

Characteristics of the Financial System of the Russian Federation

Belotelova Nina

*Russian State Social University, Faculty of Social Insurance, Economics & Sociology of Labor,
Department of Finance and Credit, Doctor of Economics, Professor
Email: jsbelotelova@mail.ru*

Belotelova Zhanna

*Russian State Social University, Faculty of Social Insurance, Economics & Sociology of Labor,
Department of Finance and Credit, Candidate of Economic Sciences, Associate professor
Email: belotelova_z@bk.ru*

Sorokina Larisa

*Russian State Social University, Faculty of Social Insurance, Economics & Sociology of Labor,
Department of Finance and Credit, Candidate of Economic Sciences, Associate professor
Email: lukshalar@mail.ru*

Kukhareenko Olesya

*Russian State Social University, Faculty of Social Insurance, Economics & Sociology of Labor,
Department of Finance and Credit, Candidate of Economic Sciences, Associate professor
Email: ol.kukhareenko@gmail.com*

Doi:10.5901/mjss.2015.v6n3p627

Abstract

This article provides an overview of some of the elements of the modern financial system of the Russian Federation both in retrospect and in future. In particular, the following elements: the federal budget, extra-budgetary funds, the banking system are considered. Within the analysis of the federal budget the dynamics of revenues and expenditures and their ratio to GDP for the future 2014-2017 is shown. Review of extra-budgetary funds is disclosed through the analysis of revenues and expenditures of the Pension Fund, Social Insurance Fund and the Federal Obligatory Health Insurance Fund in the past 10 years. Also the dynamics of payments of insurance fees for the 1991-2014 is shown. Also the characteristics of the assets of the banking system for 2009-2013 are given.

Keywords: *the financial system, the budget system, the banking system, state budget funds*

1. Introduction

1.1 Introduction to the Problem

The financial system of the Russian Federation consists of the elements that characterize the state structure of the country and the economic foundations of its economic activity. The main elements of the system are the Federal Budget, extra-budgetary funds, the banking system. The current state of these elements is not effective enough. Low efficiency is characterized by a very low rate of GDP growth, which, in turn, affects the formation of budget revenues and extra-budgetary funds, as well raising the refinancing rate leads to a rise in the cost of money. That, as a result, is unlikely to affect the increase in GDP growth. These facts are, in fact, the problem of modern financial system, i.e. its poor capacity to implement tasks of the state. The article describes the state of the elements of the financial system both in retrospect and in future on the basis of realistic forecast of socio-economic development of the Russian Federation until 2020.

1.2 *Disclosure of the Importance of the Problem*

The development of the Russian economy in recent years has faced a number of constraints that may persist in the long term. It refers to the reduction of investment and consumer demand, continued outflow of capital, not the best situation in the global financial markets and the markets of Russia exported goods.

Economic growth in 2013 was 0.4%. According to analysts' opinion the results of 2014 may be zero growth in the economy. The main reason is lack of financial resources. At the same time, under the circumstances, the main source of additional investment for the future can only be internal sources.

The current rate of growth of economic indicators, according to experts' opinion is not enough to realize the envisaged social guarantees. Increase of budgetary payments are possible in the case of intensive annual economic growth in the range of 4-7%. Many regions are experiencing an acute shortage of revenues for the above indicated measures.

1.3 *Description of Research in this Field*

The Poorly formed financial system is the biggest obstacle to economic growth: the business lacks money and existing institutions are unable to provide the necessary funds. It is believed that there are two financial models: the Anglo-Saxon and Continental ones. The first is characterized by strong investment banks and brokers (for example - the United States), the second's main element is the classic banks (e.g. Germany). Taking into account the peculiarities of Russia, there was formed a mixed model with the developed infrastructural institutions and the predominance of banks among financial market participants.

2. **Methodology**

2.1 *Definition of the Object of Research*

The financial system is the basis for the development of the economy, but at the same time it shows how developed this economy is. The profitability of the Federal Budget, extra-budgetary funds, banking system are currently the most important objects of study in the framework of the entire financial system. In this connection, the objects of study of this article were chosen the above mentioned elements of a modern financial system: the Federal Budget, state funds and the banking system.

