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PERSONAL FINANCIAL SECURITY IN GLOBAL PERSPECTIVE

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Abstract

The modern economy is undergoing a significant transformation at the level of financial interaction between countries, organizations and population. Processes of globalization in the financial system lead to the mutual penetration of financial organizations and their services. In turn, the provision and consumption of financial services via the Internet is gaining momentum with the help of remote forms of interaction between the consumer and the seller of services. All these factors make financial markets of foreign countries and international financial market accessible to Russians. Along with the growth of opportunities, there are new types of threats and risks of financial transactions for the population when the error cost of an inefficient financial solution is increasing. The presented research is focused on determining the essence of personal financial security in the context of globalization and digitalization. The structure of the study conventionally consists of parts: the rationale for the relevance of the study of the nature and tools to ensure personal financial security of Russians from the standpoint of digitalization and globalization; disclosure of the content and essence of financial security in relation to an individual; etc. The study is based on data from the analytical agency NAFI. The authors draw conclusions about the growth of transaction costs for Russians when entering the international financial market, focus on the status of a tax resident of a Russian investor, which implies his duty to declare income received by him abroad in the Federal Tax Service of Russia and pay taxes.

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1. Introduction

The modern world is impossible without finance and financial relations. Financial security becomes a target guideline for any business entity: the state, the individual, the organization. Considering and studying financial security can be applied to the carrier (individual / family, organization, state) and territorial binding (country, region, and city, world). In the conditions of digitalization of processes and mechanisms of financial relations, the number of digital frauds increases, the error cost of an inefficient financial solution increases many times. On the one hand, world globalization and integration make it possible to overcome national risks and use international and foreign mechanisms to ensure the financial security of economic entities. On the other hand, they lead to the emergence of new supranational financial risks and increase in transaction costs of financial interaction at the global level.

The presented research is focused on theoretical and practical substantiation of the possibilities and threats to ensuring personal financial security in the context of globalization from the standpoint of digitization of national and world economies.

2. Problem Statement

Personal financial security of each resident of a region, country, employee and entrepreneur is the basis for the financial security of the state, the region and any single enterprise. Ensuring personal security is highlighted in the priority task and duty of the state (Vorontsova, 2012), which is consistent with the concept of human security that emerged in the early 1990s. According to this concept it is necessary to “shift the focus from the traditional level of state security to security of people living within state borders”.

It is possible to assess the scale of the problem of ensuring personal financial security of Russians in the context of globalization and digitalization of the Russian and world economies, based on the results of the NAFI study. NAFI is a leading Russian analytical center that regularly and systematically monitors the level of financial literacy of Russians from the perspective of the population itself, financial institutions, the regulator, and in 2018 NAFI conducted a study of digital literacy of Russians. Let us compare the results of monitoring obtained by NAFI.

Digital literacy of Russians in 2018 was evaluated by NAFI in the study “Digital literacy for the economy of the future”, based on the approach to its assessment proposed at G20 Summit (April, 2017) through the assessment of information, computer, communicative literacy, and media literacy indicators (technological innovation). The study showed that Russians have low digital literacy (at 52 p.p. out of 100 possible), and only 26% of Russians have a high level of digital literacy. It is distinctive that 55% do not consider it necessary to protect their personal data, 38% do not use updated antivirus software, 51% do not compare information from different sources, 36% of Russians tend to keep abreast of technological innovations, 58% are sure that modern technologies simplify life. However, 53% of Russians experience difficulties in mastering technological innovations.

Financial organizations evaluated the impact of digitalization on the level of financial literacy of their clients and the results showed that 88% of financial organizations are confident that digital personal finance management channels (office, mobile online applications) encourage users to more intelligently manage their finances, and only 57% of users have a similar opinion. At the same time 80% of users

positively appreciate digital channels of financial services, 26% of users consider the risks of digital channels insignificant, 40% increase are sure that digital and traditional channels of receiving financial services have the same level of risk.

In 2018 only 17% of Russians have a high level of financial literacy, 47% - satisfactory level and 36% low level. A permanent record of income and expenses is kept by 20% of Russians, 12% do not keep records. The conditions of financial services in several organizations are compared to just 36% before their acquisition, while in 14% they never do it.

The current financial relations occur in an unfavorable social and economic field. The retirement age has been raised. Regulatory restrictions on the simultaneous receipt of pensions and labor income are becoming tougher. The level of average pensions in comparison with the subsistence level is low, and real incomes are falling. Inflation is rising as well as unemployment. The number of financial frauds is increasing, and exchange rate is growing. The mechanism to protect the interests and rights of consumers of financial services is ineffective in many financial areas (insurance, lending, investment, taxation, etc.). This is a factor to increase the significance of mistakes in the case of an inefficient financial solution at the level of a single Russian.

