

SUSTAINABLE LENDING FOR HOUSING PROJECTS: IS AFFORDABLE HOUSING A MYTH FOR DEPRESSED RUSSIAN MONOTOWNS?

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Abstract: *The research presents the author’s attempt to provide a link between the idea of sustainable consumer credit practice and increase in housing affordability, as one of the key elements for the local socio-economic development participatory programs for depressed territories in Russia. Lack of applied studies exists on retail product and service development aimed at harmonization of interests among all the parties involved in consumer lending system at the local level, in Russian developmental context. Meanwhile, housing affordability issue is one of increasing importance for Russian small towns and settlements, also relatively poor highlighted in existing research literature in terms of proposed measures to improve the local households’ living conditions. This research gap is addressed in the paper relying on an integrative framework, blending the elements of the project management theory, pragmatic institutional economics, and reasoned action approach. Conceptual model is proposed to illustrate the process of institutionalization of sustainable lending and borrowing principles within the local communities, which implies prevention of wasteful-spending credit practices and transformation of consumer loan products into the financial source of development. The household survey, accompanied by the interviews with the community leaders in small depressed Russian monotown, have supported the relevance of sustainable credit products development to address local households’ problems related to housing construction and renovation. The research findings have shown that Russian depressed mono-industrial towns are viewed as the testing areas for such pilot projects to be implement with the local authority’s genuine participation.*

Keywords: *Sustainable credit, local economic development policy, affordable housing, institutionalisation of household housing projects*

JEL Classification: *B52, B59, G21, G28, G41, O35, R11, R28, R51, R58*

Introduction

Important feature of time is growing diversity and complexity of financial products (World Economic Forum, 2015), and, therefore, – higher responsibility for personal financial decisions. It is interesting that almost a century ago John Commons treated the bankers’ social responsibility as the necessary component for creation of “reasonable capitalism” (Gruchy, 1947): due to specifics of his professional activities – to help business via financing the loan, a banker virtually acts as a “specialist in future events”, placing bets on the future profitability of

a particular business (Ibid., p. 228). Credit economy featured by a time span between the appearance of the “right” and fulfillment of the related “liabilities”, is therefore the economy in which risks of misjudgments and conflicts of interests are widely presented. In case of consumer lending, the ability of the parties involved to calculate related risks, “to bet” on right decisions, relying on the right economic, law and ethical principles, is also of increasing importance. In turn, as Thorstein Veblen had shown, “serviceability” might actually be consistent with waste (Mirowski, 1987; Veblen, 1984). Thus, striving to meet the individual’s or organization’s immediate needs may have nothing to do with the priorities of long-term sustainable development. Rational use of financial resources, including ensuring financial sustainability and preventing household overindebtedness, is one the key issues directly linked to the solution of social problems and promotion of local economic and social development, and is currently the focus of attention, both for international organizations (OECD, UN, The International Network for Financial Education (INFE)), and the Ministry of Finance of the Russian Federation and the Central Bank of Russia (Mamuta, 2016).

At the same time, housing is viewed in the research literature not only as an important asset in itself, but often as a key determinant of other assets (Schilderman, 2001, as cited in Farrington, Ramasut & Walker, 2002), and ensure access to other resources, including credit (Farrington, Ramasut & Walker, 2002). That is why combining the principles of sustainable consumer credit with the idea of housing improvements is the subject of the author’s research interest, primarily with regard to those areas which are characterised as ones with the most difficult socio-economic situation, low credit and housing affordability.

Research background: some relevant Russian statistics

Against the backdrop of the current socio-economic crisis, high regional and intraregional disparities and inequalities are characteristics of living in Russia. A major, significant challenge the Russian households face are inferior housing and low affordability of mortgage loans to improve living conditions in the provinces and remote areas – small towns and rural settlements. Some relevant statistics provided by the research agencies and official organizations, are summarised as follows:

- decrease in real income of Russians since late 2015; minus 5.9% in 2016 compared with 2015 (data provided by the Federal State Statistics Service of the Russian Federation);
- 22.7 mln, or 15.7% Russians, according to the official statistics (59.4 mln, or 41.1%, according to the alternative estimations of the National Research Institute – Higher School of Economics) have their incomes below the poverty line (data provided by the Federal State Statistics Service of the Russian Federation);
- even within the same federal district, differentials between the regional incomes can be as high as 43 times (from the official speech of the President of the Russian Federation, see Latukhina, 2016);
- for 2016, federal budget deficit is 2.97 trln Rub, namely 3.5% of GDP, against 1.95 trln Rub, or 2.6% of GDP in 2015 (data by the Ministry of Finance of the Russian Federation);
- 41% of Russians would like to improve their living conditions (according to the data by the Ministry of Construction Industry, Housing and Utilities Sector of the Russian Federation);

- overdue consumer loans are 11.7 times higher than overdue mortgage loans¹;
- almost 700,000 Russians are potentially bankrupt with credit debt from 500,000 Rub overdue more than 90 days²;
- differences among the regions in relation to the mortgage availability by the beginning of 2016: from 49.3% to 5% of households (RIA RATING, 2015).

Against this background, an important problem is lack of reliable official statistics and qualitative data on household finance, total household debt and living conditions differentiated by income groups of Russians to provide rationale for and to support the legislative initiatives. A higher share of overdue household debt on consumer loans compared to overdue mortgage loans demonstrates increasing relevance of preventing wasteful spending, rationalizing household credit and correcting consumer behavior, as previously justified by the author (see for example Shafirov, 2014a; 2014b; 2014c). In this regard, debt burden of residents living in remote areas, is a serious problem. According to the survey data, in 2013 among the residents of small towns (from 10 to 100 thousand people) total borrowing repayments were 50% of gross monthly income and more, and were largely attributable to the prevalence of more expensive and short term loans in the structure of consumer credits (Kuzina, 2013).