2.2 *Determination of its Main Characteristics*

The article deals with the following characteristics of the financial system: revenues and expenditures of the federal budget and the consolidated budgets of the Russian Federation, the revenues and expenditures of the Pension Fund, the Social Insurance Fund, the Federal Fund of Obligatory Health Insurance, rates of insurance contributions, assets of the banking sector in Russia.

2.3 *The Choice of Research Method*

In the process of preparing the article there were used the following scientific methods of research. Historical and logical methods were used for a detailed study of the socio-economic processes, development of the financial system of the Russian Federation in their historical sequence simultaneously with logical generalizations that allow to evaluate these processes in general and to draw general conclusions. The method of analysis and synthesis helped to promote the study of socio-economic phenomena as in parts (analysis) as well as a whole (synthesis), which provided a systematic approach to the selection of the study. To clean the object under study from the particulars and to reflect of the most important sides of the objects there was used the method of scientific abstraction. The analysis of the practical data was performed by using comparison, grouping and aggregation methods.

3. Results

3.1 *The Set of the Analyzed Data*

In order to obtain the reliable results of the study the authors analyzed the statistics of revenues and expenditures of the Federal Budget, the Pension Fund, the Social Insurance Fund, the Obligatory Health Insurance Fund. The analysis of the indicators characterizing the state of the modern banking system was made. The initial data for the analysis presented in the official website of the Central Bank of the Russian Federation, Federal State Statistics Service, as well as analytical data of mass media, scientific works of modern economists in the field of the financial system.

3.2 *The Initial Data*

The analyzed initial data are sufficiently verified as, mainly, are represented by the Russian legislation, data of the state structures. The analysis is made on the basis of both retrospective and prospective data.

3.3 *Statistics and Data Analysis*

The formation of the results of the study was significantly influenced by static analysis of revenues and expenditures of the Federal Budget, the Pension Fund, the Social Insurance and Obligatory Health Insurance Fund. The rates of change of the studied indications, the level of deficit and surplus were determined. The analysis of the Federal Budget is presented for the future, and the statistics of financial resources of the extra-budgetary funds is studied in the retrospective recently. While reviewing the statistics of the banking sector an analysis of the current state of the Russian banking system was presented.

4. Discussion

4.1 *The Main Problems of the Russian Financial System.*

These problems include: the balance of revenues and expenditures of the budgets of all levels of the budgetary system; budgets of state extra-budgetary funds; reduction in the rate of inflation; strengthening and improvement of the banking sector in order to ensure economic growth.

4.2 *Key Indicators of Economic Development and the State Budget of Russia.*

The financial system of the Russian Federation consists of the elements that characterize the state structure of the country and the economic foundations of its economic activity. One of the key elements of the system is the State Budget. The Ministry of Finance published a draft of the Federal Budget for 2015-2017. According to the Prime Minister Dmitry Medvedev, Russia's budget for 2015 should be much realistic and take into account the sanctions imposed on Russia. (Russian news agency ITAR-TASS, (2014, August 29) Access: <http://itar-tass.com/ekonomika/1408327>).

Today's geopolitical tension leads to a slowdown in economic growth. Under these conditions, the preservation of rational measures and macroeconomic policy framework will help to limit downside risks compared to the forecast. (International Monetary Fund (2014, October 1), Russian Federation: Concluding Statement of the IMF staff visit in September 2014). In September 2014 was published on 16 th semi-annual ranking of international financial centers, developed by London commercial research center Z / Yen. The rating is based both on macroeconomic indicators and surveys. According to the rating Moscow dropped by 7 positions, taking the 80th out of 83. (Yeandle, M., Mainelli M., GFCI 16 International Launch, Casablanca Finance City Authority, Casablanca (Morocco), 22 September 2014).

The Government of the Russian Federation on September 30th this year contributed to the State Duma a draft of the Federal Budget for 2015 and the planning period of 2016 and 2017. Table 1 shows the indicators of social and economic development of the Russian Federation, which are based on the project.

Table 1. Main indicators of economic development (taking into account the Crimean Federal District), % by 2013 (Review of Economic Indicators (2014, October 15)).