Financial globalization has a different impact on national economies (Rousseau & Sylla, 2003). It affects developing economies in different ways, in particular, it can even out the cost of capital in different countries due to the capital flow and country's access to the global financial market (Wei, 2018).

In such circumstances, Russians have more opportunities to receive all the benefits and costs of financial globalization.

3. Research Questions

At present this field of study has a number of theoretical gaps. Firstly, there is no unambiguous understanding of financial security and, in particular, personal financial security. Secondly, there are no studies on risk management in the formation of personal financial security from the standpoint of digitalization of the economy, financial relations and financial products. Presented research is dedicated to solving these issues.

4. Purpose of the Study

The purpose of the presented research is to reveal the content of personal financial security in the era of digitalization of the economy from the position of globalization of financial systems.

5. Research Methods

The study is based on the method of expert judgments to determine the category essence “economic security”, “financial security” and “personal financial security”. The practical part of the study is based on the method of sociological surveys to identify features of the current financial behavior of Russians from the standpoint of their financial and digital literacy levels. Statistical data is processed by the methods of basic indices, marginal assessment.

6. Findings

The definition of “personal financial security” is based on its understanding as the basic fundamental part of economic and financial security.

The financial security of any entity is one of the aspects of its economic security (Bart, 2011). Financial security as an economic factor is broadly understood by a team of researchers as an aggregate of the financial security of various business entities - “an individual citizen, households, the general population, entrepreneurs, enterprises, organizations, institutions and their associations, branches of the economic complex, regions, individual sectors of the economy, states, various interstate formations, and also the world community as a whole” (Vorobev, Vorobeva, & Moshcheva, 2017, para. 5). In terms of content, the authors propose to include a set of methods to protect the economic interests of these subjects at the macro and micro levels in the understanding of financial security.

It is possible to understand financial security from three perspectives: resource-functional approach; from the standpoint of statics; in the context of legal regulation (Karanina, 2015) as 1) protection of financial interests at all levels of financial relations; 2) a certain level of independence, stability and stability of the financial system under the influence of external and internal destabilizing factors on it, which cause threat to financial security; 3) the ability of the state financial system to ensure the effective functioning of the national economic system and constant economic growth (Karanina, 2017).

Personal financial security is understood as “such a state of citizen’s activity, in which legal and economic protection of his vital interests is ensured, constitutional rights are observed, a decent and high-quality standard of living is provided regardless of the influence of internal and external threats” (Gerasimova, 2017, para. 8). With this approach, financial security of each individual is made more dependent on the general state of the economy and the current financial policy of the state. The personal contribution of the individual to the formation of their own financial security is not taken into account.

Concept developers of personal financial security in the person of the Ministry of Finance of the Russian Federation together with the World Bank, adhere to the opposite position, say that financial security of an individual “depends on people’s daily decisions” and emphasize the importance to avoid person’s situations of financial fraud.

In the era of digitalization and globalization of financial systems, the interpenetration of finance and investment is growing, expressed into increased accessibility in the Russian market of services provided by foreign financial organizations and the ability of Russians to invest in economies of other countries. Under such conditions, the threats to the financial security of the Russian consumer of financial services of foreign companies increase substantially. For example, difficulties arise in the calculation and payment of taxes on income received by Russian consumers from foreign investments. Under current tax legislation, a Russian person is a tax resident who spent at least 183 days on the territory of Russia for 12 months following each other. Therefore, he has to declare all of his income, regardless of the place where it was received, and then pay the tax on personal income individuals.

However, agents often talk about this being optional and aggressively advertising their services, citing the lack of taxes on foreign income as an argument for the attractiveness of such investments. As a rule, the Russian person does not become a tax resident of the country in which he receives investment income. In most countries of the world, the criterion for tax residency of an individual is also a test of

physical presence in the country for a certain period of time, or the presence of citizenship (USA, for example). Accordingly, with the majority of foreign financial relations, Russians do not become tax residents of a foreign country and are not obliged to pay taxes in the country of receipt of income. However, such obligation remains with them in relation to Russia.

When analyzing threats to personal financial security in a globalizing and digitizing economy, the following personal security features should be considered.

