

## Economic behavior: analysis and prospects\*



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**Abstract.** Efficient social policy should be based on the understanding of strategies which Russian families use for adaptation to a difficult economic situation in the country. This understanding is promoted by regular research into people's consumer behaviour and by sociological surveys of savings strategies. Scientists are studying the investment behaviour of population. Consumer behaviour, savings behaviour and investment behaviour are the elements of economic behaviour of population. The integrated research into these components gives the greatest effect for enhancing the efficiency of social policy. The "Taganrog" Project is one of such integrated studies. This project has been implemented within forty years; its main purpose is to study various aspects of life of households in this southern city that used to be an industrial city.

**Key words:** economic behaviour, household, savings strategy, sociological research.

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Russian statistics and science pay much attention to the study of economic behavior. For instance, Rosstat carries out regular sample surveys of household budgets, as part of state statistic observation of the people's standard of living. Sociological services, for instance, WCIOM (Russian Public Opinion Research Center)<sup>1</sup> and the Levada-Center<sup>2</sup> carry out regular polls for assessing the financial situation of families and their financial behavior; Romir Holding<sup>3</sup> carries out the analysis of consumer markets and consumer preferences; there also exist other research centers and companies. However, a comprehensive analysis of economic behavior of the population in our country has not been conducted so far.

We define the population's economic behavior as a certain rational choice from the available alternatives to minimize costs and maximize the benefits; this choice is used by population as a mechanism of adaptation to the changing external environment. Economic behavior is influenced directly by the type of social and income groups that an individual belongs to; these groups define the level of accumulation and consumption for certain population groups; they also set out socio-demographic characteristics of the family: number of dependants, number of children, number of pensioners and disabled persons, age, health status and education level of family members.

Economic behavior is also influenced by social groups that an individual belongs to. Reference groups can include family, colleagues, neighbors, etc. However, the affiliation group and the reference group may not coincide, and they may have a multidirectional impact on the individual. Reference groups form the norms and values that determine the prospect of thinking and behavior of the person. In this regard, particular attention should be given

to the influence of family and way of life. The family has the most powerful adaptive capacity in economically difficult situations.

The research conducted in the framework of the "Taganrog" Project, supervised by RAS Corresponding Member N.M. Rimashevskaya, came most closely to the complex analysis of people's economic behavior. The purpose of the research was "to reveal the essence of ongoing changes in Russia through the prism of living conditions, the status and behavior of the population; to reveal their nature, specifics, factors and dynamics". The fundamental issue addressed by the project consists in "finding essential changes in the reproduction and quality of life of Russia's population under the transition to market economy, in consideration of the mechanisms determining social processes; and also, if we speak about practical use of the obtained results, in the development of measures and proposals for the formation of social policy" [1, p 10]. Five stages of the project have been implemented: "Taganrog I" (1968–1969), "Taganrog II" (1978–1979), "Taganrog III" (1988–1989). The first three stages were conducted every ten years. In five years after the third stage, the research "Taganrog 3" was carried out. Accordingly, the fourth stage received a one-half index. Finally, the fifth stage "Taganrog V" was implemented in 1998–2000.

The first three stages were implemented under the planned economy, when economic behavior was reduced to consumer behavior, i.e. the distribution of income (mainly salaries). Savings strategies at that time were limited to the opportunities provided by Sberbank (branches of savings bank), i.e. to the earning of interest on the account balance. The economic reform opened new opportunities in this respect. But it took twenty years for the population to accumulate savings, which need to be preserved, multiplied and invested in various projects, i.e. to carry out savings and investment behavior.

<sup>1</sup> WCIOM. <http://wciom.ru>

<sup>2</sup> Levada-Center. <http://www.levada.ru>

<sup>3</sup> Romir Research Holding. <http://romir.ru>

Consumer behavior of households with different socio-economic status was the subject of a detailed study at almost all the stages of the “Taganrog” research. The main feature of the consumer market in the pre-reform period consisted in the imbalance of demand and supply of goods and services, which was increasing over the years. However, the shortage of food and industrial goods did not mean that Taganrog residents were starving. Nearly a quarter of urban families partially compensated for food shortage by production of foodstuffs in household plots and dachas. The residents purchased non-food products as well, but at speculative prices. The market of paid services was underdeveloped, and it was reduced mainly to personal services (barber’s and hairdresser’s, public bath houses, dry cleaning, catering, etc.). Socially important services (medical, educational, cultural, recreational, housing and utilities) were provided by the state free of charge or at a nominal fee, which ensured equal access to them for all citizens, regardless of their financial situation.

