



E. P. KOCHETKOV
PhD in Economics,
Associate Professor
of Management
Department,
representative of the
scientific school "Crisis
management" of the
Federal State-Funded
Educational Institution
"Financial University
under the Government
of the Russian
Federation", Head
of the Department of
Strategic Development
and Innovation of the
Ministry of Economic
Development of
Russia, Moscow, the
Russian Federation.
Research interests:
crisis management,
bankruptcy, financial
and economic stability
of the organization,
venture capital,
innovation.

E-mail:
kochetkove@mail.ru

FORMATION OF DEVELOPMENT METHODOLOGY FOR DEBT RESTRUCTURING PLAN AS THE FACTOR OF EFFICIENCY INCREASE AT BANKRUPTCY PROCEDURES OF INDIVIDUALS

ABSTRACT

The ineffectiveness of bankruptcy procedures of citizens in Russia is due, among other things, to the uncertainty of legal regulation of restoring the solvency of individuals. The purpose of the study – to form a logically and scientifically grounded methodology for the plan development of restoration of solvency of individuals due to the financial and economic characteristics of their activity and legal requirements, the theoretical justification of the legal and economic criteria for restoration of solvency of individuals in order to enhance the effectiveness of the rehabilitation procedures of bankruptcy. The essence of solvency restoration of the individuals is defined that allowed to formalize legal and economic criteria of such restoration. The development technique for the solvency restoration plan of individuals is formed. Proposals to improve the regulation of bankruptcy procedures of individuals taking into account their financial and economic characteristics are formulated. It is concluded that the plan of solvency restoration can be considered as a form of contract between creditors and the debtor, significantly reducing the costs of opportunism and increasing the efficiency of bankruptcy procedures. The obtained results are of practical importance for the regulator and participants of the procedures of bankruptcy of individuals, as well as theoretical significance in terms of promoting contribution to the development of the theory of the solvency of the individuals.

KEY WORDS

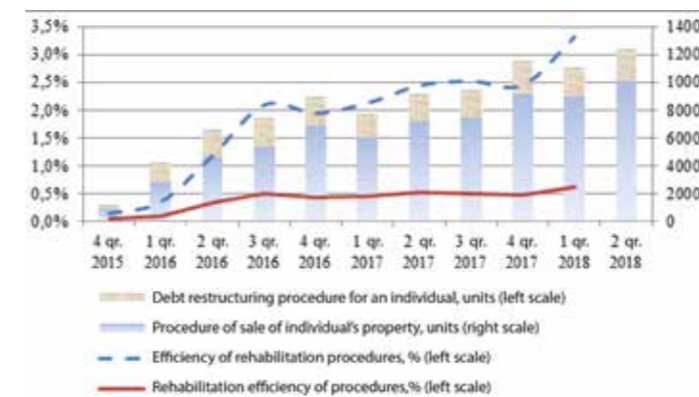
THE BANKRUPTCY OF INDIVIDUALS, DEBT RESTRUCTURING, SOLVENCY RESTORATION, SOLVENCY RESTORATION PLAN, METHODOLOGY

INTRODUCTION

The legal grounds for conducting bankruptcy proceedings against individuals were introduced in 2015 as amendments to the law "On insolvency (bankruptcy)" [Federal law, 2002] in order to reduce the debt load of individuals, restore their solvency and ensure the sustainable development of the credit and loan system for individuals. Over time, it became apparent that no positive results had been achieved: the rehabilitation efficiency of bankruptcy procedures of individuals was quite low.

Among several reasons for the ineffectiveness of bankruptcy procedures of individuals [Alferova L.M., 2016; Institution of bankruptcy 2018; Nabeyeva N.G., 2016; Suvorov, E. B., 2016] there are the lack of methodology for the development of debt restructuring plan for the individuals (DRP) (in other words, the plan of solvency restoration), the legal uncertainty associated with the solvency restoration of individuals in terms of criteria for such restoration, which significantly reduces the rehabilitation potential of bankruptcy procedures. This uncertainty also exists in the scientific field: currently, publications on the topic of the

Fig. 1. Dynamics and results of bankruptcy procedures in Russia [Statistical Bulletin]



economic content of the solvency of individuals are almost absent [Kochetkov E. P., 2017a], most of the studies are devoted to the issues of legal regulation of insolvency of the individuals [Korayev K. B., 2017].

The lack of methodology leads to the emergence of opportunism on the part of participants in bankruptcy proceedings and uncertainty of the results of bankruptcy proceedings.