	2013	2014 (estimate)	2015 (forecast)	2016 (forecast)	2017 (forecast)
GDP growth	101,3	100,5	101,2	102,3	103,0
The Consumer Price Index	106,5	107,5	105,5	104,5	104,0
The industrial production index	100,4	101,7	101,6	101,7	102,1
Investments in fixed assets	99,8	97,6	102	101,6	102,9
Real disposable cash income	103,2	100,3	100,4	102,6	103,3
Real wages	104,8	101,5	100,5	102,8	104,6
Retail trade turnover	103,9	101,9	100,6	102,9	103,4
Export of goods, bln. USD	527,3	511,2	494,2	498,2	507,3
Imports of goods, bln. USD	315,0	291,3	299,2	305,5	316,6
The price of oil "Urals", USD / Bbl	107,9	104,0	100,0	100,0	100,0
The price of gas (the average contract including CIS countries), USD / Thousand m3	342	321	289	282	278
Dollar exchange rate, rubles for USD	31,8	35,7	37,7	38,7	39,5

The bill presupposes to increase revenues by 517.4 billion rubles, which is 1.2% of GDP. The increase of the forecast revenues is associated with an increase in oil and gas revenues by 898.6 billion rubles while the value of non-oil revenues decreased by 381.2 billion rubles. The increase of expenditures by 151.5 billion rubles is planned in the bill. The greatest increase in expenditures compared to the value in the current budget law on the bill provided under Articles of national economy (279 053.5 or 0.5% of GDP) and national defense (086.1 254 or 0.4% of GDP). In addition, the reduction in expenditures on environmental protection, social policy, physical culture and sports, as well as debt service and intergovernmental transfers of a general nature are planned.

Let's consider the execution of an extended and consolidated budgets in 2014. According to the Federal Treasury, the expanded budget revenues in January-August 2014 amounted 17.143 billion rubles, or 37.4% of GDP, compared to 37.0% of GDP in the previous year. The costs of the expanded budget amounted 15.632 billion rubles, or 34.1% of GDP, compared to 34.9% of GDP in the previous year. In January-August 2014 there was a reduction of the expanded budget in relation to GDP - by 0.8 percentage points of GDP. Thus, the cash surplus budget was extended in January-August 2014 1512 billion rubles, or 3.3% of GDP compared to a surplus of 2.0% of GDP in the previous year.

Rising of revenues was mainly due to export duties and taxes on natural resources. The largest increase for the period of January-August 2014 compared to the value for the same period last year experienced defense spending (0.5% of GDP), while, at the 0.1% of GDP decreased expenditure on "National Security and Law Enforcement activity." Mostly spending on social policy (1.1% of GDP) fell, which is associated with a decrease in transfers to the Pension Fund of Russia from the federal budget.

Consolidated budget revenues amounted in January-August 2014 to 14.08 billion rubles, or 30.7% of GDP as compared to 30.2% of GDP in the previous year; expenditures - 12.825 billion rubles, or 27.9% of GDP, compared to 29.0% of GDP in the previous year. Interest payments were amounted to 295 billion rubles, or 0.7% of GDP, which corresponds to the level of the previous year. Non-interest expenditures are 12.473 billion rubles, or 27.2% of GDP as compared to 28.3% of GDP in the previous year. Thus, the cash surplus of the consolidated budget in January-August 2014 reached 1.255 billion rubles, or 2.7% of GDP compared to a surplus of 1.2% of GDP in the previous year. The primary surplus of the consolidated budget was amounted to 1.608 billion rubles, or 3.5% of GDP compared to a surplus of 1.9% in the previous year.

The total volume of state domestic government debt of the Russian Federation on the 1 of October 2014, expressed in government securities (BFL Federal loan bonds-GSO Government savings bonds-BDBL bonds of domestic bond loans) reached 4.4961 billion rubles and in the past month increased by 10 billion rubles or by 0.2% (from the beginning of the year it grew by 63.7 billion ruble or 1.4%). In September the attraction of domestic debt was minimal (only one issued additionally BFL-Federal loan bonds 26215), due to unfavorable market conditions. On the other hand, the repayment of domestic debt did not happen. In 2014 (according to the number 349-FL of 02.12.2013 "On the Federal Budget for 2014 and the planning period of 2015 and 2016") net attraction of domestic debt in government securities has been supposed in the amount of 485.0 bln. rubles, that presupposed the attraction of domestic debt in securities at the level of 808.7 billion rubles. According to the latest Amendments, which came into force on 30.06.14, the borrowing program has been substantially reduced: net attraction of domestic debt to 135.0 billion rubles., Gross attraction - up to 658.7. Attracting foreign debt in Eurobonds in 2014 is not planned (previously assumed equivalent 233.8 billion rubles.).

