow Exchange through professional securities market participants, or brokers. The choice of a broker should be taken seriously since the funds on the brokerage account are not insured and their safety is primarily ensured by the reliability of the intermediary. FG BCS, JSC FINAM, Sberbank, FG Otkrytie are among the ten leading market operators in terms of customers and trading volume. For example, FG BCS takes third place in the number of registered customers (140,772) and second place in terms of trading volume (1,223,619,003,938 roubles), yielding to Renaissance Broker LLC. One of the conditions for choosing a broker is the size of the commission charged for brokerage services. Consider the size of commissions for beginner investors who make investments in stock market assets through the QUIK Internet trading system on the Moscow Exchange.

From the point of view of the commission on individual investment accounts, the most attractive are FINAM JSC and Otkrytie financial group with the commission size of 0.0354% and 0.057%, respectively, provided that investments are up to 1 million roubles. The least attractive is Sberbank, which offers the opening of a brokerage account at rates that significantly exceed the average level. This is due to the fact that the implementation of brokerage activities in the stock market is not the main activity for credit organizations. Thus, the most attractive professional intermediary in terms of the size of commissions and the conditions for opening a brokerage and individual investment account is JSC FINAM (4).

The securities market is gaining more and more popularity every year among areas of investing funds by individuals.

In the Moscow Exchange, there is an annual increase in customers who are individuals. It should be noted that individuals occupy the largest share among all exchange customers (95.4% in 2017). At the same time, the number of active customers (customers who made at least one transaction per month) from 2010-2017 decreased annually, but in 2017 an increase of 19.4 thousand people was shown (5).

Individual investment accounts are becoming increasingly popular among private investors. As of May 1, 2018, 117,109 accounts opened by individuals were registered in brokerage and management companies; this is 91,195 more than the number of accounts opened in the first months. The largest number of individual investment accounts since the beginning of 2015 has been opened by customers of Sberbank (32,170), FINAM (27,563), Otkrytie-Broker (20,493), and BCS (17,482) [48]. Funds from individual investment accounts are invested mainly in stocks (94%), as well as in federal loan bonds and corporate bonds (3%).

For individuals, stocks are of primary interest in the equities market. In 2018, they accounted for 88.9% of all investments of individuals on the Moscow Exchange. The volume of investments in stocks is gradually decreasing,

while in other types of securities it is increasing. Other types of securities, such as bonds and investment units, in the operations of private investors in 2010 amounted to 1.9% of the total investment, and 11.1% in 2014. This fact is confirmed by the downward trend in the share of individuals in transactions with shares; by 2018, it decreased to 37.6%, when in 2010 it accounted for half of all transactions. On the contrary, since 2011 there has been an increase in the activity of individuals in corporate bond trading - their share has increased from 1.1 % in 2011 to 4.2% in 2018 (6,19,20,21).

We will present general data on the profitability of assets such as stocks and bonds. Dividends and the difference between the market value of the purchase and sale of the security are the income from the shares. The dividend yield on shares usually does not exceed 5%. It is customary to track the general dynamics of the stock market by the MICEX index, which calculation includes 50 most liquid shares of the largest and most dynamically developing Russian issuers, the types of economic activities of which belong to the main sectors of the Russian economy.

4 Summary

Over the past year, the MICEX index has changed by 14.08%, and over the past three years, it has shown an increase of 45.78%. This suggests that, in general, investment in stocks is an attractive instrument showing returns above bank deposits. At the same time, separately, the shares included in the index can show both negative and positive returns. The maximum yield was shown by ROSAGRO PLC depository receipt - 173.14%, ordinary shares of Aeroflot companies - 97.23%, Nizhnekamskneftekhim - 81.76%, Sberbank of Russia - 65.63%, preferred shares of Sberbank of Russia - 68.89%, and Transneft - 52.31%. Shares of such companies as Dixy Group, Rusal, Megafon, Magnet, Norilsk Nickel, Lenta showed negative annual returns. Thus, medium-term and long-term investments in shares included in the MICEX stock index can lead to profitability significantly exceeding the yield of conservative instruments, but at the same time, they can lead to losses of 10 or even 30% per annum (7,16,17,18).

Smaller but fixed yields are guaranteed by bonds. The yield of many bonds exceeds the expected level of inflation and the average yield of a bank deposit. And when choosing a bond, one should focus not only on profitability indicators but also on the reliability of the issuer.

Attractive in terms of profitability is the foreign exchange market. Most currency transactions are carried out on the off-exchange currency market (8-15).