PRACTICE ANALYSIS OF THE BANKRUPTCY PROCEDURES OF INDIVIDUALS

Analysis of practice shows the demand for bankruptcy procedures of individuals (Fig. 1): the total number of procedures in the second quarter of 2018 compared to the fourth quarter of 2015 increased by almost 10 times. At the same time, this growth is not positive in terms of the structure of bankruptcy procedures and their effectiveness. Thus, a large share (over 80%) is the liquidation procedure of bankruptcy (sale of property of an individual). The efficiency of bankruptcy rehabilitation procedures (the share of the number of individuals who have restored their solvency in the total number of debt restructuring procedures) and the rehabilitation efficiency of bankruptcy procedures (the share of individuals who have restored their solvency in the framework of debt restructuring procedures in the total number of bankruptcy procedures) remain low: in the first case, this efficiency does not exceed 3%, in the second case – 1% on average.

A large share of liquidation procedures of bankruptcy does not allow to satisfy creditors' claims due to the sale of property: at approximately 80% of bankruptcy cases individuals have no property, according to the results of the procedures for the sale of property of individuals, about 80% of creditors do not receive anything (Fig. 2). Statistics confirm the thesis of the need to improve the mechanism of rehabilitation procedures of bankruptcy, including the formation of methodological foundations for the development of DRP, allowing to meet the requirements of creditors by restoring the solvency of the debtor, and not only at the expense of income from the sale of property.

THEORETICAL JUSTIFICATION OF THE NEED TO CREATE A METHODOLOGY FOR THE DEVELOPMENT OF DRP

The nature of bankruptcy procedures has a conflictogenic character, as the interests of the main participants (debtor, creditors, arbitration manager) collide, each of which seeks to achieve certain goals, there is a deficit and asymmetry of information about the financial and economic condition of the debtor [Kochetkov E. P., 2011]. The development of the method of development the provisions of a number of theories related to the economic opportunism of the subjects [Chashchin V.V., 2017] and the problem of the "principal-agent", and the theory of contracts can be used [Berglof E., Roland G., von Tadden E.-L., 2000]. Economic opportunism reduces social welfare because it's conjugated with generating the counteracting costs to it. These costs reduce the efficiency of bankruptcy procedures, which is manifested in the following:

- the rehabilitation function of the institution of bankruptcy is not performed in full (solvency is restored by no more than 3% of individuals-debtors),
- the costs of functioning of Institute of bankruptcy, including the costs for coordination of economic agents and the settlement of disputes, exceed out of it¹.

In turn, the inefficiency of bankruptcy procedures leads to negative consequences in the economy:

- there is an inefficient redistribution of resources in the economy, including the banking sector, due to the non-repayment of borrowed resources to creditors;
- it reduces the rate of economic growth of the country as a whole.

It is proposed to reduce the costs of interaction of economic agents in the framework of bankruptcy procedures through the active use of the DRP as a form of contractual relations between the debtor and creditors. It discloses information about the financial and economic condition of the debtor and provides the formalization of the agreement on the implementation of a set of measures and the term of restoration of the debtor's solvency. If rules for the development of the DRP are introduced, it will eliminate the conflict of interest between economic agents of

Fig. 2. Dynamics of property provision of creditors' claims under the procedure of sale of individuals' property [Statistical Bulletin 2018]



¹ According to the results of the first half of 2018, the share of satisfied creditors' claims (in respect of debtors of legal entities and individuals amounted to 6.5%) in the total amount of claims, the share of expenses for bankruptcy procedures in the total volume of satisfied creditors' claims — 6.2% [Statistical Bulletin 2018].

bankruptcy procedures and the asymmetry of information, ensure the coordination of agents and reduce transaction costs.

The analysis of the financial and economic condition of the debtor in order to justify the possibility of restoring its solvency should contribute to the reduction of opportunistic costs in bankruptcy proceedings. Within the DRP, analysis plays a key role in justifying the possibility of restoring the debtor's solvency. However, currently the Russian regulation of bankruptcy procedures of individuals does not provide methods of analysis of the financial condition of individuals and has certain contradictions from the point of view of application of the analysis in contrast to the bankruptcy of legal entities, when the results of the financial and economic analysis conducted by the arbitration manager are used to justify further taken decisions with respect to debtor.

STUDY OF THE DRP NATURE

The DRP is a key planning and forecast document, in accordance with which the bankruptcy procedure is carried out — the restructuring of the debts of an individual. For the first time it is legislatively established that this procedure is rehabilitation, its purposes — restoration of the debtor solvency and repayment of its debt to creditors. It is not established by law how the form and content of such bankruptcy procedure relate to each other. And as the title of bankruptcy procedure suggests, it can be assumed that the main mechanism for restoring the solvency of an individual is debt restructuring, which narrows the range of tools for restoring the solvency of individuals [Kondratieva K. S., Zhukova T. M., 2013].

