

ORIGINAL PAPER

УДК 336.763.33(045)
© Ковалева М.В., 2021

State Securities as an Investment Tool: The Problem of Attractiveness for the Population



Мария Владимировна Ковалева, студентка, Факультета налогов, аудита и бизнес-анализа, Финансовый университет, Москва, Россия
Maria V. Kovaleva, student, Faculty of Tax, Audit and Business Analysis, Financial University, Moscow, Russia
Kovalevam1999@gmail.com

ABSTRACT

This article examines an instrument of current interest in the stock market – federal loan bonds for the population (OFZ-n), to determine their investment attractiveness for private investors. The author tested the hypothesis that government securities currently are not in high demand among retail investors. To test it, we used such methods as analysis and comparison. Empirical data helped us study the new instrument's key characteristics, advantages, and disadvantages compared to other types of federal loan bonds. Besides, in this article an analysis of the private investor's demand for OFZ-n was carried out, the reasons for its low level were revealed, and the state's measures to solve this problem and their effectiveness were considered. At the end of the research, the author verified the hypothesis and recognised it as true, which means that the population's low investment activity on the stock market really exists in Russia today.

Keywords: bonds; securities market; federal loan bonds; populations; investors; OFZ

For citation: Kovaleva M. V. State securities as an investment tool: The problem of attractiveness for the population. *Nauchnye zapiski molodykh issledovatelei = Scientific notes of young researchers*. 2021;9(1):71–80.

ОРИГИНАЛЬНАЯ СТАТЬЯ

Государственные ценные бумаги как инвестиционный инструмент: проблема привлекательности среди физических лиц

АННОТАЦИЯ

В данной статье исследуется актуальный инструмент на фондовом рынке – облигации федерального займа для населения (ОФЗ-н), с целью определения их инвестиционной привлекательности для частных инвесторов. Автором проверялось предположение о том, что государственные ценные бумаги в настоящее время не пользуются высоким спросом среди розничных инвесторов.

Научный руководитель: **Хрустова Л.Е.**, кандидат экономических наук, старший преподаватель Департамента корпоративных финансов и корпоративного управления, Финансовый университет, Москва, Россия / Scientific supervisor: **Khrustova L.E.**, Cand. Sci. (Econ.), Senior Lecturer, Department of Corporate Finance and Corporate Governance, Financial University, Moscow, Russia.

Для проверки предположения использовались такие методы, как анализ и сравнение. С помощью эмпирических данных были проанализированы основные характеристики нового инструмента, его преимущества и недостатки по сравнению с другими видами ОФЗ. Кроме того, был проведен анализ спроса частного инвестора на ОФЗ-н, выявлены причины его низкого уровня, а также рассмотрены меры, принятые государством для решения данной проблемы, их эффективность. В результате исследования выдвинутое автором предположение было проверено и признано истинным, а значит, сегодня в России действительно существует проблема низкой инвестиционной активности населения на фондовом рынке.

Ключевые слова: облигации; рынок ценных бумаг; облигации федерального займа; население, инвесторы; ОФЗ

Для цитирования: Ковалева М. В. Государственные ценные бумаги как инвестиционный инструмент: проблема привлекательности среди физических лиц. *Научные записки молодых исследователей.* 2021;9(1):71–80.

Introduction

Government securities are one of the major sources of financing the budget deficit and an important tool to maintain the country's macroeconomic balance. The owner of these securities provides a loan to the state on terms of repayment, urgency, and interest payment. This study will examine federal bonds issued by the Russian Ministry of Finance (OFZ and OFZ-n). Federal loan bonds provide the state with an opportunity to cover the federal budget deficit and attract its population as new investors. For the population, such securities are an alternative tool for preserving and multiplying their financial resources by receiving additional passive income as a fixed or variable coupon rate, depending on the type of bond.

Federal loan bonds are mostly market securities, and they are intended for all groups of investors, such as legal entities, individuals, non-residents, banks, and brokers. It should be noted that the demand for OFZs in the stock market has been relatively high recently. Over the past ten years, its emission volume has not shown stable growth. However, the general trend is directed towards their increase. The number of funds raised by the state through bonds for the period from 2010 to 2018 increased by 1.45 times with an average annual growth rate of 12.12 per cent. In 2018, for the first time in the modern history of the ruble bond market, there was a situation when the placement of government bonds exceeded the sales' volume in the corporate sector. In 2019 was reached

a record for the volume of an issue in the entire history of the market, while the volume of placements compared to the previous year more than doubled and amounted to 2,082 billion rubles.¹ Government bonds are improving their positions on the modern debt market every year.