Today, such a market accessible to individuals is the Forex market. To consider private trading in Russia, data from the Finmarket information agency which is part of the Interfax international group were used. For the fifth year now, the analytical centre of this group, Interfax - Centre for Economic Analysis, has been preparing a review of the Forex market in Russia, as well as exploring the main characteristics of this sector of the financial market.

Table 3: Leading Forex dealers in terms of the number of customers and the volume of average monthly turnover for 2018

Forex Dealer	Number of customers		Monthly average turnover	
	Thousand person	Market share, %	\$ billion	Market share, %
Alpari	137	29.5	90	27.1
Forex Club	80	17,2	54	16,2
TeleTRADE	61	13.1	45	13.5

Table 4: Analysis of the performance of private Forex Club traders for the 1st half of 2018 (% of total customers)

Financial results	1st quarter				2nd quarter				On average for half a year
	January	February	March	total	April	May	June	total	
Profit	25	32	25	27.3	27	29.5	29.6	28.7	28
Lesion	75	68	75	72.7	73	70.5	70,4	71.3	72
Total	100	100	100	100	100	100	100	100	100

Table 7: Profitability assessment of private traders in Russia

Score indicator	Share of private traders,%		Change, %
	2017 year	2019 year	
Very high	2.66	3.12	0.46
Good	18.73	20.70	1.97
Average	38.58	39.59	1.01
Below average	40.03	36.59	-3.44
Total	100	100	0

In Russia, approximately 460 thousand individuals use the services of Forex dealers, while the average monthly turnover in 2015 amounted to \$ 330 billion. The total amount of deposits attracted by brokers is \$ 0.5 billion. Despite the fact that in 2015 there was a decrease in the volume of operations by 5%, the number of clients of Forex dealers increased by 15% (9-14).

The three leaders of Forex dealers in terms of the number of customers and the volume of average monthly turnover are presented in table 3. They account for 59.8% of the total services market. However, the same companies are leaders both by the number of customers and by the average monthly turnover. For example, table 4 presents data for the Forex Club Company on the performance of private traders, namely, the financial results of the activities of individuals in the Forex market are reflected. To consider the profitability of individuals in the Forex market in Russia, the data shown in table 7 are used.

5 Conclusions

Based on the above data, it can be concluded that the activities of private traders in the Forex market, in general, show a negative financial result. On average for the 1st half of 2018, only 28% of trading accounts of private traders showed profit (10). Some authors attribute the problem of poor performance to inefficient money management. In general, profitability in the Forex market has a wide range of values. Profitability can be both at the level of profitability of derivative financial instruments and even higher, and show negative results. Its value will depend on the trader's

ability to correctly evaluate and analyse the market, on the amount of funds in the trading account, and also on the amount of time that is devoted to trading in the Forex market (11, 12, 13). So, the following conclusions can be drawn as a result of the analysis of personal investments of individuals:

1) The most popular among investment objects for individuals are bank deposits. This type of asset is the most reliable and least profitable. Today, the maximum percentage of return on the largest commercial banks is 9.77%, which is several percentage points below the inflation rate.

2) More profitable can be considered long-term investments in gold by opening anonymised metal accounts. In 2015, the increase in the price of gold amounted to 45.66% per annum.

3) Investments in stock market facilities can be made both for the long and short term. Among individuals, there is an annual increase in funds for the purchase of securities - in 2018, the volume of investments amounted to 805.2 billion roubles, which amounted to 26.5% of the total savings of individuals. The most popular type of asset is stocks, but corporate bonds have begun to gain popularity since 2011, and the share of individuals' investments in stocks has decreased by 13% since 2010 to 37.6% of the total volume of transactions with securities. The yield on shares included in the calculation of the MICEX index over the past year amounted on average to 14.08%. For individual securities, this figure made from 32.44% to 173.14% per annum. For bonds included in the list of 25 bonds with the highest effective yield, the coupon averages 12.8% per annum.

4) Individuals have access to structured products that provide a higher return on investment in derivatives market objects, but at the same time provide capital protection of up to 100%. Structured products in the Russian market are available only to wealthy investors since the minimum investment amount on average is at least 300,000 roubles. Among the products offered by the largest companies in the Russian market, the highest potential return is 50% for the Europe 2017 product on the DAX30 index.

5) The over-the-counter currency market Forex is among the opportunities to increase own funds. Activities in this market relate to trading which is focused on making profits through speculative transactions. About 460 thousand individuals use the services of Forex dealers, and the total amount of funds raised by brokers in 2015 amounted to \$ 0.5 billion. Basically, activities in this sector of the financial market require constant involvement in the process to obtain the best results. On the average, this sector for individuals is currently unprofitable: for the 1st half of 2018 only 28% of trading accounts of private traders showed profit, while 76.18% of traders were not satisfied with their profitability.

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