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DEVELOPMENT OF THE CONSUMER LENDING MARKET IN THE RUSSIAN DIGITAL ECONOMY

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Abstract

Theoretical, methodological and applied issues of the formation and development of the consumer lending market are widely covered in both domestic and foreign economic literature. At the same time, the problem of organizing consumer loans taking into account current socio-economic conditions of the Russian economy and the introduction of digital technologies cannot be classified as a solved one at the theoretical and practical levels. The effective functioning of the consumer lending market is an important condition for ensuring the continuous process of social reproduction, the stability of the financial system as a whole. Taking into account the high social significance of consumer lending, it can also be considered as a factor in the political and social stabilization of society, smoothing out the increasing social differentiation of citizens and increasing their trust in authority. Improving the forms of loan granting and assessment systems of the borrower's creditworthiness, increasing the effectiveness of risk management programs, expanding the product line of banks, taking into account foreign best practices, make comprehensive fundamental and applied studies more relevant. The purpose of the study is to analyze the development of the consumer lending market in Russia under current conditions, considering its digitalization. As a result of the study, the author substantiates and generalizes the main development trends and problems of the consumer lending market in Russia, and identifies the directions for improving the consumer lending institution in Russia in the context of the digital economy.

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Keywords: Consumer lending, consumer loans, bank loan portfolio, credit risk, scoring, consumer lending performance.



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1. Introduction

In recent years, the growth rate of consumer lending has remained consistently high and, therefore, this segment of the banking market is an important driver of the modern Russian economy. The special role of the consumer lending system in the socio-economic life of society makes banking institutions pay considerable attention to the development process of this market segment. Improving the forms of lending and assessment systems of the borrower's creditworthiness, increasing the effectiveness of risk management programs, expanding the product line of banks taking into account foreign best practices in this financial area make comprehensive fundamental and applied research into the specifics of these processes in the consumer lending market in Russia more relevant.

The main development patterns of the consumer lending market in Russia at the present stage are:

- Transformation of the banking sector under objective digitalization processes;
- Determinacy of the consumer lending market by macroeconomic and microeconomic factors, among which the most important are geopolitical instability, the level of real incomes of the population, changes in the interest rate on loans, etc.

2. Problem Statement

The banking market is an important component of the country's financial system. Therefore, its development should be based on the principles of ensuring stability, which should be achieved due to the growth in the volume and quality of digital banking services.

The modern economy objectively requires a qualitatively new consumption system, which realizes economic interests of households that need sources of borrowed financial resources. The increase in consumer lending expands consumer demand, accelerates trade, creates conditions for expanded social reproduction and ensures stability of the national economy from negative external factors.

At the same time, like any economic instrument, consumer lending has not only a positive effect, it also faces many risks. Consumer lending should be based on principles that streamline its process. And it is necessary to take into account not only the current practice of Russian banks, but also foreign experience.

Consumer lending should be aimed at satisfying economic interests of borrowers and lenders, take into account the principles of integrity, structure, hierarchy of goals, and flexibility in the face of changing socio-economic conditions.

Analysis of available statistics of the consumer lending market in Russia and the foreign development trends of this financial segment allows us to predict that in the near future the consumer lending system in Russia will develop in breadth by increasing the volume of loan granting and in depth, increasing the number of financial products offered through digital technology.

3. Research Questions

The development of the consumer lending market in Russia in the context of the digital economy require studying the following key issues:

- Justify the main development trends and problems of the consumer lending market in Russia;

- Consider a mega-regulator policy aimed at improving the efficiency of consumer lending in Russia.

4. Purpose of the Study

New conditions for the development of the consumer lending market in Russia require studies of dominant trends that determine the dynamics of consumer lending to individuals. An important role is played by the analysis of macroeconomic management decisions by the Bank of Russia. The purpose of the study is to analyze the development of the consumer lending market in the modern Russian economy while transiting to a digital economy.

5. Research Methods

The principles of reproductive, functional, structural and institutional approaches were used as basic tools in the study. General scientific methods of cognition (analysis and synthesis, induction and deduction, abstraction) made it possible to theoretically substantiate the development trends of the Russian banking consumer lending market. The institutional method formed the basis for identifying the role of the consumer lending institution in the modern economy of Russia.

6. Findings

Summarizing the main development trends and problems of consumer lending in Russia, the following can be noted.