The major investors were Russian banks and brokers in the period under review. According to the Moscow Exchange data, in 2019, they accounted for 51 per cent of all investments. The contribution of non-residents to federal loan bonds was also significant (39 per cent), while individuals accounted for only 4 per cent. Approximately the same structure of investors remained in previous years. Analysis of investors' categories suggests that private investors do not show high demand for government securities. A tiny part of the population invests in the economy's real sector. There is concern why the retail investor does not use the potential of the existing infrastructure to increase his savings. Thus, this study analyses federal loan bonds' investment attractiveness for individuals.

Views on the matter of OFZ in the literature

Before proceeding to a more detailed analysis of this topic, we will determine what federal loan bonds are and what types exist today. According to Federal Law No. 136-FZ of 29.07.1998, state

¹ Official website of the Ministry of Finance of the Russian Federation. URL: www.minfin.ru (accessed on 25 October 2020).

Table 1

Main types of existing OFZ

Type of OFZ	Year of issue	Brief description
OFZ-PK	1995	OFZ with variable coupon income, the value of which is linked to the RUONIA rate for a certain period. There are medium-term (1–5 years), and long-term (5–30 years). The coupon is paid out once every six months
OFZ-PD	1996	The government issued them to cover the costs of compensating deposits in Sberbank of the Russian Federation. The circulation period is from 1 year to 3 years. A fixed coupon was paid once a year
OFZ-FD	1999	These bonds were issued for owners of frozen government short-term bonds and OFZ-PKs. The term of circulation of such bonds is 4–5 years, and the coupon payment is made quarterly
OFZ-AD	2002	Federal loan bonds with a periodic repayment of the principal funds that the government had borrowed from the investor. The issuer pays interest payments on special coupons. The circulation period is over 5 years
OFZ-IN	2015	The bonds' nominal value is indexed monthly for the upcoming month under the consumer price index. The circulation period is about 8 years
OFZ-N	2017	Non-market medium-term bonds intended for individuals. The circulation period is 3 years

Source: compiled by the author based on [1].

securities include “state securities of the Russian Federation and state securities of the subjects of the Russian Federation”. They can be purchased by different client groups, including legal entities and individuals, Russian banks and brokers, non-residents, subsidiaries of foreign banks, etc. The first issue of federal loan bonds was made in June 1995, when OFZs with variable coupon yield (OFZ-PK) was issued to the market. After that, more and more types of OFZs appeared on the market, the last of which was federal loan bonds for the population issued in 2017. *Table 1* provides more detailed information on the existing OFZ.

Many Russian and foreign authors study federal loan bonds as a special stock market instrument. They consider this topic from various points of view, including the attractiveness of such an instrument for retail investors.

When considering various types of OFZs, we used various theoretical materials and the results of the study by Alekseeva I. A. and Petrova I. A., who in their work considered the way of development of state bonds of the federal loan. The authors concluded that recent changes in the OFZ market, including the appearance of new

types of bonds, aim to improve the characteristics of such bonds, increasing the interest of certain groups of investors in OFZ, including Russian citizens [1].

In their works, several authors paid attention to the analysis of factors containing the individuals' activity on the bond market. Thus, O. V. Popova, A. V. Polyanin, A. A. Sidorin concluded that citizens' low investment activity on the government securities market is caused by the associations of operations in the stock market with high financial risks and unpredictability of their outcome in people's minds. Indeed, the stock exchange players repeatedly lost a fortune due to the fall of the securities market. Even though the federal loan bonds carry minimal risks, people are afraid that the state will not be able to meet its obligations in a crisis. Financial severe shocks in 1998, 2008 and 2014 undermined the confidence of potential investors in debt securities [2].

Besides, A. V. Belokopytov and A. J. Mironkina claims that there is little public awareness of such an instrument as federal loan bonds. Perhaps most Russians who are not interested in various ways of investing may not even know about

the existence of alternatives to investing their funds, since now there is practically no qualified representation of this tool in the mass media by specialists [3].

