

## ФІНАНСИ ТА БАНКІВСЬКА СПРАВА

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### METHODICAL PROBLEMS OF THE RESEARCH OF TRANSFORMATION HOUSEHOLD SAVINGS THROUGH FINANCIAL INSTRUMENTS

*This work examines the theoretical and methodological problems of studying the households' savings transformation through financial market instruments. The expediencies of the institutional theory thesis to study the savings motives are determined. Moreover, institutional factors such as economic mentality that affect the households' activity are identified. The basic directions of reducing transaction costs at all stages of transformation mediated by financial instruments are accentuated.*

*Keywords: household savings, transformation investment, financial instruments motives savings, savings factors, economic mentality transaction costs.*

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### МЕТОДОЛОГІЧНІ ПРОБЛЕМИ ВИВЧЕННЯ ПРОЦЕСУ ТРАНСФОРМАЦІЇ ЗАОЩАДЖЕНЬ ДОМОГОСПОДАРСТВ ЧЕРЕЗ ФІНАНСОВІ ІНСТРУМЕНТИ

*У статті проаналізовано теоретико-методологічні проблеми вивчення процесу трансформації заощаджень домогосподарств через інструменти фінансового ринку. Обґрунтовано доцільність використання положень інституційної теорії для вивчення мотивів заощаджень. Окремо виділено інституційні фактори, зокрема такі як економічна ментальність, що впливають на активність домогосподарств. Виділено основні напрями зменшення трансакційних витрат на всіх етапах трансформації, опосередкованих фінансовими інструментами.*

*Ключові слова: заощадження домогосподарства, трансформація інвестицій, фінансові інструменти, мотиви заощаджень, фактори заощаджень, економічна ментальність, трансакційні витрати.*

**Introduction.** Recently, in the post-Soviet Union territory the interest in institutional theory is growing. One reason for this was the attempt to overcome the limitations of certain provisions of Economics (axioms full rationality, absolute awareness of perfect competition) and consider the modern economic processes comprehensively and thoroughly. It becomes clear that these features have not yet formed in none of the post-Soviet countries, and then based approach of rational individual who maximizes utility under perfect competition, contrary to the real state of things. Extensions of the same object of institutional analysis and the rules inclusion, regulations, organizational forms behavior and institutions can explain the theoretical and methodological reasons for household savings and justify measures aimed at eliminating opportunities powerful impact and minimize transaction costs.

The problems of institutional theory in different times was engaged by O. Williamson, W. Volchik, W. Hamilton, W. Dyemyentyev, G. Klyeyner, R. Coase, D. North, R. Nuryeyev, A. Olyeynyk, J. Hodgson. An important contribution to the study of the securities markets made such foreign scholars as M. Alekseev, R. Baryeylyey, T. Byerdnikova, D. Blake, B. Kaltynyuk, S. Myers, R. Merton, J. Mirkin, L. Ross, B. Rubtsov. Among domestic researchers of savings problems through financial instruments should be called P. Belenkiy, A. Vasylyk A. Calina, G. Kalach, M. Kozoriz, V. Korneev, A. Koschyeyeva, Y. Kravchenko, I. Kryvov'yazyuk, O. Mendrula, A. Mozgovyj, A. Peresad, O. Redkin, O. Romashka, V. Shapran, V. Sheludko.

The aim of the article is to substantiate the theoretical and methodological positions and develop practical recommendations for transforming household savings through financial instruments. Achieving research necessitated the solution of such basic tasks:

- disclose the theoretical and methodological foundations transformation of household savings;
- study impact areas on household saving motives;
- identify the main areas of reducing transaction costs at all stages of transformation mediated by securities.

There is a range of evidence that the position of classical political economy and later neoclassical economic theory significantly differs from the actual trends in the financial market. Instead, the institutional theory using can not only identify the root causes of existing contradictions, but also suggest ways to solve them [1, p.29].

First of all it is necessary to emphasize that the basis of the classical political economy models is the behaviour of rational individual (homo economicus). Neoinstitutionalists rather more realistically assess the features of the exchange, given that people have bounded rationality. The factors that influence on savings level include:

- economic (level and structure of revenues and expenditures of the population, dynamics of major economic indicators, monetary and fiscal policy, legislative regulation, the state of financial markets development);
- demographic (life expectancy, fertility, migration, labour, employment, residence, education level, household composition);

– Institutional (economic mentality, the development of informal institutions, institutional gaps).