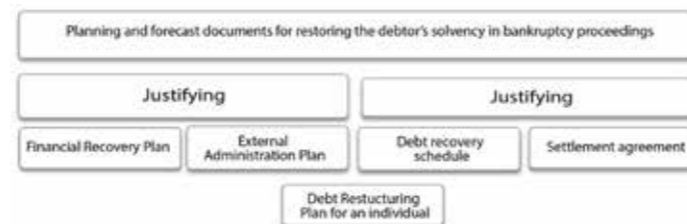
The second problem of studied bankruptcy procedure – its dual nature: combining in one bankruptcy procedure of two procedures with different functional load, – the preparatory stage from which the bankruptcy procedure begins (similar to the supervision procedure for legal entities), and the rehabilitation procedure.

The absence of a preparatory stage reduces the efficiency of bankruptcy of individuals (since it takes time to collect and analyze the necessary information to make economically sound decisions against the debtor). The right to initiate a bankruptcy rehabilitation procedure should be available only to the individual-debtor, as the process of restoring his solvency depends on his will in contrast to legal entities (it is necessary to take into account the "personal" nature of the activities of the individual in contrast to the "impersonal" legal entities).

In its content, the DRP refers to plans for restoring the solvency of the debtor. Within the framework of bankruptcy procedures, a system of such plans has been formed (Fig. 3). These documents can be divided into two groups according to the criterion of the feasibility of restoring solvency and the corresponding settlements with creditors: justifying and imperative [Crisis management 2016; Kochetkov E. P., 2015; Transformation 2014].

DRP at the same time refers to the supporting documents, because its task is to justify the possibility of restoring the

Рис 3. Виды прогнозно-плановых документов в реабилитационных процедурах банкротства



solvency of the individual-debtor, and to the imperative, as close to the schedule of debt repayment under the procedure of financial recovery. The debt repayment schedule may be covered by the DRP, as the law does not specify whether the creditors' claims are repaid on schedule or at the end of the DRP implementation period. The main feature of the DRP is its regulatory nature, the content of which is determined by the current legislation in the field of bankruptcy.

FORMATION OF METHODOLOGY OF DRP DEVELOPMENT

In order to form a methodology for the development of the DRP, it is necessary to determine its content and structural elements, item, object and subjects, stages of development, sources of initial information, principles and functions [Crisis management 2016], measures to restore the solvency of the debtor with the appropriate financial and economic justification; development methodology.

The content of the DRP is determined by the provisions of the law [Federal law, 2002], the existing approaches to the development of business plans. The law on insolvency (bankruptcy) [Federal law, 2002] provides such provisions in various articles, which present certain methodological difficulties in the development of the DRP. Analysis of the provisions of the law [Federal law, 2002] showed that, in addition to the main article 213.14 "Content of the restructuring plan of individuals' debts", the rules related to the content of the DRP are also provided by a number of articles (213.10, 213.13, 213.14, 213.17, 213.19). Mandatory elements of the DRP in accordance with the law are information about the debtor; provisions on the procedure and terms of proportional repayment in cash of claims and interest on the amount of claims of all bankruptcy creditors, including secured by pledge, and the authorized body; the period of implementation of the DRP.

The structure of the DRP should contain some mandatory sections of the [Federal act, 2002], the rest of its structure can be arbitrary. The recommended structure is as follows:

I. Goals and objectives of the Plan development

II. Analysis of financial and economic condition of the debtor

II.1. General characteristics of the debtor²

II.2. Analysis results of financial and economic condition of the debtor

II.2.1. Information on property, including pledged property and property rights, sources of income

II.2.2. Information on creditors' claims

III. Determination of the causes of insolvency

III. Procedure and terms of repayment of creditors' claims

III.1. Measures to restore the debtor's solvency: procedure for repayment of creditors' claims

III.2. The order of repayment of requirements of the scheduled collateralized creditors

III.3. Order and terms of sale of the property which is the subject of pledge (mortgage)

III.4. Debt repayment schedule

III.5. Term of solvency restoration of the individual-debtor

III.6. Justification of the possibility of the debtor's solvency restoring within the prescribed period (forecast of income from measures of restoring the debtor's solvency, analysis of the register of creditors' claims)

IV. The procedure for notifying by the individual in writing of scheduled creditors and authorized bodies on the significant change in his property status)

Under the section "Analysis of the financial and economic condition of the debtor", it is necessary to provide a general description of the debtor activity, the results of the analysis of his financial and economic condition, indicating the sources of information on the basis of which such analysis is carried out. The analysis is carried out in accordance with the standard governing the conduct of such analysis [Regulation 2003]. However, at present, this standard of financial analysis for arbitration managers does not take into account the financial and economic features of the activities of individuals and is focused on legal entities. The methodology of financial-economic analysis is presented in works [Institute of bankruptcy 2018; Kovan S. E., 2016; Kovan S. E., 2017]. Based on the results of the analysis, it is necessary to determine the debtor's property and the amount of claims against it.

