

## MANAGEMENT OF THE FINANCES OF HOUSEHOLDS IN CONDITIONS OF SUSTAINABLE DEVELOPMENT

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**Dilyara I. Farrakhova**  
*Kazan Federal University*  
*nid3893@gmail.com*

**Adel A. Daryakin**  
*Kazan Federal University*  
*adel\_darin@mail.ru*

**Abstract.** To successfully implement a sustainable development in Russia, it becomes crucial to form a culture of personal finance management in civil society that is impossible without developing the investment potential of households and increasing the overall level of financial literacy. The need for sustainable development and the advancement of society is determined by the activity of civil society in this direction. The key role of households in solving the long-term sustainable development problems is determined by the state's concern with the solution of pressing problems, especially in the crisis conditions. This determines the decisive role of the improvement and development of civil society structures, which includes public organizations, mass movements, public policy institutions and expert institutions of sustainable development. The possibility of active participation of all sectors of society, including government, business and civil society, stands on the path to success of progress towards sustainable development, solving social and economic problems on the basis of ensuring "green" production and consumption. The research materials are of practical importance, since they consider citizens' money as an investment resource for the introduction of green economy and the concept of sustainable development, and can be applied as a diversification and rationalization of personal finance management.

**Key words:** personal finance management, household finance, sustainable development, green economy.

## 1. INTRODUCTION

An increasing number of countries think about preserving the planet for future generations, as the world has increasingly exacerbating environmental and social problems. There is a rethinking of values and not only the material effect of any activity, but the result (social, ethical and ecological) becomes important as well.

The world community realized the need to develop new ways of developing the mankind and the economy long ago. In the early 1990s, new conceptual and methodological approaches to assessing the development of society and the economy appeared. In particular, it appeared two new theories that influenced the discussion of new development models and were formed within the framework of the UN structures: sustainable development and human development. The concept of sustainable growth was adopted at the United Nations Conference on Development and Environment in the city of Rio de Janeiro (1992). To date, this concept is the most common and is often referred to as the "world model of a future civilization".

## 2. METHODS

The study is based on the methodology of system analysis. In addition, it was used the method of analogies, comparative, statistical and expert analysis. The research involves working with the statistical materials, publications of analysts-macroeconomists, state statistics bodies, international organizations, large corporations and consulting agencies.

We used also such information sources as documents that are subject to mandatory publication in accordance with the country's legislative norms, presentations and reports to the investors and stakeholders, conference materials, publications in the media, data from financial, rating and news agencies.

## 3. RESULTS

There is no generally accepted definition of "green" or "ecological" finance in the economic literature. These concepts can mean both a wide range of tools for financing the technological processes and projects related to environmental protection, as well as financial instruments, products and services (loans, bonds, stocks, funds), with an environmental component. "Green" investment is associated with

the identification of environmental problems and the need to take measures to preserve the environment. The synonyms of the concept of "green" finance are environmentally responsible investment and climate change investment.

Foreign practice proves that "green" investments are effective as an anti-crisis policy tool, which includes softening unemployment and increasing employment of the population (Porfiriyev, 2010). This is evidenced by the experience of 2008-2009, when the action programs to overcome the crisis have been directed to investment projects for the development of environmentally friendly and high-tech industries, the share of which is shown in the diagram (Figure. 1).

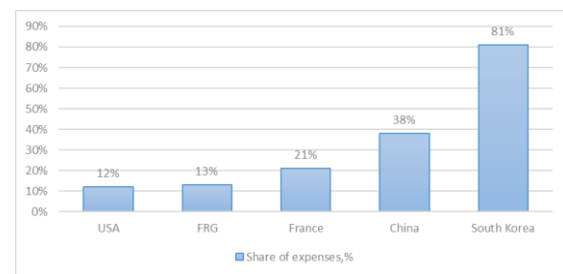


Figure 1. The share of expenses in the total volume of anti-crisis packages (Porfiriyev, n. d)

## 4. DISCUSSION

As practice shows, the provision of economic growth is related to the consumer's attitude to natural resources. The environment degradation is also growing. There is exhaustion of natural resources, which leads to a violation of the biosphere balance. All these processes negatively affect a person and limit the opportunities for further development of the whole society. The essence of modernization is to ensure economic development and maintain a favorable natural environment (which includes environmental safety playing a decisive role for the economic growth and the very human existence) (*Sustainable Development and Civil Society, n. d*). This task is called in the world as an implementation of "decoupling" principle. This principle means meeting the growing needs and minimizing the depletion of natural capital, which implies a reduction in energy intensity and environmental intensity of the overall economic growth, large-scale use of renewable energy sources and improvement of production based on innovative activities (UNEP, 2011). This concept defines the priorities for the development of the country's

economy (*Sustainable Development: Concept, Principles, Goals.*, 2016).

The issue of the need for sustainable development also depends on the society's participation in this direction and is determined by its activity. The households play a key role in ensuring the long-term sustainable development goals, especially in the crisis conditions. In this regard, there is the need to develop structures of civil society, which include public organizations, public policy institutions, expert institutions of sustainable development (*Sustainable Development and Civil Society: National and International Priorities*, n. d).