There is a steady growth with a slight slowdown in consumer lending to individuals, due to the following factors:

- Popularity of consumer lending as a banking service that contributes to the growth of living standards of the population;
- Reduction in the cost of a consumer loan and streamlining loan procedures, which attract new potential borrowers for whom the loan was previously unavailable. The main reason for the cheapening of consumer lending is a decrease in the Bank of Russia key rate, which has decreased interest rates of commercial banks and increased the debt repayment period. Together, these factors have led to lower monthly loan payments and increased demand for these banking products;
- Expanded range of goods and services sold on credit in retail. Strengthening the interaction of banks and trading floors is the basis of marketing strategies used by both credit and trading organizations, which seems quite profitable for both, as it allows them to realize their economic interests more effectively.

The monopolization of the consumer lending market in Russia is growing.

The regional disproportion of the lending market to individuals is increasing. So, the largest number of credit organizations is concentrated in the Central, Volga and Northwestern Federal Districts, respectively, and they also have the largest amount of loan granting. The remaining regions of Russia lag significantly behind the central part of the country, determining the further growth of reproductive imbalances.

Loans arrears are growing, which is primarily due to a decrease in real incomes of citizens, as well as an increase in unemployment among the economically active population.

Unfair competition and information asymmetry are widespread. Information transparency is beneficial, first of all, to the credit institution, since it affects the borrower's attitude to it, increasing the level of both personalized and depersonalized trust. The growth of institutional trust creates prerequisites for a more effective banking system, fundamentally changing the relationship between the borrower and the lender, forming a horizontal type of interaction between them. The increased level of confidence in financial institutions reduces transaction costs, operational risks, including loan defaults, which increases the stability and reliability of the banking system as a whole (Surikov, Konovalova, & Kuzmina, 2016).

The insufficient level of informatization and digitalization of the banking sector. The ambiguity of the credit rating of certain categories of borrowers. A scoring procedure has been used in the banking system for a long time, on the basis of which a credit organization decides on loan granting. At the same time, the scoring systems used in assessing the borrower's creditworthiness do not fully consider the individual characteristics of specific individuals. It is necessary to develop individual proposals for loan granting, which are "adapted" to a single individual. To do this, you can use the ranking procedure for all potential customers based on their trustworthiness, creditworthiness, discipline, law-abiding, etc. Such a rating system will help identify the most attractive borrowers for banks, which will significantly reduce risks and reduce the volume of overdue payables (Konovalova & Surikov, 2019).

Risk management in banks is largely fragmented and unsystematic in nature, which is partly due to a high degree of asymmetry of information in the consumer lending market (Hibbeln, Norden, Usselman, & Gurtler, 2019). A special role of the Bank of Russia in regulating the consumer lending process. The policy of the Bank of Russia is aimed at expanding the efficiency of consumer lending due to better work of the transmission mechanism. Currently, the situation in the consumer lending market is characterized by conflicting trends, which makes it difficult to form a systematic and consistent mechanism of prudential supervision (Konovalova & Kuzmina, 2018).

A study of the saving and consumer behavior of households allows concluding that even a slight increase in consumer lending in the short term can increase risks in this market. This situation is due to highly risky loan portfolios among borrowers, which increased the demand for retail lending in the period after 2014.

In addition, holders of such high-risk loan portfolios are characterized by relatively low extremely volatile incomes, as well as by a high probability of losing their jobs. Moreover, this category of borrowers is prone to further increase the debt burden compared to higher-income citizens, since the elasticity of demand for loans at the interest rate is relatively low for the study group. In addition, an increase in the debt burden is facilitated by a greater risk appetite for low-income individuals, as well as an underestimation of existing risks arising from high inflationary and salary expectations, and low financial literacy of this category of borrowers (Desai, 2017).

Under such conditions, credit organizations are to implement effective business models focused on risky borrowers, which will allow banks to ensure high financial performance. Naturally, an increase in margins due to an increase in retail lending to risky borrowers should be offset by an increase in interest rates on a loan product. However, the result of this increase is a decrease in the attractiveness of consumer

lending to reliable borrowers, who, as a rule, have a higher income level and who are not ready to overpay by hedging bank risks. Thus, the implementation of business models aimed at satisfying the needs of high-risk borrowers for credit services in the long term will decrease the stable activity of banking organizations, and will make problems with liquidity and the fulfillment of regulatory requirements of the regulator. Some growth potential in retail lending can be provided by a group of upper-middle-income borrowers, whose demand elasticity is higher relative to the interest rate. In these conditions, certain positive dynamics in consumer lending can be ensured by the gradual transition of the Central Bank to the practice of a neutral interest rate, which is possible only with the consent of credit institutions to use a less marginal business strategy. Thus, the current situation in the consumer lending market poses serious challenges for the Bank of Russia, which should consider the following circumstances in its policy:

- The transmission mechanism of monetary policy may have a less significant impact on the consumer lending market, both from credit organizations and households. This is due to the fact that, firstly, a decrease or stabilization of the key rate by the mega-regulator may have a weak effect on lowering interest rates on loans, since credit organizations are more oriented toward a business model focused on high-risk borrowers. To increase the efficiency of the transmission mechanism, banks will have to reorient themselves to other business strategies, which is not obvious in the face of increased competition and the absence of positive dynamics of macroeconomic indicators. Secondly, the demand for loans is characterized by a fairly low elasticity, especially for the category of low-income citizens, who are mainly consumers of this banking product, which sufficiently limits the instruments of influence of the Bank of Russia;

- An increase in lending in the face of rising inflation expectations leads to accumulated problems of commercial banks in the consumer lending segment and requires more precise adjustment of the prudential supervision system. Excessive inflationary expectations of borrowers may encourage them to assume unreasonable credit obligations, causing the accumulation of the debt burden. Consumers with relatively low and unstable incomes that are elastic to external shocks, receiving additional funding, increase the risks to the financial system, which ultimately threatens to lose its stability and reduce the possibility of obtaining additional resources for borrowers (Desai & Eliehausen, 2017).

The above-mentioned problems in the consumer lending market, caused by the impact of both endogenous and exogenous factors, require the Bank of Russia to pursue an appropriate policy aimed at protecting both credit organizations and consumers of financial services from taking excessive risks, unreasonable obligations, and all these actions should help to increase their financial stability.

In 2018, the Bank of Russia introduced new adjusted premiums for risk factors for consumer loans, depending on the value of the total cost of the loan. This measure is aimed, first of all, to increase the quality of loan portfolios of commercial banks, and secondly, to limit the volume of loan granting, so as not to stimulate increased borrowing of the population. These requirements were extended to commercial banks that received a basic and universal license to grant consumer loans at the end of August 2018.

7. Conclusion

The consumer lending system in any country is strictly regulated, since it is formed in the institutional space, represented by a set of legal forms, types and methods of organizing credit relations. Institutional spaces of banking activities significantly differ from each other in different countries of the

world, which influences consumer lending. However, it is not important what national particularities exist when granting a consumer loan. It can be said that one of the most important conditions for the establishment and effective functioning of this market institution is the presence of a favorable economic and political climate in the country. In addition to economic stability, the institution of consumer lending is significantly affected by the quality of the institutional environment. Lack of legal regulation or, on the contrary, over-regulation of credit relations can cause most problems of this banking segment. The positive experience of leading countries of the world should be taken into account when solving these problems (Mikhed & Vogan, 2017).

The consumer lending procedure aimed at satisfying both the economic interests of borrowers and lenders must be built on the principles of integrity, structure, hierarchy of goals, and flexibility in relation to changing socio-economic conditions. The analysis revealed that in the short term, the Russian consumer lending market will develop in breadth by increasing the volume of loan granting and in depth, increasing the number of diverse financial products and digital technologies in the field of consumer lending.

Currently, the consumer lending market is showing positive dynamics, which is explained by the relatively soft monetary policy, implemented by the mega-regulator in the period 2016-2019. It has repeatedly reduced the key rate in recent years, which undoubtedly affected the decrease in interest rates on consumer loans granted by commercial banks.

The consumer lending segment is mastered by credit organizations, since it brings significant income, although it has high risks associated with the probability of non-return of granted funds. The banking system of modern Russia is in the permanent transformation, which is reflected primarily in the number of existing credit organizations. At the present stage the policy of the Bank of Russia is quite tough with regard to unscrupulous and ineffective participants in the banking market, which, on the one hand, ensures the increased stability of the financial market, but on the other hand, negatively affects the selective and distribution functions of competition.

The assessment of credit organizations granting a loan product should be carried out not only in terms of economic results, but also in terms of social and organizational effects. The most important parameters that are to be analyzed should include income, cost of capital, quality of the loan portfolio, the ratio of the bank's operating costs in the lending process to its operating income.

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