In the section "Order and terms of repayment of creditors' claims" it is supposed to specify in what order the claims of creditors will be satisfied taking into account the established priority [Federal act, 2002] and in what terms (in fact, the debt repayment schedule), and also it is necessary to prove possibility of recovery of debtor solvency in due time.

The subject of the DRP are the requirements of all scheduled creditors and the authorized body known to the individual on the date of the direction of the DRP to scheduled creditors and to the authorized body [Federal law, Art. 213.14], that is, regardless of their inclusion in the register of creditors' claims and the date of their execution. The DRP does not include the claims of creditors to whom the individuals is responsible for causing harm to life or health, claims for recovery of alimony, for payment of severance payments, for compensation of persons working or working under an employment contract, for payment of remuneration to the authors of the results of intellectual activity [Federal act, 2002, Art. 213.14]. In addition, these claims and current liabilities must be settled, otherwise the arbitration court will not approve the DRP.

An important question in the formation of development methodology of the DRP is the composition of the objects because the object type determines the peculiarities of its economic

and financial condition and the possibility to restore solvency. The law "On insolvency (bankruptcy)" considers as objects of bankruptcy of individuals who are not individual entrepreneurs (citizens-consumers), as well as individual entrepreneurs and peasant (farmer) farms, the head of which is also an individual entrepreneur. The main differences between consumer citizens and individual entrepreneurs are due to the nature of their activities (the ability or inability to advance borrowed capital in the sphere of circulation and extract it), as well as goals related to personal status, the realization of the rights to a decent human life and the protection of the rights and freedoms of citizens [Kochetkov E. P., 2017a].

The object of the DRP determines the approach to restoring the debtor's solvency: for individuals-entrepreneurs, it is possible to extract additional income to restore the solvency of the business. Thus, the composition of sources for the repayment of claims from individuals-entrepreneurs is much wider.

Not only the debtor but also the creditors have the right to develop the DRP. In accordance with the established practice, the development of plans for the restoration of solvency is usually carried out by the arbitration manager, who, unlike creditors and the debtor, has special competencies, skills and knowledge, has easy access to the information of the debtor. In this regard, it is advisable to establish a debtor and a financial manager as developers of the DRP.

The process of development and approval of the Plan includes a number of stages [Federal act, 2002, Art. 213.12, 213.16, 213.17] (Fig. 4).

Figure 4. Stages of DRP development

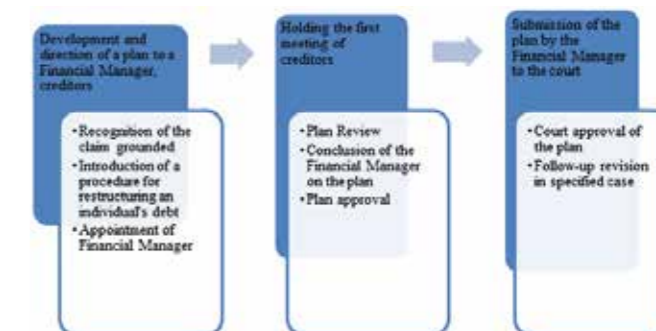
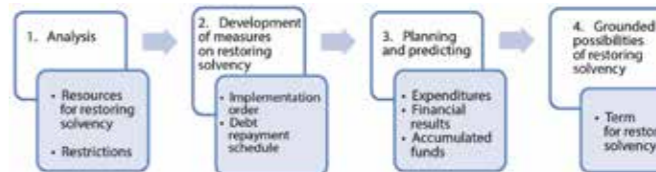


Figure 5. Methodology of DRP development



For DRP development the data which allows to define possibility to restore solvency of the individual-debtor — to correlate available financial resources (cost of own property of the debtor which can be realized for repayment of debts without violation of personal rights and freedoms; possible forecast revenue from implementation of activity (income from business activity, labor and non-labor income (pension, grant, etc.)) by the individual and volume of requirements which need to be satisfied are used. This set of information corresponds to the advanced foreign experience: in the United States, when determining the possibility of initiating bankruptcy proceedings, the property

² Including data on attraction of the individual to administrative responsibility for small theft, deliberate destruction or damage of property, illegal actions at bankruptcy, fictitious or deliberate bankruptcy; about the criminal and administrative cases known to the individual concerning him, about existence of the unexpunged or outstanding criminal record; about the made decisions on recognition of the citizen bankrupt or about the executed plans of restructuring of his debts within eight years preceding representation of the plan of restructuring of debts of the individual [Federal act, Art. 213.13].

of an individual and his future income are taken into account [Kondratyeva K. S., Zhukova T. M., 2013].