The upper limit of the state internal debt of Russia, scheduled for the end of 2014, in accordance with the adopted amendments, is reduced by 357 billion rubles up to 6.8885 billion. rubles, as for the external debt by \$ 7 billion dollars up to 64.9 billion dollars.

4.3 State Extra-budget Funds of the Russian Federation.

Extra-budgetary funds in Russia are to implement social insurance. Insurance funds are formed through insurance contributions, and when the insured event happens the insurance indemnity is paid. The Russian Pension Fund, Social Insurance Fund and the Obligatory Health Insurance Fund are involved into compulsory insurance. Prior to 2001 the State Employment Fund functioned. The sources of replenishment of extra-budget funds are contributions for compulsory social insurance and funds and means of the Federal Budget. The contributors are organizations and individual entrepreneurs. The amount of contributions depends on the income of employees. In this case, extra-budgetary funds are insurers, employers (organizations and individual entrepreneurs) are insurants and employees are the insured. Insurance contributions are determined by the Federal Law of 24 July 2009 № 212-FL "On Insurance Contributions to the Pension Fund of the Russian Federation, the Social Insurance Fund of the Russian Federation, the Federal Compulsory Medical Insurance Fund." The contribution rates are differentiated for different categories of payers. Typically, the size of the rate up to 2016 was 30% of payroll (PFR - 22% FSS - 2.9%, OHIF- 3.1%). The dynamics of contributions is presented in the table.

Table 2. Change in contribution rates (UST), in% of payroll

Name	Years										
	Insurance contributions				Unified social tax				Insurance contributions		
	1991	1992	1993 1996	1997 2000	2001	2002 2004	2005 2006	2007 2009	2010	2011	2012 2014
Pension Fund of Russia	20,6	31,6	28,0	28,0	28,0	28,0	20,0	20,0	20,0	26,0	22,0
Social Insurance Fund of Russian Federation	5,4	5,4	5,4	5,4	4,0	4,0	2,8	2,9	2,9	2,9	2,9
Federal Obligatory Health Insurance Fund	-	-	3,6	3,6	3,6	3,6	3,2	3,1	3,1	5,1	5,1
State Employment Fund	-	2	2	1,5	-	-	-	-	-	-	-
TOTAL	26,0	39,0	39,0	38,5	35,6	35,6	26,0	26,0	26,0	34,0	30,0

Legislation sets limit value base for calculating the contributions:

- From 1 January 2014 - 624 000 (Government Decree of 30.11.2013 N 1101);
- On 1 January of 2013 - 568,000 rubles (Government Decree of 10.12.2012 N 1276);
- From 1 January 2012 - 512,000 rubles (RF Government Resolution 24.11.2011 N 974);
- From 1 January 2011 - 463 000 (Government Decree of 27.11.2010 N 933).

The contributions to the Pension Fund can be calculated even in excess of the limit value, but at a rate of 10% (212-FL).

In addition, the Social Insurance Fund receives contributions for compulsory accident insurance (from injury). These obligations for employers are determined by the Federal Law of the Russian Federation of 24 July 1998 N 125-FL "On compulsory social insurance against accidents at work and professional diseases." Thus, in the FSS fees are 2.9% plus contributions from accidents, which are in the range of 0.2 to 8.5% of payroll. The contribution rate of accidents depends on the degree of risk of 32 degrees in a whole, and are defined by the Federal Law of 22.12.2005 № 179-FL "On insurance rates for compulsory social insurance against accidents at work and professional diseases in 2006" (179 FL acts in 2014). Taking into account the contributions from accidents the minimum rate of contributions for compulsory insurance and provision is 30.2% and the maximum is 38.5% of payroll.