Such grouping allows us to analyze the factors of possibilities activation and transformation of savings into investments through the financial sector. Thus, the first group of factors determined by formal institutions can be influenced by public authorities. Instead of this, the second group of factors is sufficiently inert and therefore can not be used as a catalyst for increasing savings. At the same time, the influences of first two groups are widely analyzed in the classical economic theory. Instead, the influence of institutional factors requires more attention, in fact they can be used to influence not only on the amount of savings, but the mechanisms of their transformation into investment funds.

Under the economic mentality we understand the values and norms of economic behaviour, typical in one way or another for members of any group. National economic mentality reflects national specific (regional) models of the economy and at the same time it became one of the most important factors in the formation of these models. It shows similarities economic behaviour of one ethnic group, nation or civilization. In economic mentality the culture part is represented that enables a person to navigate in activities related to the production of consumer values. The major components of economic mentality are stereotypes consumption, value-motivational attitude to work and wealth, norms and patterns of social interaction, organizational forms of economic life, the tendency to perceive others (foreign) experience [2, p. 349].

The import of institutions from countries with unlike economic mentality leads to situations where they enter conflict with institutional core of the recipient country, forming institutional deformation, such as institutional holes, gaps, voids, collapses and loops. Institutions that are effective in post-industrial countries not always "fail" in transitional economies and preserve their backwardness. This statement explains the "authority failures" when inconsiderate administrative intervention, and in some cases lack of government initiative led to the activation of favouring rent-seeking behaviour, the problems of asymmetric information exacerbation, contracts failures and declared formal institutions have not resolved anti-corruption tasks [3, pp. 16–17].

On the contrary, the external influence of society on the interests of the system of industrial relations determines variants of implementation and coordination of economic interests and, therefore, sets their formal and informal institutional boundaries [4, p. 54]. Based on the interpretation of the set of norms as an open system Klyeyner G.B. observes that the system of rules and regulations of the Institute is in the process of institutionalization, namely consolidation, rooting, obtaining stability. This approach makes it possible to justify the concept of dynamic institutions of the country as a process of transformation, recombination and adaptation of a limited supply of basic institutions that develops through activity and social interaction (individuals) and economic (business) agents [5, p. 411].

Therefore, implementation of informal institutions will create a relatively stable to changes of behaviour or interests of individual entities and their groups, as well as those that continue to operate for a long period of norms time that motivate decision-making, activities and the socio-economic actors and their groups. The need to save money derived from the system of motives upon which households make decisions about the accumulation of current income. These motifs can be [6, p. 170–171, 7, p. 182]:

- a reserve for contingencies creation - precautionary motive;
- ensuring the future (retirement or children's education taking care), as the ratio between the income of the person (family) and its needs change throughout life - a theme lifecycle;
- provide income in the form of interest and use the value of the property, because a larger real consumption in the future provide an advantage compared with less current consumption - the motif of intertemporal substitution;
- the opportunity to gradually increase its spending in the future, which corresponds to sub-conscious desire of man to see a gradual increase in the future, rather than deterioration of their living standards - the motive of improvement;
- enjoyment feeling of independence and freedom of action - the motif of independence;
- providing opportunities for risky manoeuvre or commercial transactions - the motive of business;
- inheriting to the next generation - the motive of bequest;
- satisfying feeling of avarice, that is unfounded but persistent opposition to the fact of spending money - the motive of greed;
- accumulation money for the purchase of durable goods.

Previously, the financial behaviour of the population was mostly limited to savings and loans, the creation of a new institutional environment has opened up the potential and possibilities of various legal forms of financial behaviour. Nowadays, households in addition to credit and savings, are increasingly showing investment behaviour, and are more interested in terms of the financial framework for the functioning of the financial market. Specificity of financial behaviour is due not only to the features of financial markets, but also the nature of the object of this behaviour, that is, assets that are used to maximize the benefits - available cash resources. The study of the main thesis of consuming theory and consumer behaviour concepts implies the following conclusion: the distribution of funds for consumption and savings is influenced by a person's own assessment of their income and standard of living in the future [8, p163]

Besides not always households adopt the best solutions. Thus, T. Veblen, John Commons and W. Mitchell

emphasized the role of inertia and habits which are largely irrational [1, p. 20]. For example, the population of Ukraine prefers unorganized savings in foreign currencies, which are outside the financial market. While organized savings that are transformed through the instruments of the financial market is less risky and generate additional revenue. Therefore, in addition to the creation of effective mechanisms for such funding should form informal institutions, complementary to the existing institutional core.