The concept of sustainable development was formed by the combination of three directions (Figure. 2):

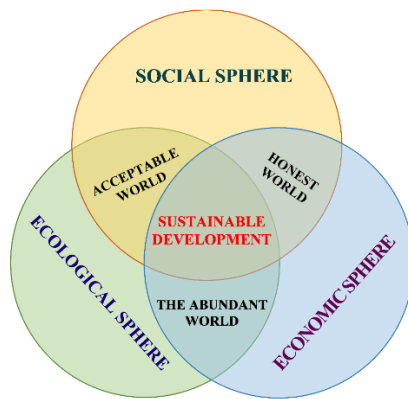


Figure 2. Elements of the concept of sustainable development [7]

Thus, when combining the ecological and social spheres (acceptable world), it appears the responsibility for environment, control over climate change, biodiversity conservation, without taking into account the economic aspect.

When the social sphere is combined with the economic one, it is achieved a fair state - honest world, which presupposes employment of the population, observance of human rights, business ethics, continuous and professional development of employees.

When the economic and environmental spheres are combined, it is achieved a good state - the abundant world, in which the efficient use of resources and production are carried out according to the principles of minimizing harm to the environment.

The concept of sustainable development, which is determined by the innovative and efficient use of

resources without harm to the environment, taking into account human rights and freedoms, is the synthesis of all areas.

According to the dictionary of environmental terms and definitions, the concept of sustainable development is a prerequisite for the long-term progress of mankind, which is accompanied by capital augmenting and improving the environmental conditions (Lukyanikhina, 2007). The concept implies a broad exchange of environmental knowledge and the allocation of financial resources.

The participation of households is crucial at all stages of the process to ensure sustainable development and implementation of environmental policy: the problem formulation and the determination of the ways to solve it; implementation of the programs planned; control over the activities of government and business; determination of ways and implementation of specific tasks of economic modernization and solution of social problems.

As previously noted, there is no standard definition of "green" investment. We can make the assumption that the households are one of the most important segments of green economy and sustainable development. In this regard, we will introduce a new concept - "green" management of personal finance, which includes many important aspects necessary for further study and implementation of sustainable development in Russia. We define the "green" management of personal finances as a system of the formation and use of monetary incomes of individual persons, taking into account the financing of technological processes, projects and companies related to the environmental protection. Then, we will draw up a table of the impact of households on the sustainability concept development (Figure. 3).

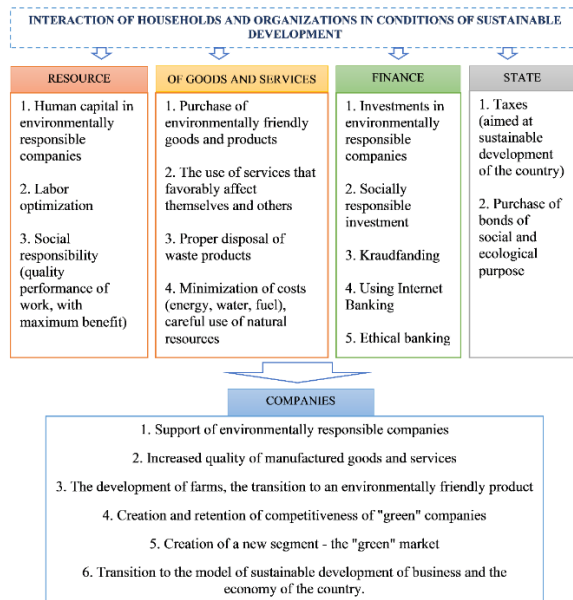


Figure 3. Interaction of households and organizations in conditions of sustainable development

Based on the above diagram, we can conclude that the main contribution is made through financing by the households. This means that the finances of households and, accordingly, personal finance are one of the driving elements of the sustainability concept development, which indicates the need to introduce all groups of society in the development of this concept.

It should be noted that, from our point of view, financing implies not only targeted investments in certain companies, but also consumption of "green" products and services (purchase of farm products, use of energy-saving lamps, garbage sorting with a subsequent sale (return of waste paper, plastic bottles), use of organic cosmetics, etc.), which is also aimed at supporting the environmental protection and minimizing harm in general.

The peculiarities of "green" financing include a high cost of capital investments. For 2007-2014 (according to the estimates of the Green Transition Scoreboard 2014), the private investments in the global "green" economy amounted to 6.22 trillion US dollars and investments in the hydrocarbon energy amounted to 6 trillion US dollars (IPCC, 2014) (Evans-Pritchard, 2015).

The experts from the International Energy Agency and the Company Bloomberg New Energy Finance believe that investments for a "green" scenario of the world economy development will vary at the

level of 322 - 590 annual average billion US dollars in 2015-2040. (Zindler, & Locklin, n. d) (S&P global ratings, n. d). The volume of these investments (according to the experts of the Eastern Economic Forum and the Global Commission on Economy and Climate) will be much larger: 900 - 950 billion US dollars per year (Zindler, & Locklin, n. d). Such forecasts are similar to those of Standard & Poor's, according to which the transition to a cleaner low-carbon economy can take 15 years and demand 16.5 trillion US dollars (S&P global ratings, n. d).