Opinion polls conducted in Taganrog in the period of transition to market relations (1993–1994) and in later years (1998–2000), showed significant changes in the residents’ consumer behavior, as evidenced by the changes in the structure of consumer spending – the increase in the share of money spent on foodstuffs (the indicator proving the reduction in the standard of living) and paid services. At that, the share of households that had private subsidiary plots and produced agricultural goods increased in the early 1990s to almost 40%. Despite the fact that in this period the state retained control over tariffs on housing and utilities services, the expenditures on their payment were growing rather quickly due to higher growth rates of prices for services as compared to goods, and also due to the fact that free services were becoming paid services for the population. In 1998, almost half (48.1 percent) of families in Taganrog had to stint themselves on purchas-

ing food, and it accounted for more than 60% of all the expenses. At the same time there was no deficit of any goods any more – the fact was that the population did not have enough money to satisfy basic needs.

The typological study carried out in the framework of the “Taganrog II” Project (1978) in the conditions of the low differentiation of the people’s incomes, identified eight types of families with different consumer behavior. In these families, depending on socio-demographic indicators and the specifics of living conditions, the structure of needs, consumption and orientations of the population proved to be very different [2].

Twenty years later, the typological research used a slightly different model that made it possible to identify four stable groups of consumers, despite growing income inequalities, lack of commodity deficit and the expansion of the market of paid services.

The first group represents the type of consumption, characteristic of low-income households in Taganrog, the per capita income of which did not exceed the subsistence level (SL) in the Rostov Oblast. These are mainly intact families with one or two children. Their type of consumption can be called “extreme” or “consumption for survival”. The second group of consumers, according to researchers, comprises households with middle income that is above the subsistence level, but below the value of 2.5 SL. These are small intact families, mainly without children or with one child. The consumer style of these households differs from that of the first type by the higher characteristics of consumption, more diverse and rational structure of consumption of both foodstuffs and non-food goods and services. The third group is represented by the most well-off households with incomes higher than 2.5 SL. These are mainly intact families without children (only one third of them are families with one child) that belong to medium and high social statuses. The representatives of this group

are characterized by a different quantitative and qualitative level of consumption. In general, however, their consumer behavior can be called “conservative-consumer” because it focuses on the preservation and maintenance of the previously formed consumer way of life. The fourth group of consumers is pensioner households. Due to the absence of dependant burden, these households, despite the low level of pensions, enjoy a favorable financial situation (compared with pensioners that live in the same quarters with their relatives). This group takes an intermediate position between the first and the second groups; however, it has its own specific features. This concerns, primarily, the purchase of food and medicines. Consumers in this group have to rely only on their own financial opportunities; therefore, they rarely borrow money. The researchers named the fourth group “ascetic”, due to the observed maximum austerity.

The further changes in the social structure of the city population under the influence of the local labor market situation that is not changing dramatically, no doubt, changed the distribution of the population by types of consumer behavior, but the very number of types is unlikely to have increased. In the late 1980s – early 1990s already, Taganrog began to fall behind both the national average and the regional average by the level of wages and monetary incomes of the population, while the scale of poverty and the number of needy households were growing faster [3].

According to Rosstat, the volume of real consumption of paid services per capita in the Rostov Oblast for the last 11 years has increased in 1.55 times against 1.47 times for Russia as a whole; the real per capita retail trade turnover in the oblast also increased at a faster pace and was equal to 2.8-fold. However, both these indicators remained below the national average (73% and 95% respectively). But Taganrog is not the Rostov Oblast, where the majority of retail turnover and paid services is

effected directly in Rostov-on-Don. In this regard, we can assume that the consumption of goods and services in Taganrog apparently increased during this period, but to a much lesser extent than the oblast average, and the gap between this indicator and the national average indicators has somewhat increased.

Opinion polls give an opportunity to look into the financial situation of families in Russia from the viewpoint of self-esteem. Considering the dynamics of financial situation in a sufficient period of time, we can note that the number of families that assess it positively, is increasing gradually (*tab. 1*). If the number of families without financial difficulties, remains unchanged: about 1%, during the whole period of observation, then the number of families that are limited in purchasing of only expensive things, is constantly increasing (from 7% in 2001 to 16% in 2010). It should be noted that the low-income groups are experiencing a gradual improvement of the situation. For example, the number of the poorest families reduced from 22% to 9%, while there has been a redistribution in other groups: in 2001 the group of families, which had enough money only to buy food, was 44%, but in 2010 it reduced by 27%; and the group of families that had enough money only for durable goods, on the contrary, increased from 27% to 48%.