The methodology for the DRP development is a sequence of several stages (Fig. 5), assuming such obligatory stages as carrying out the analysis of activity of the individual-debtor, formation of measures for restoration of its solvency with the corresponding financial and economic justification of such opportunity (Fig. 5).

METHODOLOGY OF SUBSTANTIATION OF THE POSSIBILITY OF RESTORING THE INDIVIDUALS SOLVENCY

To justify the possibility of restoring the debtor-individual solvency, it is necessary to determine how many financial resources will be required and how many are available (Fig. 6). The required financial resources include all obligations to be satisfied as a result of the implementation of the DRP, expenses arising during the bankruptcy procedure and business activities. It is also necessary to take into account the accrued interest on creditors' claims [Federal act, 2002, article 213.19].

When forecasting it is determined the financial result (income less expenses) of the individual-debtor, taking into account measures to restore the solvency of the debtor, and the rest of the activities related to personal rights and business. At the same

time, the minimum necessary subsistence level is taken into account as expenses for ensuring personal rights.

The solvency of consumer-individuals and the solvency of legal entities differ due to the financial and economic characteristics of the activities of individuals [Kochetkov E. P., 2017a]. When determining the essence of citizens' solvency and approaches to its assessment, it is important to take into account whether they conduct business activities.

The key issue in justifying the possibility of restoring solvency is the definition of the essence of solvency, justifying the criteria and economic mechanism for such recovery. From the point of view of the economy, solvency is associated with activities aimed at advancing and subsequent extraction of the attracted (borrowed) capital from the turnover, so the source of payment for borrowed funds is not the value of the entire property of the subject, but its advanced part. However, activities related to the advance of capital are specific only to entrepreneurship. A business entity from an economic point of view is insolvent if it is unable to extract from the sphere of circulation the advanced borrowed capital. This economic inability is formally expressed as the legal inability to perform the obligations related to the implementation of entrepreneurial activity [Korayev K. B., 2017]. At the same time, legal incapacity does not depend on the type of body.

The activity of consumer-individuals is not based on the advance payment of borrowed capital in the sphere of circulation, therefore, in relation to an individual from an economic point of view, we can talk about its non-payment (lack of property for the calculation of obligations) in the case of legal insolvency.

The individual does not invest the capital raised to the turnover followed by extraction, but acquires at the expense of the property for personal purposes as opposed to legal entities. Thus, the individual-consumer can be insolvent (unable to fulfill obligations), but, from the point of view of the economy, it can only be unpaid. This means that when assessing the solvency of consumer-individuals and establishing signs of their bankruptcy, it is necessary to take into account the criterion of non-payment. For individuals the concept of insolvency is the same as for legal entities.

The next problem in terms of substantiation of the possibility of restoring the individuals solvency is the existence of legal uncertainty regarding the definition of this process essence. The law [Federal act, 2002] does not provide the definition of the concept of restoring the solvency of a debtor-individual. However, the restoration of an individual's solvency is one of the goals of the procedure of debt restructuring.

The legal definition of restoration of solvency is established only for legal entities [Federal act, 2002, Article 106]: solvency of the debtor is recognized as restored in the absence of signs of bankruptcy established by Article 3 of the Act [Federal act, 2002], that is, failure to satisfy claims within three months from the date when they should be executed. This legal definition of the concept is narrow, implying only the repayment of obligations that form the signs of bankruptcy. Since for the individuals the signs of bankruptcy are not formulated directly and do not coincide with the signs of bankruptcy typical for legal entities, this rule is not applicable to individuals.

Special provisions of the Act [Federal act, 2002], related to the solvency of individuals, also do not allow to define the

analyzed concept. For individuals, the Act defines the concept of insolvency as the inability for a short time to perform in full monetary obligations and (or) the obligation to pay mandatory payments, the due date of which has come, taking into account the planned cash receipts, including income from the activities of the individual and repayment of debt to him [Federal act, 2002, Article 213.6]. At the same time, the DRP should provide the proportional repayment in cash of claims and interest on the amount of claims of all scheduled creditors and the authorized body known to the individual on the date of the DRP [Federal act, 2002, Article 213.14]. In addition, the Arbitration court shall decide on the completion of the restructuring of the debts of an individual if the debt provided in the DRP is repaid and the creditors' complaints are found to be ungrounded [Federal act, 2002, Article 213.22, clause 5]. Taking into account the provisions of the Act [Federal act, 2002], it turns out that in order to implement the DRP and complete the restructuring of the debts of an individual, it is necessary to repay the claims of scheduled creditors and authorized bodies. The claims of first- and second-priority creditors, as well as current obligations must be satisfied before the approval of the DRP [Federal act, 2002, Article 213.17].