D. A. Perminov also claims that the population with low purchasing power lacks in-depth knowledge of investment. Most individuals in Russia do not have sufficient financial literacy to carry out transactions with securities, including federal loan bonds to generate additional income. According to him, people try not to go into details when choosing a way to invest their savings and try to avoid difficult ways to generate additional income. According to his survey, about a quarter of the population invests their savings in commercial banks' deposits, while the accounts for securities market transactions have less interest [4].

Some researchers have examined the causes of the existing problem and looked for its feasible solutions. L. V. Stakhovich and G. E. Shakhnazaryan say that studying the significant historical experience accumulated in Russia can be extremely useful since many of the points can be rationally transferred to the current experience of issuing government bonds. The authors provide an example of freely circulating winning loans, which were first issued in 1947 for twenty years and were in great demand by the USSR population. The winning was accounted for every fourth bond. Another similar loan was implemented in 1966, where there was an increased probability of winning (it fell on every third bond). Also, the secondary market traded these bonds what facilitated transactions with them. According to the authors, this type of bonds could still sufficiently increase the number of individual investors in modern Russia [5].

I. V. Dubovik suggests that a significant motivation of the population to invest in federal loan bonds can be reached by maintaining the targeting usage of funds accumulated by the state through their issue. The predominant will be their social orientation. In this case, economic and psychological factors will drive the number of purchases. The establishment of a secondary over-the-counter market could also improve the situation. It will enable holders of government securities to manage their profitability through purchase and sale transactions and enhance their

practical skills in dealing with securities, which is essential for raising financial literacy [6].

The problem of low stock activity of the population is also relevant to foreign markets. For example, the work of D. Platz considers one of the potential solutions. He reveals the advantages and prospects of using the so-called municipal bonds (sub-sovereign bonds) in different countries. He also emphasises that the United States has been successfully using this type of securities for many years. They are in high demand among private investors (over 30 per cent of the total number of investors). Such bonds are also widespread in many European countries, especially in Germany. Besides, the paper provides an example of the Municipal Development Fund structure, which has opened new investment opportunities for all groups of investors, including individuals [7].

Speaking about the state's measures today, V. A. Harutyunyan notes that the emergence of a new instrument (OFZ-n) has become an essential step in attracting people to the stock market. In his opinion, people associate the OFZs' purchase with many difficulties. These include the inability of private investors to enter the market without an intermediary (broker), the lack of necessary knowledge about investments in securities and the potential risks they can carry [8]. E. I. Vorobyova believes that the emergence of OFZ-n on the market was the Ministry of Finance's right decision to attract the population's savings but not enough. The author argues that today population directs its savings only to banking institutions. However, they could invest in the organisation of the real sector of the economy and be of great social and economic benefit [9].

Based on the literature analysis, we can assume that today government securities in Russia are widespread among institutional investors. In contrast, the retail investor does not show the expected high demand for them. For the private sector, these securities are not well understood and accessible in the form in which they are traded over the years. That is why, according to the author, the state should study in more details the causes of the existing problem and take effective actions to eliminate it. The most workable means would be to change government

bonds into a more attractive instrument for the population, improve the financial literacy of a private investor and her knowledge about investments, and introduce new government loan instruments functioning successfully in other countries previously existed in Russia.

Practical aspects of the OFZ circulation

To prove the introduced assumptions empirically, we used information and analytical materials from the Moscow Exchange, the Ministry of Finance of the Russian Federation, the Bank of Russia, including information on the characteristics of OFZs, the number of investors, etc. General scientific and general logical methods, comparative analysis became the methodological basis of the work. These approaches have provided empirical illustrations of the reliability of the assumption.

To reach the research aim, we reviewed a study conducted in 2017 by the analytical centre NAFI in which Russians were asked to evaluate the attractiveness of such a financial instrument as a government bond compared with a classic bank deposit under several conditions. The results show that a bank deposit is preferable for Russians than federal loan bonds (only 17 per cent of Russians preferred OFZ). We can observe a higher interest for national bonds in small circles of the population: among young people under 34 years old and people with significant savings. Probably, the fact that investments in bonds can only be long term, or that they do not have the possibility of early withdrawal of some part of their invested funds does not satisfy people. These indicators of bank deposit look more attractive.