Significant challenge the Russian households face with is the quality of housing stock and floor area per person. Availability of housing in Russia still remains lower than in developed countries. As the Analytical Center for the Government of the Russian Federation (2016) states, “The growth in the residential housing sector has been accompanied by a process of social stratification: the inequality between the size of single-family houses (135 square meters in 2012–2014, 2.5 times greater) and apartments (56 square meters in late 2014) has been growing”. As the experts note, “Between 2005 and 2014 the average floor area per person grew 14.3%, reaching 24 square meters. ... On the whole, availability of residential housing in Russia remains far lower than in most developed countries... It is only 1.5 times higher than immediately after the collapse of the USSR and three times lower than in the US (in the US it is 70 square meters per person; in Germany and France it is 39 and in Poland it is 25).” (Ibid.)

The quality of the housing stock is far from perfect. In 2007–2014 the capital repair of public property in flat blocks has been financed primarily through budgetary funds, since 2014 – through additional target payments citizens make to the regional funds. At the same time, the state is endeavoring citizens to use credit mechanisms to participate in housing capital repairs financing. In 2015, more than 50% of flat buildings (with the total area of flat buildings ~ 3 bill square meters) were in need of repair, the experts say (based on Interview with the Deputy Minister of Construction, Housing and Utilities Andrey Chibis, the Ministry of Construction, Housing and Utilities of the Russian Federation, 2016).

The federal authority in Russia are increasingly paying attention to housing as important social issue, and consider housing industry a driver of the economy. Support from governments includes, inter alia:

- support of public institutions for mortgage refinancing,
- subsidies to recover banks’ income lost because of preferential mortgage loans provided for the economy-class housing.

¹ Estimated by the author based on the data provided by the Central Bank of Russia.

² Estimated by the author based on the data provided by the Central Bank of Russia and the National Bureau of the Credit Histories, Russia.

For the last years, mortgage has been institutionalised, due to activity of Russian Agency for Housing Mortgage Lending: in 2014 the record was set, 1 million of mortgage loans were issued to Russians; 692 thousand of mortgage loans (of total 1.1 trillion Rubles) were granted in 2015. In 2015–2016, the Launch of subsidizing program and reduction of the key rate from 14.7 in March 2014 to 12.1 in February 2016 had taken place. Mortgage lending has become increasingly important in the situation when the system of regional budgets turns out to be destabilised, and local, regional and federal budgets show deficits. In particular, the government plans to act as a loan guarantor for special mortgage bonds of banks. However, in 2017 the subsidizing mortgage lending program has been terminated.

Attention must be paid to the fact that “during the post-Soviet years the growth of housing was accompanied by an increase in the differentiation of housing, measured in square meters. Inequality and differentiation in the housing property is also very significant in terms of value” (Burdyak, 2015, p. 286)³. Although official statistics show no sharp differences in indicators of living area per person, more detailed assessments show that the problem exists. In particular, in 2013 half of the poor households reported about their crowded housing conditions (less than 15 square meters for one family member) (Ibid., pp. 276–277).

As the authors’ previous estimations have demonstrated, housing problem is an urgent issue for the monotowns in Russia, specialised settlements that fully depend on the performance of one or a few town-forming enterprises within the single industry. According to the research findings of the empirical study conducted in 2013–2014 (see in details Shafirov, 2014a; 2014b), housing-related complaints among the population of the Russian monotowns have reached 97.2% by 2011, whereas the Russian average was 86.6%.

In the face of budgetary limitation problems, and the termination of the federal program of subsidizing mortgage lending in 2017, there is an urgent need to seek ways and instruments for extra-budgetary support for affordable housing.

Institutional economics, reasoned action approach and project management theory: theoretical framework

Problem of rational consumer behavior influenced by the social context initially refers to original institutional economics (Veblen, 1984). While in neoclassical economics one must separate the context of socialization from the context of choice, institutionalist tradition treats economic rationality as socially and culturally determined (Mirowski, 1987). In turn, household consumption patterns influence credit behavior. Thus, lending and borrowing behavior are subject to institutional analytical framework to the extent in which results of credit activities are influenced or determined by beliefs and habits underlying existing institutions.

Both rationality in praxeological sense (Mises, 2000) and instrumental notion of rationality focus on the means appropriate for achieving the goals, with goals and purposes of economic activity left aside (Koslowski, 2000). However, institutionalist tradition (namely, its predecessor, historical school) had initially presumed to include actors’ purposes into the scope of economic analysis (Ibid.).

From a pragmatist perspective, which served as the philosophical foundation for the original institutional economics (Gruchy, 1947; Mirowski, 1987; Garreta, 2007; Stanfield, 1999), socio-economic reality is viewed as a process, or the “flow” of activity at 4 levels: cognitive; institutional; organizational; level of resource and technology (see Figure 1). Socio-

³ For the relevant statistics on average prices in the housing market disaggregated by the constituent entities of the Russian Federation for 2002–2016, see Federal State Statistics Service of the Russian Federation (undated).

economic system in institutionalist tradition is not just a mechanic sum of utility/profit maximizing agents, but a result of agents' interaction, in which harmonization of individual benefit with the goals related to socio-economic development should become an imperative. Commons points out that economics, proceeding from the principle of scarce resources, examines the process of individual and society's welfare increase due to the best proportion of limiting and complementary factors combined – as a result of mutual services rendered by different classes to each other (Commons, 2011, p. 385).