Thus, in order to implement the DRP (restoration of solvency), it is necessary to repay the claims of all creditors that are included in the PDP, regardless of the term of their execution. At the same time, for the recognition of an individual as insolvent, it is considered his inability to pay only for those requirements, the deadline for which has already come.

The next problem in restoring the debtor's solvency: all claims must be satisfied regardless of the term of their execution or only those claims, the term of which has come. The existing practice in respect of legal entities implies the effect of debt acceleration: within the framework of bankruptcy rehabilitation procedures, satisfaction of all creditors' claims, regardless of the date of their execution [Beshtoyev M. I., 2015]. This effect has a negative impact on the financial and economic condition of the debtor, as it increases the debt load on the debtor: to satisfy the volume of claims, the term for which has come, much less financial resources are required than for all claims.

When determining the criteria for restoring solvency, it is advisable to exclude the effect of debt acceleration. This approach is supported by the Plenum of the Supreme Court of the Russian Federation: recovery of the debtor's solvency is considered to be achieved if at the end of the period of implementation of the DRP the debtor do not have overdue obligations and is able to continue to fulfill his obligations, the period of execution of which by the end of the period of implementation of the DRP has not come [Resolution, 2015, Clause 34]. These criteria correspond to the financial and economic essence of the solvency of the debtor [Kochetkov E. P., 2017a] and can significantly reduce the level of debt load on the debtor and the required volume of financial resources to meet the requirements of creditors. This approach differs from the approach for legal entities in that in order to restore solvency, it is necessary to pay off only those claims which due date has come [Federal act, 2002, Article 106].

Thus, taking into account the presence of legal conflicts, based on international experience and financial and economic features of the solvency restoration of the individual-consumer and individual entrepreneur, it is necessary to legally define the

concept of the solvency restoration for individuals without taking into account the effect of debt acceleration.

FORMALIZATION OF CRITERIA FOR RESTORING THE SOLVENCY OF INDIVIDUALS IN BANKRUPTCY PROCEEDINGS

In order to establish the fact of restoration of the debtor's solvency, it is necessary to formalize the criteria of such a process. Quantitative expression of the criteria for restoring the solvency of the debtor, taking into account the requirements of the legislation and the economic content of the solvency can be expressed in the form of a formula, which is a set of a number of conditions to be satisfied:

- repayment of first and second priority creditors' claims and current liabilities (formula 1);
- repayment of claims of scheduled creditors and authorized bodies (formula 2);
- coverage of expenses related to bankruptcy procedure, business activity of an individual, with personal rights of an individual (formula 3);
- the preservation of the debtor's property, which can be implemented with the aim to settle with creditors in respect of claims which term has not come on the date of the DRP (formula 4) or
- maintaining the debtor's ability to obtain financial resources to repay claims in the future, the term for which did not come on the date of execution of the DRP (formula 5).

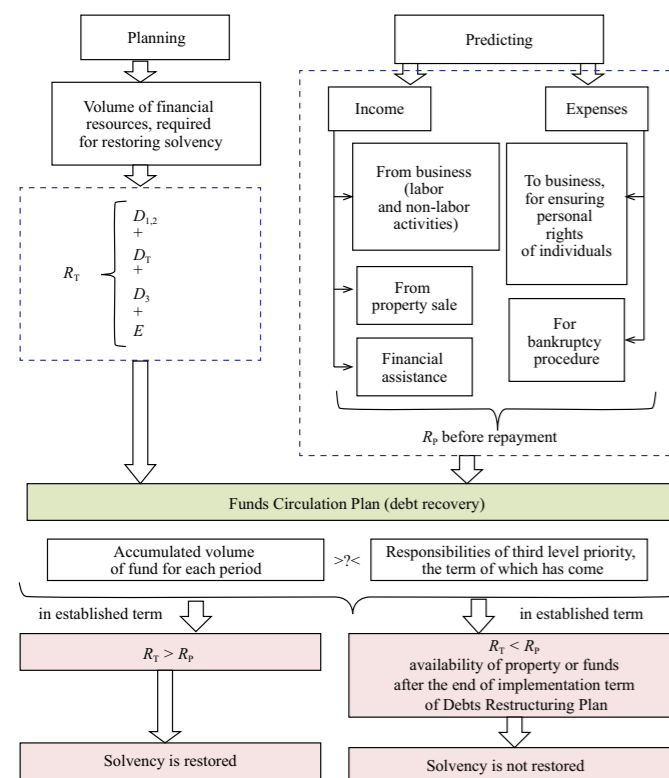
$$\left\{ \begin{array}{l} \sum_{i=0}^n C_i(R_{p,i}) \geq \sum_{i=0}^n R_{T,i} = \begin{cases} \sum_{i=0}^n D_{1i} + \sum_{i=0}^n D_{2i} + \sum_{i=0}^n D_{T,i}, & (1) \\ \sum_{i=0}^n (D_{3i} + P), & (2) \\ \sum_{i=0}^n E_i, & (3) \\ \sum_{i=n}^{\infty} G_i > 0 & (4) \end{cases} \\ \text{или} \\ \sum_{i=n}^{\infty} (C_i - E_i) > 0 & (5) \end{array} \right.$$