The improvements in financial situation promote the formation of savings. *Table 2* presents the dynamics of savings capacity of Russian families.

The table shows that the 2008 economic crisis has strongly affected the level of people’s savings; however, by 2010 the situation has changed to what it was in the smooth pre-crisis period. Anyway, we can state that about a quarter of Russia’s population have savings, i.e. they can carry out not only the consumer behavior, but also the savings behavior and investment behavior.

The formation of market relations in the Russian economy was accompanied by the

Table 1. Which population group would you refer your family to, most likely?\*

(as a percentage of the number of respondents)

Answer option	11.2001	11.2003	11.2005	11.2007	06.2008	10.2009	08.2010
There is not enough money even to buy food	22	15	15	14	12	13	9
There is enough money to buy food, but the purchase of clothing is a major problem	44	45	37	33	29	29	27
There is enough money to buy food and clothing, but the purchase of durable goods is a problem for us	27	31	37	37	42	47	48
We can easily buy durable goods, but we have problems with purchasing really expensive things	7	9	10	15	17	12	16
We can afford very expensive purchases like car, apartment, dacha and many other things	<1	1	<1	1	1	1	1

\* Hereinafter: results of the Levada-Center opinion polls. Sample before 2009 – 2100 respondents, after 2009 – 1600 respondents. <http://www.levada.ru/category/rubrikator-oprosov/uroven-zhizni-naseleniya-rossii/lichnye-denezhnye-sberezheniya>

Table 2. Do you, does your family currently have any savings?

(as a percentage of the number of respondents)

Answer option	07.2002	07.2003	07.2005	07.2007	12.2008	10.2009	10.2010
Yes	26	24	21	22	18	22	26
No	68	69	70	66	75	73	69
I do not know / Refusal to answer	6	7	9	13	7	5	5

emergence of two basic types of people's economic behavior: pre-market behavior and market behavior. People with pre-market type of behavior are characterized by the rejection of the market or a cautious attitude toward it, the low estimate of their opportunities for adaptation to market economy, a high level of social and psychological tension of a person being under the strong influence of social stereotypes, developed during the Soviet years. The market type of behavior involves a high degree of economic activity of an individual, the understanding of the opportunities that the market provides for the growth of welfare in accordance with applied efforts, knowledge, skills.

At that, different savings strategies are used. People with the pre-market type of economic behavior prefer to keep their savings in cash (what is called "in a money box"), or in a savings bank; as for the adherents of market behavior,

they use more diverse strategies: investing in stocks, bonds, investment in business, purchase of real estate and so on. *Table 3* presents the savings strategies of the population. As can be seen, the most reliable way to save money, according to the population, is to keep them in Sberbank, despite huge losses of savings due to inflation after the 1992 economic reforms and the lack of interest accrual on the deposit balance, as it was in the Soviet times<sup>4</sup>. For ten years the share of people who chose Sberbank to keep their savings, has increased by 17%. More than half of the respondents prefer to keep their savings in Sberbank. The image of the state bank, which was formed in the Soviet times and which is supported after the reforms, allows Russia's population to consider it the most reliable form of saving money.

<sup>4</sup> The RF Savings Bank accrues interest on the deposit balance only for pension deposits.

Table 3. How do you keep savings?  
(as a percentage of the number of respondents)

Answer option	09.2002	09.2005	09.2007	10.2009	10.2010
In the Savings Bank	41	44	50	53	58
In a commercial bank	4	5	6	6	9
In public bonds, other state securities	2	2	2	1	1
In funded insurance policies	1	1	1	1	1
In shares and other securities of joint-stock companies, investment funds, banks, etc.	3	5	5	3	3
In cash	20	24	29	*	*
In hard currency	40	24	16	*	*
In rubles (cash)	*	*	*	29	29
In U.S. dollars (cash)	*	*	*	8	8
In Euros (cash)	*	*	*	17	10
In articles made from precious metals, in antiques, in paintings	8	6	6	8	5
In other form	2	2	2	3	1
It is difficult to answer	17	20	20	16	16

Table 4. For what purpose are you making savings now, or would make savings, if you had an opportunity? (as a percentage of the number of respondents)

