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Russians Burdened by Less Debt Compared With U.S.

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Only 32 percent of Russian households had a loan hanging over their heads in 2013, compared with nearly 75 percent of households in the U.S. and 44 percent in the euro zone in 2010, the survey by Demoscope found.

Despite concerns of a consumer lending bubble in Russia, relatively few Russians have any debt at all compared with residents of the U.S. and Europe, according to a survey released Wednesday.

Russia's consumer lending market grew at the blistering rate of 40 percent in 2012 and again in 2013, sparking fears of a lending bubble that could burst to the dismay of borrowers and the wider financial system. In an effort to contain the boom, the Central Bank last year ordered banks to expand their provisions against failed loans and to increase their capital bases.

The worry passed quietly, though, with growth in banks' consumer lending portfolios nearly halving in the first half of this year amid an economic slump, falling from 13.7 percent in the

first half of 2013 to 6.8 percent this year, business daily Vedomosti reported.

But as the recent survey by research center Demoscope shows, applying for a loan, let alone a bank account, is still a foreign concept for many Russians.

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The generally low level of borrowing reflects the fact that Russians are less likely to use banking services of any kind than U.S. and euro zone citizens, the study showed. Only 55 percent of households interviewed had bank accounts, compared with 92 percent in the U.S. and 96 percent in the euro zone.

But even if debt is relatively limited in the population at large, there is still cause for concern. Among Russian borrowers, total debt amounted to about 15 percent of yearly income in 2013. In the U.S., with its hyperactive consumer lending market, total debts averaged about 12 percent of yearly income in 2010.

And worryingly, borrowers in Russia's lowest income bracket are struggling under the highest debt loads. Households with unpaid loans in the poorest 20 percent of the population faced loan payments amounting to over 37 percent of their monthly income, the study found, compared with 19 percent among the richest 20 percent.

"Borrowing beyonds one's means does happen [in Russia], but among a specific group of low-income people, who often receive loans with very high lending rates," said Dilyara Ibragimova, co-author of the study and an associate professor at the Higher School of Economics' sociology department.

The poorest group was also the most likely to have fallen behind on loan payments. About 22 percent of borrowers in this group were in arrears by two months or more, compared with 16 percent in the wealthiest group.

Modeled on consumer finance surveys carried out in the U.S. and elsewhere, the survey was the first of its kind to be conducted in Russia, its authors said. It was ordered by the Finance Ministry as part of an effort to evaluate and improve Russians' financial literacy. The statistics were based on in-depth interviews with over 6,000 households in 158 towns and cities across Russia.

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