The contributions for individual entrepreneur are determined basing on the minimum wage and are defined in the Federal Law 212-FL and 167-FL of 15.12.2001 "On Mandatory Pension Insurance in the Russian Federation." In 2014, the minimum wage is 5554 rubles. Individual entrepreneur, as the insured, makes contributions to the Pension Fund and FOHIF. The contributions are defined as follows: $1 \text{ salary} \times (26\% + 5,1\%) \times 12$, where 26% and 5.1% are the rates of insurance contributions to the Pension Fund and the FOHIF. This formula is for those entrepreneurs whose annual revenue does not exceed 300,000 rubles. In this case, the amount of the contribution is 20,727.53 rubles, of which the contributions to the Pension Fund is 17,328.48 rubles, and to the FSS is 3399.05 rubles. If the revenue exceeds 300,000 rubles, in addition to 20,727.53 rubles, the FSS must also pay 1% of revenue over the limit, but not more than 138,627.84

rubles. (eight times the minimum wage \times 26% \times 12 months.). The total maximum payment of the individual entrepreneur, as the insured, to the Pension Fund and FOHIF is 142,026.89 rubles for a year.

Let's consider the dynamics of the revenues and expenditures of the extra-budget funds. The data on the revenues and expenditures are presented on the official website of the Federal State Statistics Service (<http://www.gks.ru>).

Table 3. Income and expenditure of the Pension Fund of the Russian Federation (millions of rubles)

Year	Supply sum	The pace of change over previous year in %	Expenditure sum	- Deficit + Surplus	
				sum	%
2000	431281	388,65	341056	90225	20,92
2001	532120	23,38	514837	17283	3,25
2002	699871	31,53	789621	-89750	-12,82
2003	843141	20,47	804076	39065	4,63
2004	1015800	20,48	967540	48260	4,75
2005	1349601	32,86	1299113	50488	3,74
2006	1637580	21,34	1537257	100323	6,13
2007	1946817	18,88	1786457	160360	8,24
2008	2730172	40,24	2357793	372379	13,64
2009	3222649	18,04	3008660	213989	6,64
2010	4610084	43,05	4249235	360849	7,83
2011	5255643	14,00	4922109	333534	6,35
2012	5890364	12,08	5451219	439145	7,46
2013	6388390	8,45	6378549	9841	0,15

Table 4. Supply and expenditure of the Social Insurance Fund (millions of rubles)

Year	Supply sum	Expenditure sum	- Deficit + Surplus	
			sum	%
2000	86581	69995	16586	19,16
2001	89018	93721	-4703	-5,28
2002	116393	125608	-9215	-7,92
2003	137250	136161	1089	0,79
2004	159276	140568	18708	11,75
2005	186692	165312	21380	11,45
2006	218913	208151	10762	4,92
2007	295368	303062	-7694	-2,60
2008	360476	379385	-18909	-5,25
2009	440046	448501	-8455	-1,92
2010	463777	491199	-27422	-5,91
2011	558595	497569	61026	10,92
2012	630784	531226	99558	15,78
2013	603499	566225	37274	6,18

Table 5. The revenue and expenditure of the Federal Obligatory Health Insurance Fund (millions of rubles)

Year	Supply sum	Expenditure sum	- Deficit + Surplus	
			sum	%
2000	2887	2872	15	0,52
2001	3988	4005	-17	-0,43
2002	5089	5081	8	0,16
2003	5795	5807	-12	-0,21
2004	6813	6762	51	0,75
2005	83003	71507	11496	13,85

2006	125524	119407	6117	4,87
2007	157817	158177	-360	-0,23
2008	162621	168706	-6085	-3,74
2009	126562	130037	-3475	-2,75
2010	101844	109124	-7280	-7,15
2011	348437	310428	38009	10,91
2012	966542	932158	34384	3,56
2013	1101352	1048723	52629	4,78

After analyzing the data of the supply and expenditure of extra-budgetary funds, attention is drawn to the 2000 and 2001 years. While in 2000, there was high overall surplus of 20.92% and 19.16%, respectively, to the PFR and the FSI, in 2001 there was a deficit. It should be noted that the unified social tax (UST) in return for contributions was introduced in 2001. But at the same time, the burden on the employer's in the social security in 2001 decreased to 35.6%, while in 2008 it amounted to 38.5% of the payroll. The 2005th was remarkable, when the UST was reduced from 35.6% to 26%. Basically, this decrease was due to the reduction of contributions to the Pension Fund. This decline led to an increase in revenue to the PFR by 33%, indicating the formal increase in the income of employees. It can be assumed that the reduction of the burden on the employer led, to some extent, to the refusal of salaries "in an envelope." In 2008 there was a fairly high increase in profitability of the PFR, and in 2009 the increase was twice as little, 40% and 18%, respectively. That was the result of the economic crisis and the slowdown in the increase of incomes of employees. In recent years, the rate of insurance contributions has not been stable: in 2010 it was 26% , in 2011 - 34%, and 30% in 2012-2014. The profitability of the PFR, in nominal terms, has increased at a slower rate.