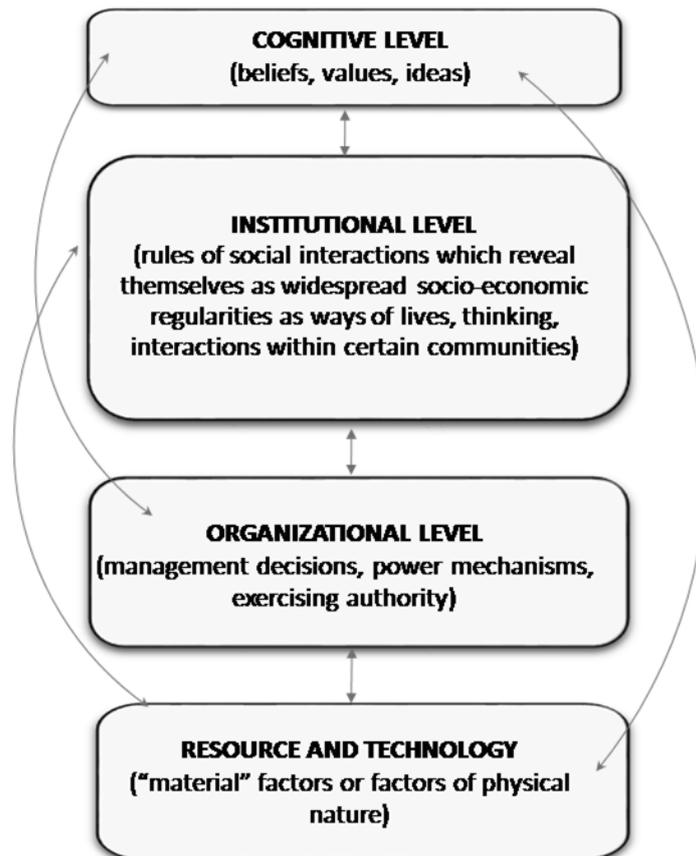


Figure 1. Pragmatist institutional economics as the theoretical and methodological perspective

Source: author's research (adopted based on Yefimov, 2016, after Peirce, 2000; Gruchy, 1947; Mirowski, 1987; Garreta, 2007)

Further, the reasoned action approach developed by Martin Fishbein and Icek Ajzen is relied upon in this research, as an appropriate analytical instrument widely used to explain social behavior, to elicit underlying beliefs, analyze them, and to assess their relative significance, to design effective behavioral interventions (Fishbein & Ajzen, 2010; Francis et al., 2004a; 2004b; Ajzen & Klobas, 2013). Recent literature shows the model's relevance both for quantitative and qualitative studies (Hennink et al., 2011; Zoellner et al., 2012). The latest modification of this approach, Reasoned action model is suggested as a part of the author's integrative framework, since it helps explain behavior of the members of local households as beliefs-driven, and allows for a classification of underlying beliefs on behavioral, normative and control ones. One of the important practical implications of the reasoned-action approach is that it provides understanding of behavior as target, action, context and time specific according to the TACT principle (Fishbein & Ajzen, 2010; Ajzen, 2006; Francis et al., 2004a; 2004b), and hence the

author considers reasonable to assume that different beliefs might take place for stand-alone household activities and activities implemented as the consequence of authority's intervention.

Readiness and ability of the households to perceive and use financial services and technologies are emphasised as the factors of rapid and sustainable economic development of the country in the discourses of the Russian official representatives of the Bank of Russia (Mamuta et al., 2010). However, as recent studies on issues related to sustainable local development in context of financial inclusion have shown, a research gap exists showing the lack of attention to retail product and service development aimed at harmonization of interests among all the parties involved in consumer lending system (Shafirov, 2014b; 2014d).

Meanwhile, achieving true financial inclusion should start with the development and introduction of new consumer lending products and practices of sustainable lending and borrowing. Rational strategies of credit behavior of the individual borrowers are considered by the author to be based on principles of sustainable lending and borrowing behavior. Such consumer credit should be regarded as financial source for local sustainable development (Shafirov, 2014e). In this way, the very notion of rational credit closely tied with the borrower's expenditures financed by the borrowed money, in so far as these irrational expenditures can potentially cause negative effects, resulting in social and economic plight for households: risks of over-indebtedness, threats to local (territorial) development and risks for overall economic system via significant change of consumption patterns towards rejections of the investments or satisfying basic needs but towards consumption more fashionable imported goods.

It is therefore suggested, in context of current approach, that active regional and municipal policies should be initiated as an instrument of rational consumer borrowing and lending strategies activation. Such a policy should be aimed at structuring of stimuli and restrictions for the parties involved in order to ensure harmonization of private benefits of borrower (as a result of using credit resources) and lender (as result of lending to individuals) with the goals of local communities' and territorial strategic development, including regional and local entrepreneurial communities benefits, in so far as goods and services produced by them and paid by borrowed resources can become an additional factor for local development (Shafirov, 2014b). Namely, the regional and municipal policy should be implemented, aimed at creation of conditions for rational consumer loans development and implementation. Rational consumer loans, as argued in [Ibid.] are those which are more likely to have a positive effect on medium- and low-income households' well-being and local socio-economic development. They are purpose long-term consumer loans viewed as sustainable loans related to, e.g., human and social capital development (including education and medical services), home improvement, entrepreneurship and various forms of informal employment. At that, both the price and non-price terms of such loans (accounting for transaction costs) should not be worse than the terms (on the average) for other consumer loans available in the borrower's area of residence (Ibid).

Rational consumer loans development and implementation are to be considered as preventing households' over-indebtedness, ensuring their long-term financial sustainability, affecting positively human and social capital development of borrowers, promoting local socio-economic development. Banks are supposed to develop rational consumer loans in assistance with regional and municipal authorities, – since local socio-economic development strategies are defined by the latter, – which could act as coordinators between lenders, borrowers, entrepreneurial communities, borrower's surroundings, and other potential beneficiaries of positive externalities generated by rational patterns of credit behavior.

