

Materials of conference

INFLUENCE OF FISHER'S EFFECT ON BANK STRATEGY

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The analysis of management of the percent rate of and account in it of inflationary risk - one of major tasks of forecasting of bank activity in changeable conditions of market economy. Thus during inflation there are processes of implicit redistribution of the incomes between the creditors and borrowers (Fisher's effect) according to a known principle of game of two persons to the zero sum.

For an example the situation arising in some conditional typical bank is considered: for simplicity of the analysis was considered, that the bank works with means of the physical persons and finances of the extremely legal persons; real specific profit in a chain " the investor - bank - the borrower " in conditions of a varied rate of inflation requires reassessment of cost of actives for each of the creditors; on an example of the conditional contributions and credits of volume in one rouble we shall analyze process of their depreciation as a result of inflation.

The performance of the given analysis is broken on three stages.

At the first stage the part " the investor - bank " Below, in tab. 1 is examined, the accounts of the incomes of the investor and bank under the conditional

rouble contribution for the period 1996-2007 are given., where are used given Central Bank of Russian Federation under the interest rates in appropriate of year. Examined conditional typical bank (as the borrower) offered the investor (as to the creditor) some profit under the contributions. And the bank nominated the underestimated rates (except for 1996). The investor, agreeing on the offered conditions, lost the real incomes, which were distributed for the benefit of bank. Thus, the percent-price strategy of bank in a part rouble deposit in the researched period did not take into account interests of the investor expecting for protection of the contribution from inflation, and was not balanced up to 2000. After 2000 the percent-price strategy has relative equation, though the investors and carry the losses, but they are not so significant, and the appropriate interest rates specify that the contribution of money resources to bank is more favorable form of the savings of means of the physical persons. Since 2001 and about today the bank receives the rather low latent income, which is caused small deposit by the rate. It, in turn, specifies relative equation of percent-price strategy, and also on steady development of bank sector.

By development of percent-price strategy the special meaning is got by the bottom border of size of the percent rate compensating the level of inflation, which is defined recognizing that the final income of investments should be equal to zero.

Table 1. Dynamics of the investor incomes and bank under the conditional rouble contribution

| № | Index | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 prognosis |
|---|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------------------|
| 1 | Deposit rate of percent, % | 26,35 | 11,3 | 24,57 | 20,47 | 11,15 | 11,15 | 11 | 9,8 | 9,2 | 8,4 | 7,7 | 7,5 |
| 2 | Contribution, rouble | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 3 | Contribution with the income, rouble [3]=[2](1+[1]/100) | 1,26 | 1,113 | 1,246 | 1,2 | 1,11 | 1,11 | 1,11 | 1,1 | 1,09 | 1,08 | 1,08 | 1,07 |
| 4 | Rate of inflation, % | 16,41 | 11,53 | 84,14 | 36,59 | 20,25 | 12,1 | 10,2 | 12 | 11,7 | 10,9 | 8,8 | 8 |
| 5 | Real contribution with the income, rouble [5]=[3](1-[4]/100) | 1,06 | 0,98 | 0,2 | 0,76 | 0,89 | 0,98 | 0,99 | 0,97 | 0,96 | 0,96 | 0,98 | 0,98 |
| 6 | Final income of the investor, rouble [6]=[5]-[2] | 0,06 | -0,02 | -0,8 | -0,24 | -0,11 | -0,02 | -0,01 | -0,03 | -0,04 | -0,04 | -0,02 | -0,02 |
| 7 | Final income of the investor, % [7]=([6]/[2]) 100 | 6 | -2 | -80 | -24 | -11 | -2 | -1 | -3 | -4 | -4 | -2 | -2 |
| 8 | Latent income of bank, % | -6 | 2 | 80 | 24 | 11 | 2 | 1 | 3 | 4 | 4 | 2 | 2 |

The formula for it account (in shares of unit) is those: $r_i = \frac{Inf}{1 - Inf}$, where r_i - compensating rate of inflation; Inf - rate of inflation (in shares of unit) in the examined period.