Today one of the urgent tasks of the Russian financial system is a pension provision, which has not been solved yet. The reasons for the imperfections of pension provision may be different: a significant change in the demographic structure of the population; low incomes of individuals; imperfect financial market, where the funded part of pensions should grow, etc. At the same time, high wages of workers will increase the burden of social insurance and, consequently, an increase in manufacturers' costs. And in the end, it will have an impact on prices. Therefore, the main reason for the imperfections of pension insurance is the lack of an effective balanced economy.

4.4 The banking system of the Russian Federation

The banking system of the country is one of the main components of the economic body, it forms huge amounts of capital, serves the investment and production needs of enterprises, as well as the needs of the population in additional financial resources.

The diversity and complexity of the changes necessitate their deeper understanding, as well as the desirability of an effective mechanism development of the banking sector in the current post-crisis market conditions.

The banking system of the country is an active participant in a full-scale financial modernization of the Russian economy. In accordance with the concept of the long-term socio-economic development of the Russian Federation up to 2020 it is noted that it is supposed to create a financial center in this country for the implementation of dynamic economic development, innovation and strengthening of Russia's position in the world community. To achieve this goal huge amounts of money will be required and for that it will be needed to involve the banking system. The participation in innovative modernization of the economy will allow the banking sector to get real benefits in the form of a significant increase in long-term resources and increasing demand for loans on the part of the real sector of economy as a result of the development and strengthening of the financial condition of business entities, as well as the increase of the investment activity of the population.

At the same time in recent years in the Russian economy there have been evident significant negative changes. The external economic conditions for the Russian economy have been influenced by the global economic downturn and the impact of the financial crisis that began in September 2008 and intensified in 2009. The financial crisis has led to a significant decline in economic activity in the world, resulting in facing significant losses from lending activities in the Russian banking sector. Deterioration in the financial condition of the organizations - the borrowers- in many areas of economic activity has led to a deterioration in the indications of the performance of the majority of banks, including indications of asset quality and profitability. According to the Bank of Russia data, in 2009 the growth rate of banking sector assets slowed down considerably, and the increase was only 5.0% and their value was equal to 29,430.0 billion (compared to 39.2%in 2008). (Central Bank of the Russian Federation (2014, October 2)).

Since 2010, the Russian economy has had a tendency to overcome the consequences of the global financial crisis.

These events affected the banking sector. After the crisis, lending to the economy became more active.

Taking into account the results of 2012, in 2013 there was a positive dynamics of the development of the Russian banking sector, while the GDP growth rate declined from 3.4% in 2012 to 0.4% in 2013. Despite this situation, banks estimated more conservatively their risks and intensively created reserves for possible losses on loans. As a result, the assets of the banking system increased during 2013 by 16% and amounted to 57,423.1 billion rubles, and the profit of the banking sector was only slightly lower than in 2012 (994 billion rubles). (Central Bank of the Russian Federation (2014, November 1)).

As you know, the main part in the structure of bank assets is occupied by loans to businesses and individuals.

Table 6. Assets and loans made by commercial banks for 2009-2014 (billions of rubles.)

Year (for 01.01)	Assets	Loans	The share of loans in total assets (%)
2009	28022,3	19362,4	69,1
2010	29430,0	19179,6	65,2
2011	33804,6	21537,0	63,7
2012	41627,5	27911,0	67,0
2013	49509,6	32887,0	66,4
2014	57423,1	38767,9	67,5
Growth rate (times)	2,1	2,0	-

As you can see, the growth rate of assets and loans during this period are the same, and the share of the loan portfolio of the banking sector's assets has slight variations from 63.7% in 2011 to 69.1% in 2009, indicating certain difficulties in the activities of banks. As for 01.01.2014 the bulk of the loans were given to organizations - 23,678.0 billion rubles (61.1%), loans to individuals - 9,957.1 billion rubles (25.7%), credit organizations - 5130.6 billion rubles (13.2%).