It can be said that Russians are simply not ready for such a method of investment, because of their low financial literacy and the immature “market” mentality. Financial illiteracy has also led people to be sceptical about the initiative to open a special brokerage account for investments. In the case with OFZs, the government offered the public open individual investment accounts, which provided the right to receive tax deductions and benefits from the state besides access to invest in securities. However, even such privileges failed to attract enough private investors.

To attract such investors to the state debt market, the Ministry of Finance issued a new type of bonds – federal loan bonds for the population (OFZ-n), in the spring of 2017. The new instrument was developed specifically for the population’s needs without advanced knowledge in the financial markets. It provided them with the right to a higher income from medium-term investments than from bank deposits (the yield is higher when the investment term is two years). Unlike other types of OFZs, the market always represents public bonds in a single issue. A new release cannot be started until the previous one’s sale ends. For a retail investor, this provides ease of choice, since there is no need to understand each issue’s characteristics, as with other OFZs.

We reviewed the qualitative and quantitative characteristics of the new instrument (OFZ-n), its advantages and disadvantages, and the terms of purchase, as part of the analysis of the government’s practical steps to increase individuals’ investment activity in the state debt market. We also analysed the results of the first three issues: the speed of their sale, the amount of demand, and the number of private investors.

The comparison method made it possible to identify common and different characteristics of the third and fourth issues of federal loan bonds, which helped examine the state’s effectiveness of the existing problem.

The coupon yield analysis in *Fig. 1* shows that the returns from owning such a bond will increase during the holding period. The procedure for purchasing OFZ-n was simplified; now, it has little difference from opening a deposit. There is no need to learn exchange terminology and exchange trading principles. Individuals can buy them at the branch of agent banks (Sberbank and VTB), and the agency commission was also reduced. The government set the minimum nominal value of the purchased bonds at 30 thousand rubles, 30 bonds of 1000 rubles each. It turned out to be an interesting fact that this issue of bonds has an opportunity for a premature return of the invested funds before the maturity date. However, in this case, the owner must pay commission to the bank again (buyers discovered this moment after the first excitement around new bonds, as this information was not directly disclosed).

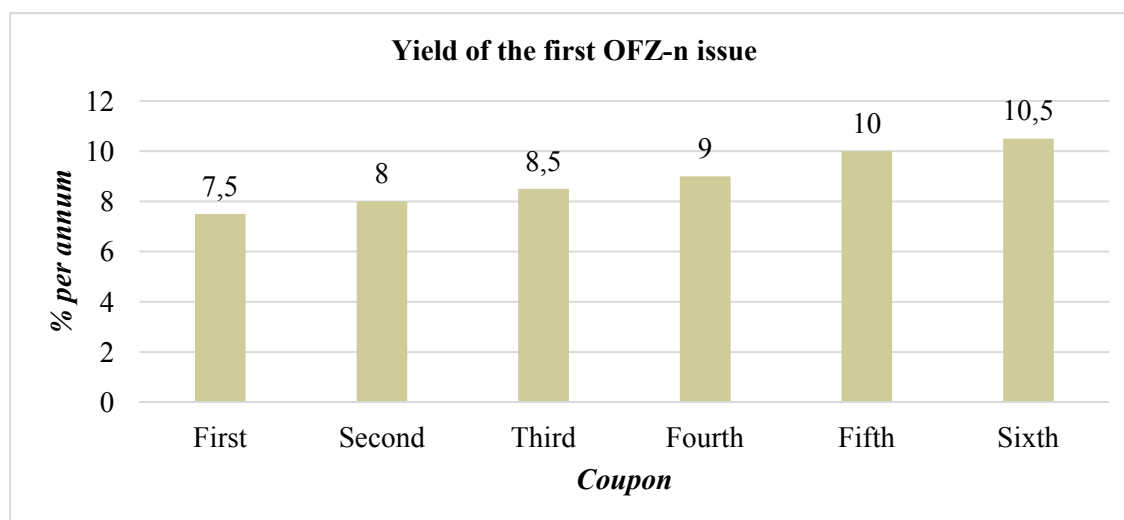


Fig. 1. The yield on coupons of the first OFZ-n issue

Source: compiled by the author based on the Internet resource.²

*Official website of the Ministry of Finance of the Russian Federation. URL: www.minfin.ru (accessed on 25 October 2020).