At that, borrower's bargaining power is expected to increase. This expectation is founded on the fact that during negotiations with a lender a borrower is supposed to represent not only his personal interest, but to represent interests of groups of people (namely, what in Commons' terminology could be called "collective interest" (Commons, 2011)), or several communities. Besides, borrower's bargaining power is tend to increase due to the activity of regional/local

authorities, including aggregation of credit applications from neighboring households, provision of additional guarantees to the lender, other forms of coordinating activities of regional and local authorities promoting sustainable lending to individuals (Shafirov, 2014e). Interested motives for regional and local authorities are closely tied with the lack for additional (extra-budgetary) sources for local and regional development programs funding, as previously justified by the author (Ibid.). Furthermore, borrower's bargaining power is supposed to increase due to information asymmetry reducing: for the lender, information regarding borrower's financial and property status, true loan purpose and underlying motives, tends to become more clear and transparent owing to the assistance of authorities. These are, in turn, the preconditions for lender to reduce the adverse selection. Author's general framework for implementing and promoting sustainable lending: regional and municipal policies is illustrated by Figure 2.

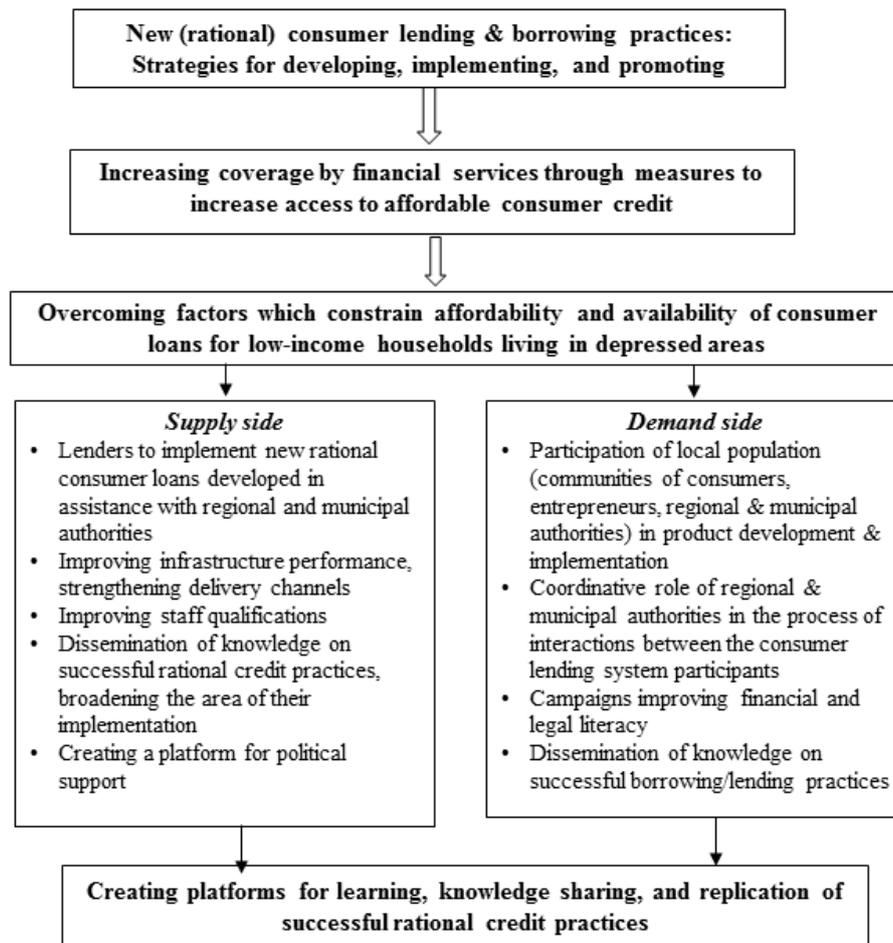


Figure 2. Author's general framework for implementing and promoting sustainable lending: regional and municipal policies

Source: Shafirov, 2014b; adapted from UNDP, 2008

The third part of an integrative author's framework is the project management theory, with the emphasis on the authoritative recent research on Nine Schools of Project Management (Turner et al., 2010), on projects as social constructs – social organizations, or processes (Gareis, 2005; Zwikael & Smyrk, 2012; Small & Walker, 2012; Turner & Müller, 2003; Müller et al., 2015), and other classifications of projects (Morris, Pinto & Soderlund, 2012). Considering the definition of project as the temporary social organization to which resources are to be assigned to do work to deliver beneficial change (Turner et al., 2010), together with different research

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focuses provided by the Behaviour, Decision and Governance Schools of project management (Ibid.), shaped the author’s view on a household asset building activities as the household project – a temporary organization owned by the household, established on the initiative of household or project stakeholders interested in the whole project delivery or interested in the part of activities of households within the project. Thus, the unit of analysis for the current research is household activities related to household asset building, in a context of prospective interactions between the local residents, local authority and other stakeholders. The overlapping approach which allowed to shape this theoretical perspective is presented schematically below (see Figure 3).