Firstly, it is the financial security of each individual that is the goal of a socially oriented state. In this aspect the state guarantees every citizen a minimum set of social and economic benefits, coupled with freedom of the individual, protection of their rights and obligations. At the same time, legal protection of personal rights of citizens and their property interests in the areas of constitutional rights, civil, family, tax legal relations are of great importance. A part of state functions is delegated to economic entities. Thus, employers are obliged to pay wages not lower than the minimum wage established by the state, comply with labor, environmental, social, pension and tax legislation in terms of protecting the interests of workers in protecting, protecting and ensuring comfortable working conditions, and others. the functions of the state to ensure the minimum level of social protection of the population can be read in other works of the author (Mytareva & Grigoryeva, 2018).

Secondly, the financial security of each individual is the key to the financial stability and security of the entire state. This provision is based on the properties of the system - the general state of the system for some quality is determined by the state of each element included in it. Household finances (households) or personal finances are included in all subsystems of the country's financial system;

Thirdly, despite the diversity of approaches to the content of the category “financial security of an individual”, it can be given a synergistic understanding of the state of protection of the individual and family finances (households) from external and internal threats, dangers and risks to which their incomes, expenses, savings, investments and property.

The author understands the dangers of financial security of an individual, both perceived and unconscious by the individual and family, but objectively the existing probability of the negative impact of any phenomena, processes, actions and events on the level, structure and dynamics of their income, expenses, savings, investments, property and liabilities that have damaging properties, which result may be as monetary measurable damage and harm, impairing their welfare. Accordingly, each individual and family bear the risks of an expected or unexpected decrease, or loss of income, increase in expenses, damage or loss of property, or default on obligations.

Fourthly, based on the fact that “a person is both an object and a subject of the security sphere” (Korisheva, 2016, p. 18), the financial security of an individual is implemented at the following levels and sublevels:

1) external layer is represented by at least two sublevels:

- state policy on ensuring conditions for financial security of an individual in the field of ensuring the observance of constitutional rights and freedoms of citizens, judicial and pre-trial systems of protecting the rights and interests of consumers of financial services, the formation of general rules for the production, provision and consumption of financial products and services on the market by all participants in financial

relations as well as control over their observance and the system of punishment for non-compliance with the rules and restrictions;

- compulsory provision by employers of the financial security of their employees as a result of state delegation of their functions to ensure guaranteed measures of social protection of citizens, compliance with environmental, labor, tax and other spheres of domestic legislation by non-state economic entities (commercial and non-profit organizations, including specialized financial and credit intermediaries);

- voluntary provision by employers of the financial security of their employees as a result of voluntary commitments in the areas of corporate social responsibility of business;

2) internal level of the financial security of the individual through the management of their cash flows, property and liabilities in the context of consumer, credit-loan, savings, investment, insurance, pension, charity strategies. It is at this level that personal activity of citizens in the field of personal finance management, competent consumption of financial products and services, and protection from financial fraud is important.

Fifthly, management system of the financial security of an individual is a set of actions and measures to protect against internal and external dangers, threats and risks to which the finances of a particular individual may be exposed.

The system of personal financial security management is based on the following blocks:

Block 1 - protection of the current level of financial well-being, which implies maintaining personal accounting for personal finances (for more details, one of the authors wrote in (Gorshkova, Mytareva, Perekrestova, Glushchenko, & Fisher, 2015); implementation of personal financial planning (one of the authors wrote about this in (Mytareva & Nikolaeva, 2014);

Block 2 - protection of financial well-being in the medium term, which relies on actions in the first block and is complemented by actions to form a cushion of financial and insurance security as well as the formation of consumer and credit-loan strategies;

Block 3 - protection of financial well-being in the long term, which relies on the actions of the first two blocks and is complemented by investment, pension, and charitable strategies.

The common basis for all three blocks is compliance with the law; application of methods of planning, optimization, monitoring, control over the volume, structure and dynamics of income, expenses, savings, investments, property and liabilities; identifying, protecting and evading financial fraud; making effective financial decisions; implementation of financial management achievements in personal finance management; continuous improvement of own financial literacy.

People should be very careful when using digital channels for the provision and consumption of financial services. If the consumption of financial services occurs in the global financial market, then transaction costs increase many times.

7. Conclusion

Summing up, it should be summarized that personal financial security in the digital world in the era of globalization is a highly relevant area of research. Personal financial security is formed at external and internal levels in the national and supranational economies. At the external level, the person is subject to financial security; at the internal level - the subject. The amount of synergistic and emergent effects depends

on how synchronized two levels of formation of personal financial security are. The exit to the international level of financial relations is an indicator of the high level of income of Russians. However, it is associated with an increase in transaction costs and requires an individual to be heightened caution and protection measures.

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