Economic theory explores the economy, the subjects in which exchange real goods the price of which is formed rationally. On the contrary, even K. Marx noted that the financial markets - is the markets of fictitious capital [9, p.513–519]. Therefore, the price of assets is formed not only on the basis of objective factors, but also on the basis of subjective - projections of future growth, behavioural factors such as the effect of "crowd" or retinue - normal and predictable patterns of behaviour that are repeated regularly [10, p.31]. Due routine the technical analysis of figures extension or rotation of the trend on the stock market is possible.

Furthermore, perfect competition is treated as a market situation in which there are a large number of sellers (buyers) and everyone is selling (buying) a certain part of a homogeneous product. However, securities, even with the same nominal value rarely have similar characteristics and market value. This is due to the complexity and subjectivity evaluation of the asset households and the need to obtain consulting services.

Institutionalists compare the costs of decision-making is not a reference to the situation in microeconomics (perfect competition), but with the real alternatives that exist in practice. Distancing themselves from neo-classical homo economicus with her, institutionalism selects the object of study homo institutius - the whole man as a biosocial beings and, therefore studied economics and them "in context" [11, p. 33].

It is clear that markets can be rational, even if in reality not all investors are rational. The market becomes rational if it is attended by a lot of different agents that act based on the limited information [12, p. 145]. However, in some cases, people make decisions based on the already existing tendency, not proprietary information or evaluation of fundamental factors. As a result, this coordination of a large group of participants is a significant speculative price increases on stock assets.

Classical theory assumes complete knowledge of agents [1, p. 16]. However, even in the developed markets of the U.S. and European contractors are unable to simultaneously obtain full information. This is because the markets operates a significant number of issuers, and the types of securities to track information that is difficult. At the same time, less developed markets, which include Ukraine, is characterized as fragmented irregularity and asymmetry of information. In addition, mechanisms to prevent the use of insider information in such markets do not exist, resulting in individual participants can be accessed more complete information.

As shown in [12, p. 139], the emergence of news is the process of random walks, it should not be assumed, though complex information flow explains the complexity of pricing structures in the stock market. In addition, taking into account the totality of information signals can lead to a significant increase in transaction costs due to frequent purchase and sale of securities.

In the centre of the study of political economy is an economic man who, guided by self-interest, trying to improve their situation. The rights of other agents are not violated. In fact, for a modern financial market is characterized by opportunistic behaviour, which provides for personal gain in any way, including deceit (deception) and coercion [13, p.191]. The concept of opportunism suggests that people-agents do not fulfil their obligations, violate the agreement if it suits their interests. Because of this significantly increases the cost of protection against opportunistic behaviour. Transactional process - is the process of determining the "reasonable value", which completes the contract. Within the transaction can be divided into three main elements - the negotiations commitments and their implementation. According Arhiyeryeva S.I., transaction costs can be equated with the cost of the functioning of markets that do not conflict with their definition as cost sharing ownership. This case is absolutely correct to the reverse statement: the cost function is transactional markets [14, p.263–264].

The costs of searching for information about securities and issuers play a decisive importance in the stock market because information flows directly affect the pricing of financial assets. Given this, there are numerous institutions that carry information for market participants as free of charge (information units regulators) and reward (rating and information agency, professional intermediaries). Thus, the higher disclosure standards set regulators, the less amount of compensation required by other types of institutions, and therefore the lower the transaction costs of securities market participants.

The costs of negotiating, measurements and costs of the transaction in the securities market largely depend on place the transaction was made. Standardization of contracts and lots trade organizations, traders and commercial banks provides substantial savings. And vice versa - one-time deal, concluded the counter market, require participants to greater costs to determine the conditions of the contract, the quality and quantity of securities, as well as the legal registration of the agreement.

The costs of preventing opportunistic behaviour specification, protection of property rights and the protection of third participants can be minimize by depository institution (by keeping ownership of securities), exchanges and traders (by setting trade rules) and actual regulatory and supervisory institutions. These also include the costs of forming informal institutions complementary to the existing institutional framework of the securities market. These costs depend on effective protection of property rights than formal control.

Summary. The decisive factor in the choice of institutions - the desire to reduce transaction costs. The less

perfect is the stock market, the higher transaction costs to its participants. Thus, increasing transaction costs increases the need for institutional system, and vice versa - the institutional development of the securities market is one way to reduce the transaction costs of market participants.

As you can see, the institutional theory accurately explains the current trends transforming household savings through financial instruments. Therefore, it is the institutional approach, in our opinion, should be used to further search for ways to minimize transaction costs prevent the powerful influence and opportunistic behavior and development of informal financial market institutions.

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