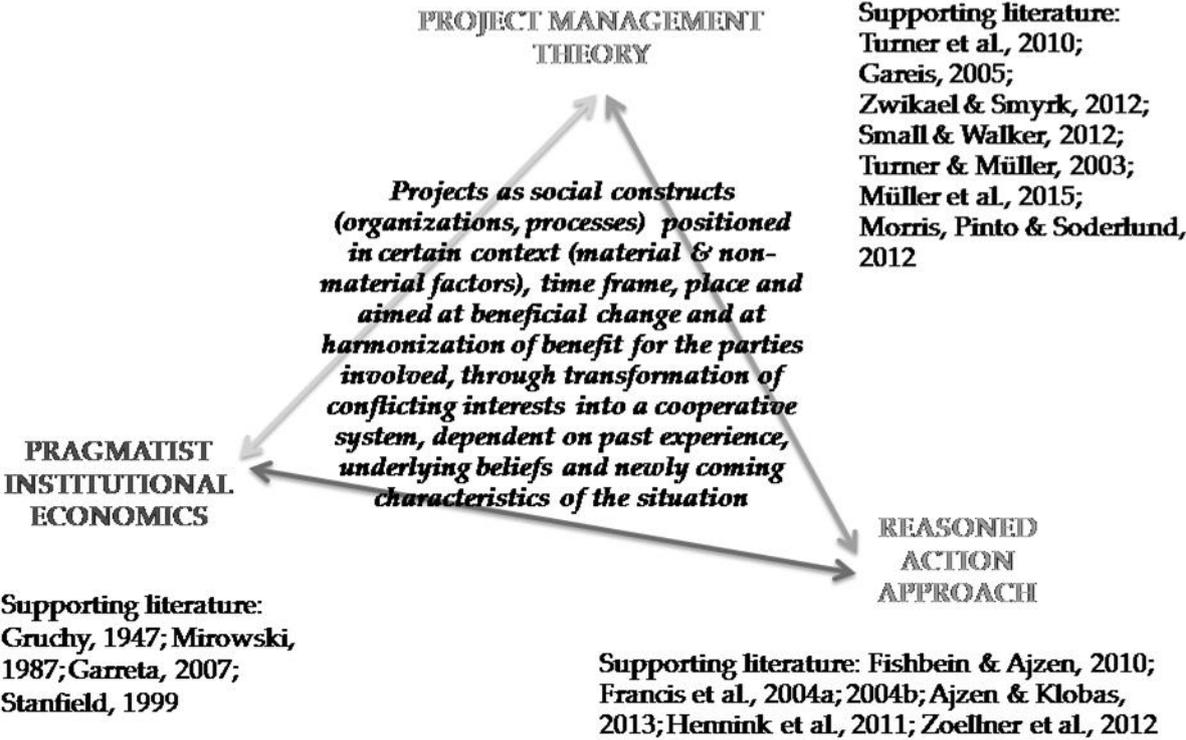


Figure 3. The overlapping research approach

Source: author’s research

On the basis of the definition of a portfolio of projects as a group (set) of projects sharing common resources (Turner et al., 2010), understanding of prerequisites for the concept of portfolio of household housing projects is introduced as a prospective organization of groups of household projects with the expected outcomes of improved housing conditions – constructed and renovated housing, – and with the local administration as the parent organization which can support provision of groups of common resources (financial and non-financial) for the projects included in the portfolio. The main “researchable idea” of the current research is therefore the assumption that there are certain activities of the households, which can be investigated using the elements of project management theory, to provide understanding on the prospects for organization of the portfolio of household localised projects for residential acquisition, construction and renovation, with the borrowed money – purpose loans – as one of the sources to finance these projects. Particularly, this research deals with justification of such portfolios that might be initiated and managed by the local authority (town administration) of small depressed Russian monotown Gukovo (65,7 thousand people) located in the South of Russia, to promote local economic development.

Methodology

This research focuses on the cognitive aspect of socio-economic sphere, to provide understanding, from the perspectives of the interviewees – local community leaders, on the actual asset building activities, and in particular on housing construction and renovation practices of Gukovo households, and to provide perspectives on the expected role of the local authority to improve these practices if implementing project management methodologies.

Qualitative methodology (Richards & Morse, 2013; Maxwell, 2013; Bickman & Rog, 2008) is applied to identify these various perspectives related to common practices of local households, related rules and underlying beliefs, and expected role of local authority to change them. As the main strategy, inductive thematic analysis (Guest et al., 2012; 2013) is addressed in the research, with the textual data served as a proxy for experience.

The current study has relied on:

- a) document analysis of Strategy of Socio-Economic Development of Gukovo Town till 2020 issued by the local administration, to support the proposition about the local authorities' interest in household housing assets building activities if these assets and their further exploitation are consistent with goals and objectives related to local economic development (LED), including officially stated ones, and
- b) in-depth and semi-structured interviews with the 23 community leaders of the town (opinion leaders for the people who live in the town), to provide justification of the portfolio of the household localised credit housing projects as a key element of local socio-economic development policy. Interview questions were designed to focus on experiences and beliefs of members of the local households about activities related to the projects for the residential acquisition, construction and renovation (with the local households viewed as the projects owners), and about expected participation of local authority in such projects.

To construct the interview guidance, the three theoretical pillars – project management theory, pragmatic institutional economics and reasoned-action approach have been addressed, as Figure 4 below shows. RAA model adopted to investigate household project-related activities not only provides a framework for analysis of the interview data (by representing related categories classified on the behavioral, normative and control beliefs), but also illustrates the feedback which can take place when actual behaviors affect related beliefs.