Implementing the first issue of OFZ-n led to the following results. The demand for these bonds turned out to be high, the entire issue (15 billion rubles) was sold in less than a month.² This success led the department to decide to release an additional issue of bonds of the same series; thus, the doubled the maximum issue volume to 30 billion rubles. The second tranche was entirely placed in 70 days. About 10.9 thousand people became investors in the first tranche of 53001 and 5.5 thousand people in the second one (Table 2). The second issue was also for 15 billion rubles and was placed by 77 per cent in 117 days, but they did not sell it out in full within the specified six-month period. Sales of the third issue started in March 2018, but the demand for OFZ-n remained low. Issue 53003 was placed by 72 per cent in 130 days, and it was also not fully implemented. Its first additional tranche government put in 78 days and the second in 64 days. The total number of investors for the two issues turned out to be almost 8 thousand people (less than in the first one). Table 2 illustrates data on the number of investors.

The sales rates of the 53002 and 53003 issues are several times lower than the sales of the first one, although the public is actively showing their interest in this instrument to increase their funds. And 64 per cent of the total number of

individuals turned out to be new clients. The exemption from taxation of income received as coupon payments on bonds of Russian issuers issued in 2017–2018 probably was the reason for the growth of interest of individual investors in the new type of OFZ. However, contrary to the Ministry of Finance’s forecasts, the major buyer was wealthy Russians. At the same time, part of the population with incomes below average was not so interested in it.³

Even before placing the third tranche, there were talks that the market had exhausted itself and needed major changes. One of the main drawbacks of OFZ-n was a high commission of agent banks, which investors had to pay twice (while buying and selling securities). The commission, which sometimes reached 1.5 per cent, significantly reduced the instrument’s profitability. When the government placed subsequent tranches, they triggered the decline in the attractiveness of OFZ-n by a decrease in their profitability. Thus, while they put issue 53001 with a yield of over 9 per cent per annum, the yield of issue 53002 at placement was already 8.5 per cent per annum, and issue 53003 – even 7.3 per cent per annum.

Without changes, this market had a risk of losing its client by the end of 2019, especially

² Ermak A. Market for ruble bonds: sky-high demand in 2017. Debt market. Special review. URL: <https://www.region.ru/upload/iblock/1e7/1e7e386b3b5d243a4bb1758f70bb276c.pdf> (accessed on 20 October 2020).

³ The people bought up the bonds. Gazeta.ru. URL: <https://www.gazeta.ru/business/2017/05/25/10692761.shtml> (accessed on 29 October 2020).

if the economic growth were to slow down. The population's real disposable income continued to decline, and the offered returns remained relatively low. The Ministry of Finance of the Russian Federation noticed a wave of decline in demand, and in March 2019 announced the start of placing federal loan bonds in the new format in the second quarter of 2019. This campaign's goals were like those of the previous one: to attract new buyers, stimulate the domestic financial market, increase the level of financial literacy of the population, and confidence in the state's actions in terms of financial policy. All this should further enhance investor's interest. According to the experts, the difference between the profitability of the two investment methods (the maximum rate on deposits in the top 10 banks in terms of household funds is about 7.4 per cent, and the profitability of the last-placed OFZ-n issue is about 8.7 per cent) may affect the choice in favour of bonds.

On 2 September 2019, with some delay from the planned date, the Ministry of Finance placed the fourth issue of federal loan bonds for the population (OFZ-n) on changed terms. When comparing the new release with the previous one, we can see that the regulator tried to make the former more democratic and attractive tool. The fourth issue's major difference is that investors will no longer have to pay commission to agent banks (from 0.5 to 1.5 per cent) when buying and presenting bonds for redemption, – the state would bear these costs.⁴ The bonds are placed for three years, the maturity date was announced on 31 August 2022. The rate during this period grows from 6.5 to 7.35 per cent annually, and the rate of return to maturity will be up to 7 per cent annually. The government reduced the minimum amount for which it is possible to purchase the bond from 30 thousand to 10 thousand rubles. One person will purchase up to 15 thousand OFZ-n units for up to 15 million rubles. Besides, regulators added Pochta Bank and Promsvyazbank to the agent banks' list, which comprised only two banks (Sberbank and VTB).⁵ It has become

⁴ The Ministry of Finance will conduct a large-scale advertising campaign for people's OFZs. *Vedomosti*. URL: <https://www.vedomosti.ru/finance/articles/2019/05/30/802953-minfin-ofz> (accessed on 10 November 2020).