According to a technique of an estimation of Fisher's effect, the real final income D can be determined from a relation $D = v(1 + r_n)(1 - Inf) - v$, where D - real final income; v - size of the contribution; r_n - the deposit rate of percent. With the account, $v = 1$, $r_n = r_i$, $D = 0$ is received the dependence

$(1 + r_i)(1 - Inf) - 1 = 0$, i.e. compensating rate of inflation $KIIC = r_i = \frac{Inf}{1 - Inf}$. The meanings, designed

on given dependence are submitted to tab. 2.

From the given results follows, that the interest rate under the rouble contributions in 2000 compensating a rate of inflation, should be above actual (make 25,39 % instead of 11,15 %) in case of equilibrium strategy. Thus, with the purposes of a covering of the losses because of a high level of inflation at a rate of 20,25 % by bank should be nominated the interest rate above than level 25,39 %.

Table 2. Settlement meanings of the rouble interest rate compensating an inflation rate

| Year | nominal percent rate | rate of inflation, % | compensating rate of inflation, % | deviation of the current rates % |
|-----------|----------------------|----------------------|-----------------------------------|----------------------------------|
| 1996 | 26,35 | 16,41 | 19,63 | 6,72 |
| 1997 | 11,3 | 11,53 | 13,03 | -1,73 |
| 1998 | 24,57 | 84,14 | 530,52 | -505,95 |
| 1999 | 20,47 | 36,59 | 57,7 | -37,23 |
| 2000 | 11,15 | 20,25 | 25,39 | -14,24 |
| 2001 | 11,15 | 12,1 | 13,76 | -2,61 |
| 2002 | 11 | 10,2 | 11,35 | -0,35 |
| 2003 | 9,8 | 12 | 13,64 | -3,84 |
| 2004 | 9,2 | 11,7 | 13,25 | -4,05 |
| 2005 | 8,4 | 10,9 | 12,23 | -3,84 |
| 2006 | 7,7 | 8,8 | 9,65 | -1,95 |
| 2007 | 7,5 | 8 | 8,69 | -1,19 |
| prognosis | 7,5 | 6,5 | 6,95 | 0,55 |

One of the reasons of the lowered rates can be a post crisis situation of the Russian financial market, which was caused by crisis of August 1998. The bank adheres to percent-price strategy supposing some underestimation of the factor of inflation, that allows it to receive the latent additional incomes in conditions, when the investors are focused in the greater degree on reliability of bank, rather than on reception of the high income on the enclosed means. Such bank strategy was characteristic for banks which are carrying out the activity during 1998-2002.

The deviation of the current rates from compensating rate of inflation became less during 2001-2007, but still keeps negative dynamics. It is connected that in conditions of market economy the bank can not completely undertake the obligations to the investors on preservation of their contributions, because too great the meanings of compensating rate of inflation can which directly depend on rates of inflation.

On the second investigation phase the part of a chain " bank - borrower " for the rouble credit, results of account for which is considered during 1996-2007 are submitted in tab. 3.

The results of accounts for the conditional rouble credit in the examined period testify to the following. In 1996-1997 the credit rates of percent allowed banks to receive the real income of crediting in national currency. During 1998-2000 a high level of inflation, caused by an economic crisis in the country, destroyed the income of banks under the credits in real sector of economy, thus bringing the latent damage to banks. But in these of year the latent advantages were received by the borrowers (in particular, enterprises of real sector of economy taken credits). During 2001-2002 the period of stabilization was observed, when the bank received the real income of crediting in national currency.

On the third investigation phase overlapping results of the first and second analysis stages is carried out with the purpose of revealing parameters of work of bank in view of the real incomes of its clients (depositors and investors - borrowers). Accounts final annual "deposit-credit" for examined conditional bank is submitted to efficiency of through rouble operation in tab. 4.