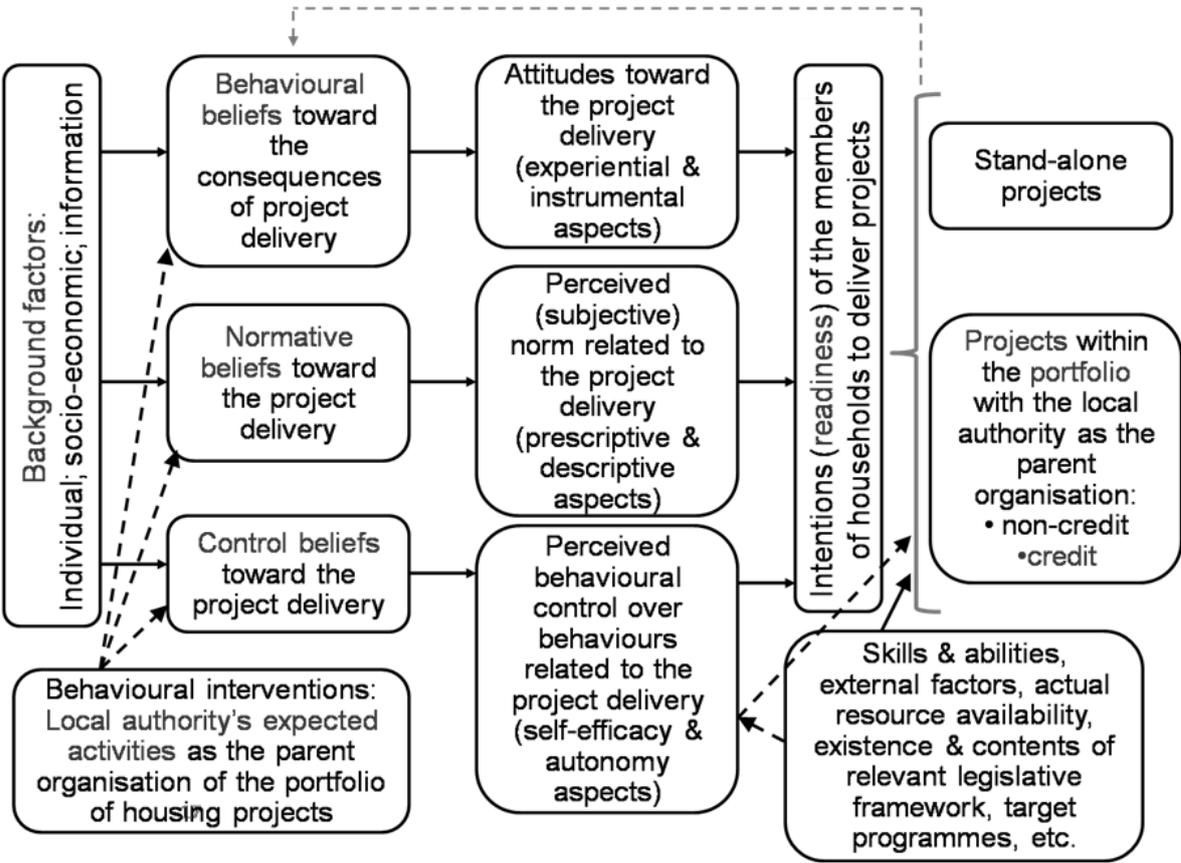


Figure 4. Reasoned Action Model Adopted to Investigate Household Project-Related Activities

Source: author’s research (adopted from Fishbein & Ajzen, 2010)

Research findings and contribution to the existing knowledge

In the context of this paper, it is essential to present the research findings related to the research questions and related propositions operationalised in Tables 1, 2 and 3.

Table 1: Matching research question 1 with proposition 1

Research question 1	Related proposition 1
How do community leaders’ narratives about the outcomes and outputs of the prospective, current and past household projects correspond with the officially stated local economic development (LED) goals?	The outputs and outcomes of household projects can correspond with officially stated goals related to local economic development (LED).

To summarise the research findings related to research question 1, Figure 5 is given below, to illustrate the goals related to local socio-economic development, in view of general “socio-economic” orientation of the Strategy of Gukovo 2020, matched with the goals that are of the most relevance for the local households (which can be considered household project outputs and outcomes).

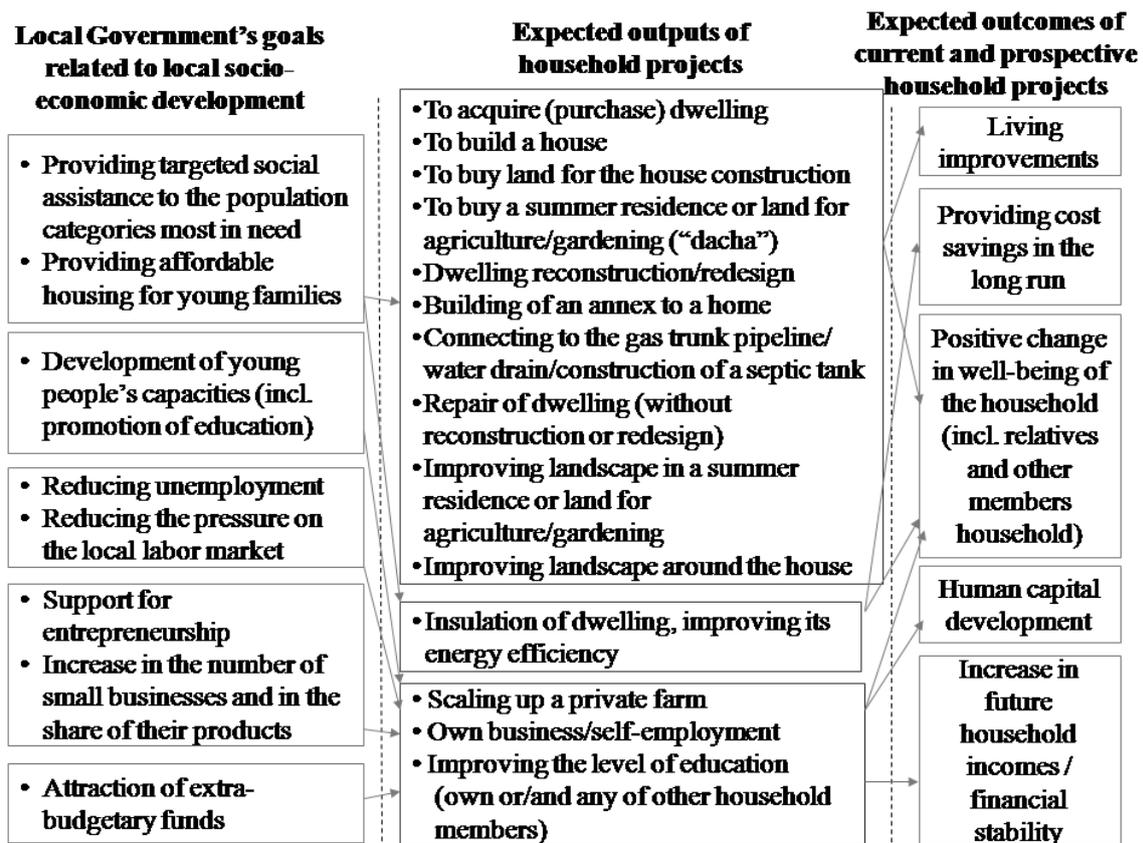


Figure 5. Correspondence between the LED goals stated by Gukovo Official Development Strategy and relevant expected outputs and outcomes of local household projects

Source: author’s research

The detailed analysis of the text of the strategic document, “Strategy of Gukovo till 2020”, and the narratives and opinions provided by the interviewees – community leaders living in Gukovo, has revealed that there is a correspondence between the outputs and outcomes of household projects local people treat as important in current socio-economic context, on the one hand, and officially stated objectives related to local economic development, on the other hand. The next step in analyzing the qualitative data is to focus on identifying the relative importance of the need for housing improvements and remedying over-indebtedness for the people who live in the town, as Table 2 shows.