where P – the accrued interest, G – the value of the property, C – income, n – is the period to restore the solvency (the term Plan).

It is also necessary to take into account the period during which the solvency can be restored. Restoration of solvency within the period exceeding the period established by the law "On insolvency (bankruptcy)", indicates the impossibility of implementation of the rehabilitation procedure. The period of implementation of the DRP may not be more than three years, if the DRP is approved by the court against the will of the creditors, the period of its realization is no more than two years [Federal act, 2002, Article 213.14]. Determination of the possibility of restoring the debtor's solvency within the prescribed period is carried out by comparing the available financial resources and liabilities: if within the prescribed period there is a corresponding excess, the restoration of solvency is possible.

Fig. 6: Justification of possibility of restoration of the individual-debtor solvency:

R_p – the forecast volume of financial resources available to the debtor;
 R_T – the planned volume of financial resources that are necessary to restore solvency;
 $D_{1,2}$ – obligations of the first and second stages; D_1 – the amount of current obligations; D_3 – the amount of obligations of scheduled creditors and authorized bodies (third stage), the period of execution of which has come; E – the amount of expenses



$$\sum_{i=0}^n ((C_i - C_{\min.i} - E_i) + \sum C_{\Pi}) \geq \sum_{i=0}^n (D_{3i} + P_i)$$

$$n \leq 3$$

where C_n – income from the sale of property, without which it is possible to continue activities (which does not violate personal rights); C_{\min} – the minimum subsistence level, n – the term of restoration of solvency (the term of DRP).

When planning measures to restore the solvency of individuals, it is necessary to take into account the peculiarities of their financial and economic activities, different from legal entities [Kochetkov E. P., 2017a]. Thus, in respect of individuals it is impossible to implement measures aimed at preserving the debtor's business (sale of the enterprise, replacement of assets) due to the inseparability of personal property from the individual, while legal entities are allowed to liquidate the subject of law [Kochetkov E. P., 2017b].

CONCLUSION

Economic theory and practice of realisation of bankruptcy procedures of individuals in Russia testify to the necessity of forming a methodology for the DRP development. It can be interpreted as a contractual form of relationship between the debtor and creditors, allowing to reduce transaction costs of interaction of economic agents and improve the efficiency of rehabilitation procedures of bankruptcy. However, taking into account the economic and legal nature of the institution of bankruptcy, such a technique should take into account both the peculiarities of legal regulation of bankruptcy procedures and the economic content of the individuals solvency.

The study identified a number of legal problems in relation to the bankruptcy procedure of debt restructuring of an individual, the features of restoring the solvency of individuals and the essence of the corresponding plan. In the formation of the development methodology, the analysis of the main elements of the DRP was conducted, the results identified the content and structural elements, taking into account the requirements of the Act "On insolvency (bankruptcy)", there were established the item, object and subjects of the DRP, financial and economic justification for the possibility of restoring the solvency of the debtor. In addition, the criteria for the restoration of the solvency of the individual-debtor were proved taking into account the requirements of the legislation and the financial and economic characteristics of the individual. It is important to take into account the status of an individual: for individuals engaged in entrepreneurial activities, it is also possible to extract additional income to restore the solvency of the business.

The results of the study have both theoretical and practical significance. The formed methodology of development and the developed proposals for improving the legal regulation of the processes of solvency restoring of the individuals in bankruptcy procedures can be used by the regulator and arbitration managers, which will allow, among other things, to increase the efficiency of the relevant bankruptcy procedures. In addition, the theoretical results of the study in terms of determining the conditions and criteria for restoring the solvency of citizens-debtors, the essence of the DRP contribute to the development of the theory of solvency of individuals.