The innovative instruments that have emerged recently include green bonds and Asset Backed Securities, as well as Yieldco. Yieldco, the so-called profitable companies, are the public companies that are established in the United States of America, Canada and the UK to own the existing assets of renewable energy sources (RES). The asset amount for the formation of such companies amounts to 500 million US dollars on average (OECD, 2014).

The Asset Backed Securities has begun to play an important role in the implementation of investment in projects in the RES field since 2014. The credit risk is reduced and an access to institutional investors' resources is facilitated already at this stage of implementation (World Business Council for Sustainable Development, 2015). At present, the private investments provide 62% of the corresponding financing, with a large share for the developed economies - almost 2/3 of the value of the corresponding investments. According to forecasts, their share may be increased to 85% (Buchner, B., Trabacchi, Mazza, Abramskieln & Wang, 2015).

To implement and further implement the concept of sustainable growth in Russia, it should be set the main targets. At present, one of the most effective tools for implementing a sustainable development strategy is the balanced scorecard system (BSS) in the world practice.

Using the balanced scorecard system, it is possible to find a correlation between the strategic goals and key indicators that measure the extent, to which they have been achieved, as well as to identify and track the relationship between the main financial and non-financial indicators (Andrianov, 2012).

The key elements of the balanced scorecard include the key performance indicators, which should be contained in a unified reporting system. In addition, the key indicators should be carefully selected and their number should be limited.

To achieve the strategic goals and objectives of the Russia's economic development, we consider the dynamics of performance indicators of sustainable development (Tab. 1). (*Central Bank of the Russian Federation*, n. d) (*The World Intellectual Property Organization*, n. d) (*Federal Service of State Statistics*, n. d)

Table 1. Key indicators of the effectiveness of sustainable development of the Russian economy

Tasks	Indicator name	2014	2015	2016
Macroeconomic and financial sustainability	GDP growth rate,%	0.6	-3.7	-0.2
	Inflation rate,%	11.36	12.91	5.38
	The size of public debt,% of GDP	10.4	9.4	13.7
	The volume of international reserves,% of GDP	28.3	18.8	26.8
Diversification of the economy	Share of high-tech and knowledge-intensive industries in GDP,%	21.8	21.5	22.4
	Index of innovation economy	39.14	39.32	38.5
	Share of expenditure on R & D in GDP,%	1.2	1.13	1.04
Social transformation	The share of the population with incomes below the subsistence minimum,% of the total number of people.	11.2	13.3	13.6
	Differentiation of income of the population	0.416	0.413	0.414
	1) Gini			
	2) The decile coefficient of funds, in times	16.0	15.7	15.7
	Unemployment rate,%	5.2	5.6	5.5
Environmental responsibility and energy efficiency of the economy	Ecological efficiency index	53.45	-	83.52
	The volume of expenditures on environmental protection in GDP,%	0.7	0.7	0.7
	The share of fixed assets for environmental protection in the total value of fixed assets,%	0.9	0.9	0.9
	Share of organizations that carried out innovations in the production of goods, works, services,%	41.8	43.0	43.4

The above indicators have been determined by an expert way taking into account the official data of social and economic development of Russia and the international financial organizations. There is a negative dynamics based on the initial data for the period of 2014-2016 as a whole.

Insufficient contribution to stimulating the national economy growth is reflected in the social and economic activities of development institutions in Russia. This situation is connected with the financial development institutions that are at the implementation stage, and those recently created institutions only begin to function.

The United Nations development program uses the Human Development Index, which includes life expectancy at birth, adult literacy and real gross domestic product per capita (Shelekhov, 2002). Russia, along with Brazil and China, is included in the group of countries with a high human development index (HDI), ranking first among the BRICS countries. (Kulpina, Morozkina, Pavlyushina, & Shuvaeva, 2015) (Piskulova, 2011)

## 5. SUMMARY

As a research result, we revealed that the implementation of the synthesis of financial, social and environmental instruments is highly competitive when investing in the long-term period. This proves that the "environmentally responsible investment" has great prospects. Gradually, new values are formed in society and the consumer demand for environmentally friendly products is increasing (Zayakova, 2013).

This means that the "green" investment does not reduce the profitability of funds invested, but rather is the way out to new, unoccupied niches of the market. Due to such investments, the level of life is being leveled, the problems of infrastructure and labor relations are being solved, which leads to a social tension smoothing (*The Socio-Economic and Humanitarian Journal of the Krasnoyarsk SAU.*, 2016).

Contribution to the development of the state, society and business implies social responsibility in all spheres (social, economic and environmental), which plays an increasingly important role in the modern world practice (Rosenberg, et. al, 2012).

## 6. CONCLUSIONS

The transition to sustainable development requires decisive and cardinal actions led by an important task of greening all the major activities of mankind, and a change in human consciousness. For the sustainable development, it is needed a society with a new worldview, goals and foundations, which should be purposeful and conscious. One of the key mechanisms for managing this process can be the

moral and humane wisdom of all mankind as a whole (Andrianov, 2012).

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