Table 2: Matching research question 2 with proposition 2

Research question 2	Related proposition 2
How do community leaders’ narratives suggest importance of housing improvement and remedying over-indebtedness for the local households?	In the current socioeconomic context of Gukovo, housing conditions and over-indebtedness are assumed to be among the most important concerns for the people who live in the town.

Based upon evidence obtained through the interviews, Figure 6 is constructed to provide brief summary of the findings. As the figure illustrates, community leaders’ narratives have provided strong support for related research proposition that in the current socioeconomic context of Gukovo, housing conditions and over-indebtedness are assumed to be among the most important concerns for the people who live in the town.

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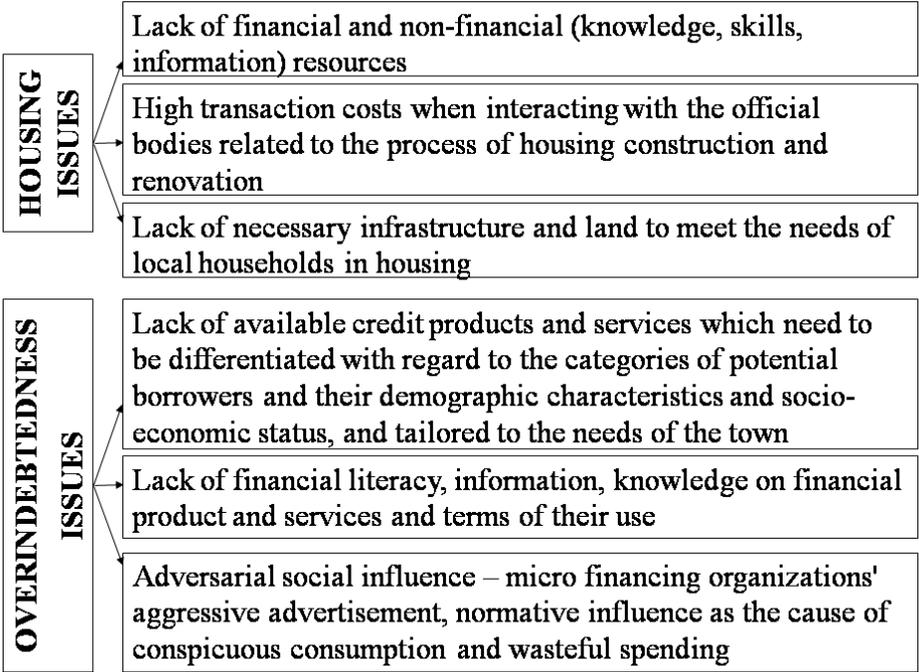


Figure 6. Housing conditions and over-indebtedness as important concerns for the Gukovo households: related themes emerged from the narratives provided by the interviewees

Source: author’s research

The propositions supported and the research data obtained served as a prerequisite for the concept of a portfolio of localised household housing credit projects, to investigate empirically the following proposition (Table 3).

Table 3: Matching research question 3 with proposition 3

Research question 3	Related proposition 3
What are the community leaders’ opinions about behavioural, normative and control beliefs shared by the local population about the possible role of local authority in providing scarce resources (including borrowed money) needed for the groups of housing projects delivery and managing such projects within the prospective portfolio?	Through targeted activities, local authority might influence specific (behavioural, normative and/or control) beliefs of the local households to participate in the portfolio of housing projects. These activities, being implemented via application of specific methods of project management, could promote LED through collective action of citizens aimed at obtaining effective and efficient use of resources for the localised housing projects.

The research findings had provided evidence for identification of the expected measures of targeted assistance from the town administration, if its representatives are assigned to support the housing projects for the people who live in Gukovo. Approaches of the project management schools have provided a valuable insight on these measures in the context of prospective interactions between the potential stakeholders of household housing projects and local authority's representatives. As a part of a general model of interactions between prospective stakeholders of housing projects via contracts as illustrated by Figure 7, a new model of interaction between the participants of consumer lending process is suggested, implying local communities to become an immediate participant of the consumer lending process, fulfilling both the organizing and regulatory functions to observe interests of citizens which are to be harmonised with those of sustainable local development.