⁵ Information and analytical material. Financial market risk

Table 2

Number of investors in OFZ-n by issue

Invested issue	Number of investors (thousand people)
53001 (1st tranche)	10.9
53001 (2nd tranche)	5.5
53002	3
53003	5.8
Multiple issues	3.3

Source: compiled by the author based on the Internet resource.^{*}

* Official website of the Moscow Exchange. URL: <https://www.moex.com> (accessed on 28 October 2020).

possible to purchase people's bonds via the Internet, not only in offices with brokerage services. Finally, the ability to use OFZ-n as collateral for a loan from the agent bank from which people gained them had become another attractive innovation.

These terms of the new public bonds are more favourable than the terms for three-year deposits in agent banks. As stated earlier, in most cases, people with above-average incomes purchase OFZs. The Ministry of Finance also expected that it would be possible to attract more people with lower incomes to purchase securities by lowering the minimum investment amount and expanding the number of agent banks.

Analysis of the interim results of the fourth OFZ-n issue's sale allowed us to get the following results. In two months, VTB Bank sold its clients bonds worth 1.2 billion rubles. People bought bonds by visiting one of 560 VTB offices with the Privilege service format, using the mobile application "VTB My Investments", by opening the broker's personal account, and through the digital infrastructure of Post Bank. Since the remote purchase of securities takes only a few minutes, this type of purchase is becoming more

review. October 2019. Bank of Russia. URL: http://www.cbr.ru/collection/collection/file/24100/orfr_2019-9_october.pdf (accessed on 10 November 2020).

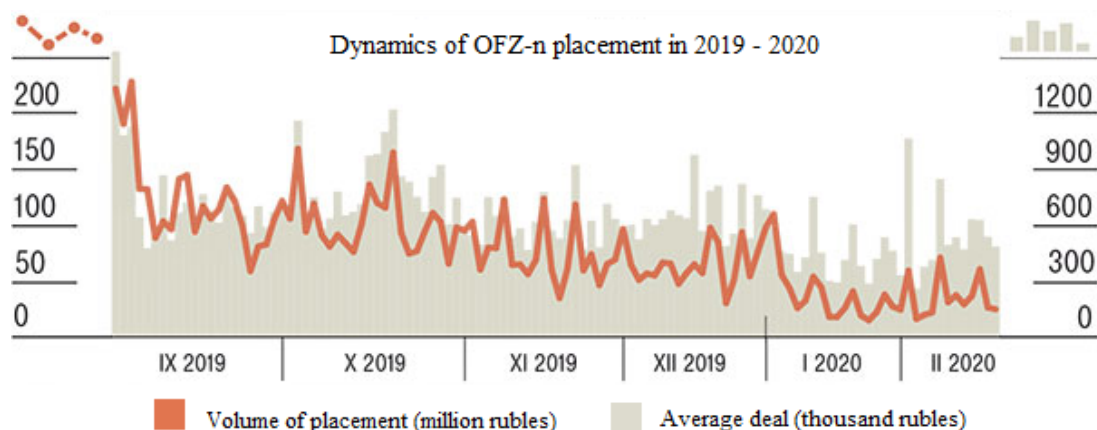


Fig. 2. Placement of public bonds at the end of 2019 and the beginning of 2020

Source: compiled by the author based on the Internet resource.⁷

* Official website of the Moscow Exchange. URL: <https://www.moex.com> (accessed on 28 October 2020).

and more popular. Experts also note that $\frac{1}{4}$ of the volume sold off at the end of October 2019 investors purchased precisely through a mobile application (about 300 million rubles).⁶

After analysing the sale of bonds of the new format in 2019–2020, we concluded that the sales rates were not as high as the Ministry of Finance expected (Fig. 2). The figure illustrates the dynamics of the sales volume of the fourth and fifth national bonds issues. Although the regulator expanded the supply of OFZ-n by increasing their placement volume to 100 billion rubles per year, the actual data did not coincide with the planned figures. In the last four months of 2019, the government placed only half of the fourth issue (about 7.7 billion rubles), although they were in high demand in the first days of implementation. The fifth issue was sold for 1.1 billion rubles in two months, and by the end of the placement period, only 37 per cent of the planned volume had been placed.⁷