Table 3. Dynamics of the bank incomes under the conditional rouble credit

| № | Index | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 prog-nosis |
|---|---|-------|-------|-------|-------|-------|------|------|-------|-------|-------|------|-----------------|
| 1 | Credit rate of percent, % | 49,08 | 28 | 52,35 | 38,45 | 20,8 | 20,8 | 17 | 13,3 | 11,6 | 10,6 | 10,4 | 9,9 |
| 2 | Credit, rouble. | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 3 | Credit with percent, rouble [3]=[2](1+[1]/100) | 1,49 | 1,28 | 1,52 | 1,38 | 1,21 | 1,21 | 1,17 | 1,13 | 1,12 | 1,11 | 1,1 | 1,1 |
| 4 | Rate of inflation, % | 16,41 | 11,53 | 84,14 | 36,59 | 20,25 | 12,1 | 10,2 | 12 | 11,7 | 10,9 | 8,8 | 8 |
| 5 | Real credit with percent, rouble [5]=[3](1-[4]/100) | 1,25 | 1,13 | 0,24 | 0,88 | 0,96 | 1,06 | 1,05 | 0,99 | 0,98 | 0,98 | 1 | 1,01 |
| 6 | Final income of the credit, rouble [6]=[5]-[2] | 0,25 | 0,13 | -0,76 | -0,12 | -0,04 | 0,06 | 0,05 | -0,01 | -0,02 | -0,02 | 0 | 0,01 |
| 7 | Final income of the credit, % [7]=([6]/[2])100 | 25 | 13 | -76 | -12 | -4 | 6 | 5 | -1 | -2 | -2 | 0 | 1 |

Table 4. Final annual efficiency of through rouble operation "deposit-credit"

| Index | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 prog-nosis |
|--|-------|-------|-------|-------|-------|------|------|------|------|------|------|-----------------|
| Rate of inflation, % | 16,41 | 11,53 | 84,14 | 36,59 | 20,25 | 12,1 | 10,2 | 12 | 11,7 | 10,9 | 8,8 | 8 |
| Latent income from deposit operations, % | -6 | 2 | 80 | 24 | 11 | 2 | 1 | 3 | 4 | 4 | 2 | 2 |
| Income of credit operations, % | 25 | 13 | -76 | -12 | -4 | 6 | 5 | -1 | -2 | -2 | 0 | 1 |
| Final income, % | 19 | 15 | 4 | 12 | 7 | 8 | 6 | 2 | 2 | 2 | 2 | 3 |

The received parities testify to unprofitableness for examined bank during 1998-2000 the crediting in rouble of real sector of economy at the usual level rouble deposit and credit rates of percent, and also inflation, available a high level, and essential risks of the credits unreturn. However, probably, the given percent-price strategy of bank is connected that the bank in the examined crisis period felt absence of economic stimulus for rouble investments, in particular in real sector of economy, and tried to avoid crediting of the industrial enterprises. An examined example of typical conditional bank during 1996-2007 reflects a general situation of bank sector of economy and confirms necessity of realization " Strategy of development of Russian Federation bank sector for the period till 2008 "¹.

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¹ The application of Government of Russian Federation and Central bank of Russian Federation about Strategy of development of bank sector of Russian Federation for the period till 2008 from April 5, 2005. M., 2005.

ECONOMIC RESULTS OF SOCIAL ASSISTANCE MEASURES PROVISION SYSTEM REFORMING WHEN PAYING FOR HOUSING AND PUBLIC UTILITIES IN TATARSTAN

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Currently, ones of the most acute problems, maybe, for all subjects of the Russian Federation remain the problems of housing maintenance and utilities and social security provision.

For the Republic of Tatarstan in both areas the year 2005 became a turning one, when concurrently with the reform of benefits, one of the factor of which the decentralization of authority for both legal and financial provision of social protection of people from the federal authority level to regions has become, resulted in a substantial increase of the fiscal load on the last and, as a consequence, the necessity of the budgetary resources mobilization, to implement a passage to the 100% payment by the population of economically sound cost of housing and public utilities' services.

The main re forming components have become:

1. Stopping the allocating investment support of the expenditures of the Republic population at large when paying for housing and public utilities' services using the compensation of the difference between