Answer option	09.2002	09.2005	09.2007	10.2009	10.2010
Purchase of expensive articles	14	13	11	11	13
Purchase of an apartment, a detached house	20	21	21	22	22
Education	22	20	19	18	14
Treatment	27	24	19	24	26
Recreation, entertainment, travelling	12	13	12	19	21
One's own business, purchase of shares	4	4	4	6	5
Purchase of a land plot, a dacha, an allotment cottage	3	3	2	6	6
Purchase of a car	9	10	10	13	14
Just in case, as a reserve	35	36	33	41	42
Other purposes	6	5	7	4	6
I would not make savings for any purposes	9	7	10	11	11
It is difficult to answer	8	9	10	5	6

Savings in cash is the second most popular way of saving money. The scandals connected with the American economy, and rumours about the devaluation of the U.S. dollar have undermined the trust of the Russians in this currency that was popular in the 1990s. People prefer to keep cash in rubles or the European currency (Euro). Thus, the Russian population saves money in the forms, characteristic for the pre-market type of economic behavior.

Very few of the respondents use modern and often more profitable saving options (securities, shares, bonds, etc.). This can be explained by the fact that securities market in Russia is still

underdeveloped, and there is virtually no public information on the possibilities of its using. It is especially difficult to use these savings technologies for those, who live in remote areas, far from large cities. Even educated young people, well adapted to the conditions of market economy, often have to use the more available saving options, such as deposits in Sberbank and cash; using these options is typical of the older generation with the pre-market type of economic behavior.

We consider it important to clarify the goals that people pursue when making savings. *Table 4* shows the answers of the respondents

to the questions about the purpose of savings. The most common reason is the uncertainty about the future (the answer “just in case, as a reserve”), the desire to be able to survive in the next crisis. Due to the series of economic shocks in the 1990s and the crisis of 2008–2009 the people have accustomed themselves to the thought that anything in our economy can go wrong at any moment, and they need to be prepared for that.

The next purpose of savings, according to the number of answers, is for treatment, and it also concerns the provision of normal life in the future. The transition from the fully free to the partly free medical care spawned the need to have money in case of a serious illness. We should also point out the ageing of the Russian population, and with age comes disease.

The majority of Russian families can afford to buy a house or an apartment only after they have accumulated a certain amount of money. Even when they use a mortgage loan, it is necessary to make a down payment, which can reach 30% of the apartment’s price.

The decrease in expenditure on education can indicate first, the general ageing of the population, and, respectively, the reduction in the number of young people who need education; second, the disappointment in education as a means of social mobility, necessary to make a career. There has been an almost twofold increase in the number of families that save money for recreation and traveling.

The consideration of only a few components of the people’s economic behavior proves a strong correlation between the family composition, way of life, level of wages, consumer and savings behavior. Each family member, which is a potential consumer, has his/her psychological characteristics, type of character and temperament, and, accordingly, his/her own consumer motivation, which should be taken into account, because it is the driving force that activates behavior and defines

the purpose and direction of this activity. In this regard, we can point out that it is only comprehensive research that can provide a full picture of the population’s economic behavior.

Thirteen years have passed since the latest socio-economic survey of the population in Taganrog. Russia’s economy has not only made a complete transition to market relations, it has also become part of the global world. The illusion that the market will decide if not all, but at least the majority of our problems has vanished, and even the leadership of the country has recovered from it. Economic and financial crises come and go with increasing frequency and affect all the layers of the population. Therefore one of the goals of a new population survey in Taganrog that will be carried out by the scientists of the RAS Institute of Social and Economic Studies of Population (ISESP RAS), is to identify the dynamics in economic behavior, assess the risks of underconsumption for households with unfavorable socio-economic situation in the cities and towns with the medium number of population and once-developed industry.

Summing up, we can state that consumer behavior is an economically difficult process of generalization and analysis of potential needs and habits, which, in one way or another, form the amount of demanded and have a significant impact on the structure of supply in the consumer market. The research into the mechanisms of influence of modern social factors of everyday life on the consumer activity of an individual remains a relevant scientific issue.

Profound differentiation in the standard of living among the Russian population in the regional context influences in its own way the formation of the models of economic behavior, especially savings and investment behavior. The main task with regard to households is to establish favorable economic conditions for reproduction of human potential of family members.

The demand of Russia's population for the civilized forms of economic behavior should largely contribute to the investment of significant funds in the real sector of economy and, hence, to the sustainable growth of the country's economic potential and welfare in the society. A shortage of modern comprehen-

sive theoretical and methodological developments in the field of economic behavior can lead to the fact that the planning and the course of further socio-economic reforms may overlook the social values and attitudes that define the structure of economic and financial culture of the population.

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