Besides, in April of this year, the government amended the Tax Code of the Russian Federation, and now according to it from 2021 citizens will be obliged to pay personal income tax on coupon income for many OFZ. It seems clear that these innovations could lower demand for government bonds, especially for OFZ-n. For this reason, the Ministry of Finance has made an additional

permanent premium for public bonds, which will compensate citizens the costs of paying the new tax, for all subsequent issues, starting with the issue 53006.⁸ The government expected that this initiative would make OFZ-n more attractive for investment in terms of taxation than investments in marketable securities, which can be purchased through Individual Investing Account. When buying bonds from the sixth issue of OFZ-n immediately in the first week and holding them until maturity, the income will be 5.63 per cent per annum, which is 85 basis points higher than the yield on classic three-year OFZ and bank deposits. The new marketplace – the personal finance platform “Finservices” created by the Moscow Exchange – will also simplify the work with public bonds. Already in 2021, even more Russians will invest their funds in federal loan bonds with its help.⁹

As we can see, the Ministry of Finance takes all the measures to further improve this instrument. Today we can evaluate their effectiveness.

The number of individuals with brokerage accounts on the Moscow Exchange increased by almost 5 million in 2020 and reached a record point – 8.8 million. The activity of private investors throughout 2020 flourished.

⁶ The official website of VTB Bank. URL: <https://www.vtb.ru/> (accessed on 28 October 2020).

⁷ Official website of the Ministry of Finance of the Russian Federation. URL: www.minfin.ru (accessed on 25 October 2020).

⁸ The Ministry of Finance will make a permanent bonus on OFZ-n, which compensates for the cost of paying the tax. Prime. URL: <https://1prime.ru/finance/20200715/831778524.html> (accessed on 3 November 2020).

⁹ Government bonds will turn to the people of the marketplace. Kommersant. URL: <https://www.kommersant.ru/doc/4260893> (accessed on 18 November 2020).

In December 2020 1.4 million people made transactions on the exchange, compared to 392 thousand people in December 2019. By the end of the year, the number of open individual investment accounts (IIS) reached 3.5 million, more than half of which were opened in 2020. The share of private investors in the volume of bond trading was 13 per cent with the volume of investments of about 617 billion rubles. Moscow Exchange declares that government bonds accounted for 7.5 per cent of the total amount of bonds' investments.¹⁰

Experts argue that such a noticeable influx of individuals into the stock market is because trading on it has become more accessible and technologically advanced for ordinary people. Also, the outflow of private funds from banks, caused by a decrease in bank deposits rates and a new tax on income from large ones, facilitated an increase in demand for alternative investment instruments. Indeed, amid the uncertainty of the Russian economy caused by the pandemic, retail investors seek to secure their savings by investing it in bonds with yields higher than the deposit rates. We expect that bank deposits will remain the primary way of saving money for the population. Still, federal bond investments' popularity will gradually grow, especially among the younger generation.

The study results lead to the following conclusions, which are consistent with the assumptions made. In their classical form, federal bonds are difficult to use for an ordinary person without special economic education. We agree with the point of view of D. A. Perminov that transactions on the stock market are still seen as incomprehensible, and it is difficult for most of the population to manage with them. Based on the analysis results, we revealed that the updated OFZ-n became a worthy alternative to bank deposits, which coincides with the point of view of V. A. Harutyunyan. The state has taken the right step towards improving the Russian population's financial literacy and instilling a culture of investing in various instruments, especially securities. Although OFZ-n has lower

yields, lower liquidity than ordinary OFZ and they cannot provide additional income because of changes in their market value. The population will get acquainted with this simple stock instrument. By investing in OFZ-n, the population protects itself from market risks and overcomes the fear of investing in the stock market.