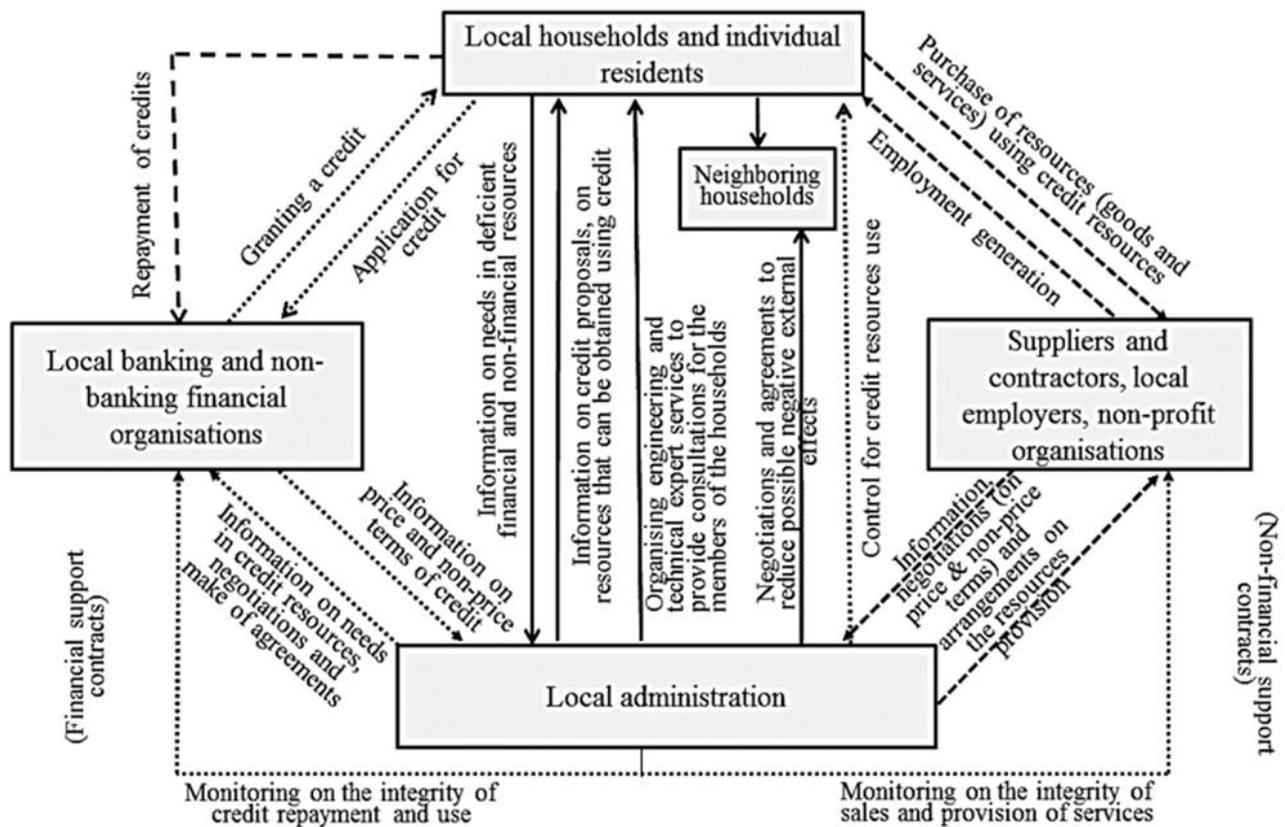


Figure 7. A model of interactions between prospective stakeholders of housing projects via contracts

Source: author's research

As significant contribution, justification provided for the role of the local authority as implementing functions related to the interactions between the members of the local households and other parties involved in residential construction and renovation; the role of the local authority had been justified as potentially useful in initiating portfolio of household housing projects, to reduce complexity in these interactions. Prospective role of local administration's representatives is seen as involving the following functions:

1. To facilitate coordination between the members of the local households (or their groups) and other parties involved (creditors, suppliers and contractors, bureaucracy agencies, including facilitating access to the objects of engineering infrastructure).
2. To provide informational support for the parties involved.
3. To control the fulfillment of the credit obligations by the households.

4. To implement monitoring of completion and efficiency of housing projects.
5. To promote and make efforts to replicate best practices of the use of credit resources for housing construction and renovation by the borrowing households to generate future incomes, ensure cost savings – i.e., to promote rationalisation of borrowing and consumer behaviour and prevent wasteful spending.

The author's research approach allows to address several research gaps existing both in Russian and Western economic literature, providing:

- a) theoretical basis to study the household activities related to asset building through the lens of the project management theory's definitions and approaches – in particular, prospects for these activities to be organised for the purposes related to local economic development;
- b) theoretical basis for designing the measures that could be implemented as a part of a municipal socio-economic policy, in context of prospective role of the local authority as one of the stakeholders (e.g., initiator/coordinator/manager) of the portfolio of localised household projects, viewed as the tool for the local economic development in Russian context;
- c) implementation of research projects related to theoretical and practical issues of local economic development in context of particular communities (relying on pragmatist approach, in particular);
- d) identification and evaluation of the prospects for citizens' involvement/participation in local development projects in cooperation with the local authority through qualitative methods (which might rely, in particular, on institutional and reasoned action frameworks) that could provide:
- e) detail descriptions on existing behaviour patterns usual for a particular community and gain understanding of prevailing beliefs underlying these patterns;
- f) knowledge on citizens' beliefs toward the possible role of the local organisations (including local authority) in implementation of measures (designing programs, projects) to improve housing conditions and provide related financial and non-financial support, including credit services;
- g) providing rationale for the prospective role of credit resources as the developmental finance, or the source for local economic development – in particular, as the tool to fight poverty and inequality.

Conclusion

With due consideration given to the fact that in today's Russia, due to high level of inter-regional and intraregional disparities, compounded by unsustainable consumer and credit behaviour of individuals, households in small towns and settlements quite often lack financial and non-financial resources to address their basic needs. Thus, a compelling need exists to provide a basis not only for assigning the deficient resources to the households, but also to create an appropriate organization to deliver beneficial change in their well-being, in particular, through the assets creation, and in particular, innovative decisions on how to increase housing affordability along with financial stability are of increasing relevance for the households. As a result, habitualisation of rational lending/borrowing practices, being popularised and replicated, within such policy, by neighbor households, would promote transformation of credit resources into the source of local socio-economic development (Shafirov & Oganessian, 2013).

As the essential research finding, a new model for the interaction between the participants of consumer lending process is suggested, implying local communities to become an immediate

participant of the consumer lending process, fulfilling both the organizing and regulatory functions to observe interests of citizens which are to be harmonised with those of sustainable local development. Russian mono-industrial towns could be viewed as the testing areas for localised household projects for residential construction and renovation, with the credit resources viewed as one of the possible sources of local economic development. Municipal authorities' role is justified as the provider of the measures of assistance in practical implementation and replication of related sustainable lending and borrowing practices.

A major challenge is overcoming of both the supply and demand side constraints at that. Thus, a prominent direction for further research can be outlined as searching for ways and means to strengthen intentions of the local households to participate in the portfolio of housing projects if more detailed information is accessible about the expected roles and responsibilities of each prospective stakeholder, and on price and non-price terms of the necessary resources provision.

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