Despite the positive changes in the Russian banking sector it has not been fully implemented yet its stimulating opportunities. It does not have sufficient resource potential yet, is subjected to high risks, does not have the necessary safety margin, has difficulties in increasing its capital base. It does not allow to actively influence the development of the economy for the banking system. There are a number of significant drawbacks that reduce the effectiveness of management and hinder economic growth in the banking system as a whole and the individual credit institutions. In developed countries, the banking system plays a key role in the socio-economic development of the country. In Russia, it possesses the led (driven) role. It is not in vain that in recent years, more attention has been paid to increase of the participation of the banking sector in economic development. To make this there should be developed the conceptual approaches to estimation of commercial banks, contributing to the effectiveness of their activities, adequate to the requirements of a modern market economy and international standards in accordance with the Basel Agreement.

It should be noted that the banking system of Russia in all respects is far behind the developed countries'. Despite the strong growth, the volume of loans issued it does not correspond to the tasks of economic growth the country facing. The share of bank loans in the structure of sources of investment financing Russian enterprises, compared to the developed countries, is small - only 8-10%, whereas, in the US it is 40%, on average in the EC it is 42-45%, Japan - 65%. Most of the population of Russia is not included in the banking system. According to reports, only 25% of Russians have bank accounts, while in Western Europe - the entire adult population. Less than 10% of the population use plastic cards, while in developed countries there are 1-2 cards per inhabitant. (Trubovich E., Russia's banking system. The Central Bank and commercial banks (2014, October 10))

The urgent is the question of saturation of banking services in the regions, because consumer loans, mortgages, credit cards are popular only in large cities.

Russian banking institutions operating in its market niche have their own range of clientele. At the same time the process of universalization of banks is activating in Russia, and it has an objective character. In such a market-based approach it is easier to stand in confrontation with competitors, they can quickly respond to changing market conditions.

The role of banks, in terms of the investment process, is not what the value of their assets they are willing to restructure in long-term investments, but how secure will be the accumulation of funds of their clients - participants of the investment process and how effective will be the mechanism for subsequent placement of these funds.

According to analysts, in the next 3-5 years, the banking sector will continue to grow at a moderate pace with the policy of recovery of the banking sector, developed by the Bank of Russia. In addition, it will enhance the resilience of the banking system to external situations and ensure ongoing funding needs of the economy and adequately protect the rights of depositors and creditors.

5. Conclusion

A review of the individual elements of the financial system was made in the article. The overview of extra-budgetary funds is presented, based on a retrospective analysis of their revenues and expenditures. The retrospective is by 2000-2014 years. The contribution insurance rates for 2014 will remain stable, but after 2015 they can change. Since 2001 the rates were changed four times. Of course, this is connected with the search for an effective mechanism of compulsory social insurance. A striking example is the contributions for an individual entrepreneur. In 2013, the burden on the employer in social insurance was doubled, which led to the curtailment of business activities. But in 2014 the legislature changed the rules of insurance, but the conclusions will be made at the end of the year. The Russian system of compulsory social insurance does not lack drawbacks. Among them there is the failure to follow the principles of insurance. These problems can be attributed to external factors: unfavorable state of the national economy, a high level of income differentiation. The ratio between the average income of the poorest 10% and 10% of the richest parts of the population was 16.7. The minimum wages are equal to 78.8% of the subsistence minimum working age population. This situation destabilizes the social insurance system, the financial resources which are directly dependent on the size of the salary of the insured persons. For comparison, according to the International Labour Organization, the minimum wages in most countries are several times the normal cost of living.

Thus, the system of social extra-budget funds of Russia needs further reforming, improving the collection and distribution of insurance contributions in order to better meet the needs of citizens and the state as a whole. In response to the global challenges the developed overseas Pension, Social Security and Medicare systems implemented parametric reforms. However, the Russian system, because of the objective peculiarities of the demographic and macroeconomic characteristics, as well as a huge load of accrued liabilities of the Soviet period, should take a unique set of measures, which goes far beyond the foreign experience. The improvement of the system will lead to a happy situation in the country and increase the country's prestige on the world stage.

The review of the banking system showed that the level of its development is insufficient. There are problems in the organization of Russian banks cash flows in the investment field, including: the credit period; guarantee the safety of the funds invested in the banks; interest rate policy; the intended use of the recipient of investments; financing of projects in full, the sources of return on invested funds.