REFERENCES

1. *Alferova L. M.* (2016) Bankruptcy of individuals: problems of application in practice // Socio-Political Sciences. No. 3. P. 50–54.
2. Analysis and justification of the development opportunities of insolvent organizations in the bankruptcy proceedings (2012) / Edited by A. N. Riakhovskaya. Moscow: Institute of Economics and Crisis Management. 198 p.
3. Crisis management as a basis for the formation of a mechanism of sustainable business development (2016) / Edited by A. N. Riakhovskaya, S. E. Kovan. Moscow: INFRA-M. P. 42-81.
4. *Beshtoev M. I.* (2015) Trends in the development of the bankruptcy institute: movement from repression to rehabilitation of the debtor // Effective crisis management. No. 5. P. 62–75.
5. Institute of bankruptcy of individuals: practice and directions of development: monograph / composite authors; edited by A. N. Ryakhovskaya, S. E. Kovan. Moscow: Knorus, 2018. P. 29–40.
6. *Kovan S. E.* (2016) Analysis of the financial condition of an individual in bankruptcy proceedings // Strategic decisions and risk management. No. 3 (96). P. 60–68.
7. *Kovan S. E.* (2017) Crisis management. Anti-crisis consulting. Solution of typical tasks. Practicum: Teaching aid. Moscow: Prospect. 192 p.
8. *Kondratyeva K. S., Zhukova T. M.* (2013) Judicial measures to restore the solvency of individuals in Russia and abroad // Bulletin of the Perm University. No. 4. P. 162–169.
9. *Koraev K. B.* (2017) Insolvency: New Institute of legal regulation of financial recovery and insolvency (bankruptcy): monograph. Moscow: Prospect. - 317 p.
10. *Kochetkov E. P.* (2011) Financial and economic stability of the organization: overcoming the conflict of interests of the creditor and the debtor as one of the factors of economic growth in Russia (institutional analysis) // Proceedings of the Free Economic Society of Russia, the works of the winners of the contest of scientific works of youth "Economic growth of Russia", Vol. 151. P. 508–537.
11. *Kochetkov E. P.* (2015) Formation of mechanism and methodology of the development of the plan of solvency restoration of the organization as the factor of efficiency functioning increase in the Institute of bankruptcy in Russia // Financial analytics: problems and solutions. No. 17. P. 11–26.
12. *Kochetkov E. P.* (2017a) Solvency of legal entities and individuals: economic and legal content in the context of bankruptcy procedures (methodology of analysis) // Microeconomics. No. 6. P. 36–51.
13. *Kochetkov E. P.* (2017b) Improving the efficiency of functioning of Institute of bankruptcy in the Russian Federation: cost approach // Effective crisis management. No. 1-2 (June). P. 60–69.
14. *Nabeyeva N. G.* (2016) Historical aspect and modern concept of development of individuals' Institute of bankruptcy // Problems of Accounting and Finance. No. 3 (23). P. 30–33.
15. Planning to restore the solvency of debtor organizations in bankruptcy proceedings (2012) / Edited by S.E. Kovan, V. N. Alferov. Moscow: Institute of Economics and Crisis Management. 321 p.
16. Resolution of Plenum of the Supreme Court of the Russian Federation as of 13.10.2015 No. 45 "On some issues connected with introduction of the procedures applied in cases of insolvency (bankruptcy) of individuals" // ConsultantPlus. URL: http://www.consultant.ru/document/cons_doc_LAW_187354/
17. Resolution of the Government of the Russian Federation as of 25.06.2003 No. 367 "On approval of the rules of arbitration manager on financial analysis" // ConsultantPlus. URL: http://www.consultant.ru/document/cons_doc_LAW_42901.
18. *Ryakhovskaya A. N.* (2018) Socio-economic background of the financial insolvency of individuals // Economics. Taxes. Law. No. 11(1). P. 89–95.
19. Statistical Bulletin of Unified Federal Register of Bankruptcy Information as of 30.06.2018 (2018) // Federal resource. URL: <https://fedresurs.ru/news/5bd49902-7344-4f03-a63e-344994816c5d>.
20. *Suvorov E. B.* (2016) Bankruptcy of individuals: actual questions of practice of application of the legislation // Effective crisis management. No. 3 (96). P. 47–49.
21. Transformation of crisis management in modern economic conditions (2014) / V. N. Alferov, K.A. Berezin and others. Moscow: Infra-M. 157 p.
22. *Federal act as of 26.10.2002 No. 127-ФЗ "On insolvency (bankruptcy)" with amendments and changes* // ConsultantPlus. URL: <http://www.consultant.ru/popular/bankrupt/>.
23. *Chashchin V. V.* (2017) Outlines of the theory and history of economic opportunism. Moscow: Knorus. 320 p.
24. *Berglof E., Roland G., von Tadden E.-L.* (2000) Incomplete-Contracts Approach to Corporate Bankruptcy // CERP Working Paper. April.