Conclusions

Today's government bond market is developing dynamically, and every year it attracts more and more new investors. However, the number of private investors is growing at a relatively low rate (except for the last year), and their share in the overall structure of investors remains low. We reviewed and analysed the reasons for this phenomenon and the government's measures to solve this problem. In the work's course, federal loan bonds, as which they have existed for many years, are not attractive for public, that is why the state needed to change their characteristics and terms of use. Based on the research provided, we identified several basic recommendations about ways of increasing the attractiveness of OFZs:

1. Improving the financial literacy of the population by:
 - a) publishing articles and reports on popular financial topics in the media
 - b) teaching the basics of financing in all educational institutions
 - c) conducting special courses at the employer's expense, where teachers will give potential investors the basics of working with stock instruments.
2. Raising awareness among Russians about alternative options for investing their savings, such as federal loan bonds.
3. Further improvement of purchasing OFZs, so that this procedure is not more complicated than opening a bank deposit.
4. Development of more flexible conditions for OFZs to ensure competitiveness with bank deposits in terms of tenors, volumes, etc.

I would like to admit that people really showed more keen interest in the new type of OFZ-n, which became more attractive for private investment. We hope that the state will continue to motivate personal investing in federal bonds in Russia to solve the problem of their low activity on the stock market.

¹⁰ In 2020, almost 5 million private investors came to ME, which had invested 301 billion rubles in Russian shares. Finmarket. URL: <http://www.finmarket.ru/news/5391450> (accessed on 17 January 2021).

References

1. Alekseeva I.A., Petrova I.A. Evolution and prospects of development of the market of Federal loan bonds. *Izvestia BGU*. 2018;4:640–649. (In Russ.).
2. Popova O.V., Polyanin A.V., Sidorin A.A. Increasing the stock market's role in financing the investment activity of business and government. *Srednerusskiy Vestnik Obshchestvennykh Nauk*. 2018;(5):228–252. (In Russ.).
3. Belokopytov A.V., Mironkina A.J. Federal loan bonds for the population. *Economic Journal*. 2018;4(52):54–62. (In Russ.).
4. Perminov D.A. OFZ for the population: features, significance, and risks. *Russian economy: a look into the future*. 2018;342–350 (In Russ.).
5. Stakhovich L.V., Shakhnazaryan G.E. World experience of attracting savings of the population to government securities. *Finance and credit*. 2005;17(185):6–14. (In Russ.).
6. Dubovik I.V. Government bonds for the population: significance and prospects. *Izvestia BGU*. 2017;(1):59–69. (In Russ.).
7. Platz D. Infrastructure finance in developing countries – the potential of sub-sovereign bonds. New York: UN Department of Economic and Social Affairs; July 2009.
8. Harutyunyan V.A. Federal loan bonds for the population as a new investment tool. *International Journal of Humanities and Natural Sciences*. 2017;(7):89–91. (In Russ.).
9. Vorobyova E.I. Attraction of savings of the population in securities. *Scientific bulletin: finance, banks, investments*. 2019;2(47):127–135. (In Russ.).

Список источников

1. Алексеева И.А., Петрова И.А. Эволюция и перспективы развития рынка облигаций федеральных займов. *Известия БГУ*. 2018;(4):640–649.
2. Попова О.В., Полянин А.В., Сидорин А.А. Повышение роли фондового рынка в финансировании инвестиционной деятельности бизнеса и власти. *Среднерусский вестник общественных наук*. 2018;(5):228–252.
3. Белокопытов А.В., Миронкина А.Ю. Облигации федерального займа для населения. *Экономический журнал*. 2018;4(52):54–62.
4. Перминов Д.А. ОФЗ для населения: особенности, значение и риски. Российская экономика: взгляд в будущее. Материалы международной научно-практической конференции. Финансовый университет при Правительстве Российской Федерации, Институт социально-экономических исследований РАН. 2018:342–350.
5. Стахович Л.В., Шахназарян Г.Э. Мировой опыт привлечения сбережений населения в государственные ценные бумаги. *Финансы и кредит*. 2005;17(185):6–14.
6. Дубовик И.В. Государственные облигации для населения: значение и перспективы. *Известия БГУ*. 2017;(1):59–69.
7. Platz, Daniel. Infrastructure finance in developing countries – the potential of sub-sovereign bonds. New York: UN Dept. of Economic and Social Affairs, July 2009.
8. Арутюнян В.А. Облигации федерального займа для населения как новый инструмент инвестиций. *Международный журнал гуманитарных и естественных наук*. 2017;(7):89–91.
9. Воробьева Е.И. Привлечение сбережений населения в ценные бумаги. *Научный вестник: финансы, банки, инвестиции*. 2019;2(47):127–135.