The solution to these problems, taking into account the banking sector development strategy, according to the authors, will contribute to improving such areas of banking as: an increase in the resource base of the banking sector and especially long-term resources; increase of the level of capitalization of banks; improving liquidity management; credit risk mitigation; optimal combination of large, medium and small banks.

The analysis of the state of the elements of the financial system of the Russian Federation allowed to critically evaluate and justify the measures that are needed to solve the problems aggravated.

The main problem for the analyzed elements of the financial system of the state budget, state social extra-budgetary funds and the banking system is the lack of financial resources, especially long-term ones.

The World Bank in September 2014 issued a report on the prospects for the Russian economy. There were presented three scenarios of economic growth: basic, optimistic and pessimistic. The baseline forecast assumes stagnation with the continuing tensions between Russia and Ukraine, as well as the appropriate sanctions. The optimistic scenario assumes a slight recovery of the economy due to reducing geopolitical tensions and the abolition of all sanctions in the end of 2014. The pessimistic scenario assumes an increase of geopolitical tensions and the imposition of new sanctions, resulting in the economy coming into a deep recession. (The World Bank in the Russian Federation, Russia Economic Report (2014, September, №32).

References

- The World Bank in the Russian Federation, Russia Economic Report (2014, September, №32), Access: <http://www-wds.worldbank.org/>.
Yeandle, M., Mainelli M., GFCI 16 International Launch, Casablanca Finance City Authority, Casablanca (Morocco), 22 September 2014.
The Russian news agency ITAR-TASS, (2014, August 29) Access: <http://itar-tass.com/ekonomika/1408327>.
The International Monetary Fund (2014, October 1), Russian Federation: Concluding Statement of the IMF staff visit in September 2014, Access: www.imf.org.
Review of economic indicators (2014, October 15). Access <http://www.imf.org/external/russian/hp/ms/2014/100114r.pdf>.
Government Decree of 10.12.2012 № 1276 "On the limiting value base for calculating premiums in state funds from 1 January 2013", (2014, October 10) Access: <http://www.consultant.ru>;
Government Decree of 24.11.2011 № 974 "On the limiting value base for calculating premiums in state funds to January 1, 2012" (2014, October 10) Access: <http://www.consultant.ru>.

- Government Decree of 27.11.2010 № 933 "On the limiting value base for calculating premiums in state funds from 1 January 2011", (2014, October 10) Access: <http://www.consultant.ru>.
- Government Decree of 30.11.2013 № 1101 "On the limiting value base for calculating premiums in state funds to January 1, 2014" (2014, October 2) Access: <http://www.consultant.ru>.
- Trubovich E, (2014). Russia's banking system. Central Bank and commercial banks. Access: <http://www.zanimaem.ru>
- Federal State Statistics Service (2014, September 29) Access: <http://www.gks.ru>.
- The Federal Law of 15.12.2001 №167-FZ "On Mandatory Pension Insurance in the Russian Federation" (October, 2014), (2014, October 10) Access: <http://www.consultant.ru>.
- The Federal Law of 22.12.2005 № 179-FZ "On insurance rates for mandatory social insurance against accidents at work and occupational diseases for 2006" (2014, October 10), access: <http://www.consultant.ru>.
- Federal Law of 24 July 2009 № 212-FZ "On Insurance Contributions to the Pension Fund of the Russian Federation, the Social Insurance Fund of the Russian Federation, the Federal Compulsory Medical Insurance Fund" (2014, October 2) Access: <http://www.consultant.ru>.
- The Federal Law of 24.07.1998 № 125-FZ "On mandatory social insurance against accidents at work and occupational diseases" (2014, October 10) Access: <http://www.consultant.ru>.
- The Central Bank of the Russian Federation: report on the development of the banking sector and banking supervision in 2009 (2014, October 2) Access: <http://www.cbr.ru>.
- The Central Bank of the Russian Federation: report on the development of the banking sector and banking supervision in 2010 (2014, October 13) Access: <http://www.cbr.ru>.
- The Central Bank of the Russian Federation: report on the development of the banking sector and banking supervision in 2011, (2014, October 13) Access: <http://www.cbr.ru>.
- The Central Bank of the Russian Federation: report on the development of the banking sector and banking supervision in 2012 (2014, November 1) Access: <http://www.cbr.ru>.
- The Central Bank of the Russian Federation: report on the development of the banking sector and banking supervision in 2013, (2014, November 1) Access: <http://www.cbr.ru>.