

# BUDGETARY BALANCING IN THE SUBSIDIARY REGION AS A TOOL TO ENSURE ITS SELF-SUFFICIENT DEVELOPMENT

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## ABSTRACT

The socio-economic space of the Russian Federation is heterogeneous both in terms of economic development and living standards. On the territory of the state there are many large and small territorial entities, in which the most acute are economic, demographic, ethnic, geopolitical and other problems. Of these, the largest number are subsidized and depressed regions, which have a serious negative impact on the development of the entire economy. The development of a methodology for removing such regions from the state of lag is an important task. In the theory of the regional economy, such territories are usually called problem regions. The main types of problem regions in modern conditions are: lagging (subsidized and depressed), crisis, as well as regions of special strategic importance. The creation of a stable and developing society and the development of the state economy is impossible without solving the issue of inter-regional differences and lagging in the development of individual regions. In this regard, the task of stabilizing the economies of the regions, the state of which is assessed as subsidized and depressive, and determining the transition to a stable state of their economies, becomes especially urgent. The definition of new approaches to the study of the socio-economic development of the regions is important, because the modern environment is presented as a multilayer subordinate entity, which is in a constant process of improvement. To identify trends, it is necessary to form a methodological basis for the search and identification of driving forces interacting in the socio-economic system, which is a priority for the process of managing regional development.

**Keywords:** budgetary balance, subsidized region, depressed region, self-development, self-sufficient development, prerequisites and conditions, unevenness, differentiation, proportionality, multivariate analysis, alignment, consistency, complexity.

## 1 INTRODUCTION

The system of financial equalization existing in Russia is based on an indicator of budgetary security, based on which the amount of transfers provided to entities from the federal budget and municipalities from regional budgets is determined. Despite the fact that the concept of “budgetary security” has been used in practice since 1991, a legally enforced definition of this concept does not exist to this day [4].

The definitions given in regional regulatory legal acts that establish the regulation of the budget process and inter-budgetary relations vary from region to region. For example, in the Leningrad region and a number of other areas, this concept is defined as the amount of income attributable to one conditional consumer of budgetary services of the municipality [3]. There is also the concept of “budgetary security of municipalities (urban districts, urban districts with intracity division) as the ratio of the tax potential index to the budget expenditures index of a municipal district (urban district) [9].

We propose to use the concept proposed by the Accounts Chamber of the Russian Federation, which proceeds from the fact that budgetary security is the fundamental ability of budgets of all levels to finance the expenditure obligations assigned to them related to the provision of budgetary services of the appropriate volume and quality [5].

## 2 TEXT OF ARTICLE

Budget balance is achieved mainly through the oil and gas transfer [1], which is understood as a part of the federal budget funds allocated to finance the federal budget oil and gas deficit allocated from oil and gas revenues and the Reserve Fund. The amount of oil and gas transfer is approved by the federal budget law in absolute terms, based on the projected gross domestic product of 3.7% of it [2,21,22].

Sustainable and balanced development of the constituent entities of the Russian Federation is the main vector arising from the federal structure of the country. The overwhelming majority of Russian regions in the socio-economic aspect do not meet the criteria for balanced development. An imperfect system of budget regulation of the regions and, especially, low budgetary security of municipal districts impede the emergence of prerequisites for sustainable development and, as a result, increase social tension in society. The problems of fiscal balance must be solved by the methods of tax and budget regulation.

To date, contradictions have accumulated between the proposed ways to solve this problem and the opportunities available to regions and municipalities in particular. On the one hand, there is a need to delegate a larger amount of authority to places, on the other, it is argued that municipalities have too many powers and some need to be financed from private sources, but local conditions do not allow private investors to be involved in financing municipal social objects.

The problems faced by municipalities are important social issues. This is a lack of funds for the maintenance of buildings for medical facilities, payment of utilities, communications, infrastructure repairs, etc. The solution to these problems is impossible without changing the economic model and introducing fundamentally different mechanisms for raising funds. Economic self-sufficiency of the regions can be ensured through the implementation of other approaches to budget and tax regulation, which, in our opinion, should include:

- rationalization of tax rates that stimulate the development of business and ensure the flow of necessary funds to solve the problems of development of municipalities;
- decentralization of financial resources, rationalization of the system of budget financing of the regions;
- the creation of mechanisms to stimulate the increase in revenues of regional and municipal budgets.

The solution to the problem of sustainable development of the regions is to improve intergovernmental relations and the reorganization of the budget process, as well as the search for ways to increase budget revenues of municipalities.

The main principle that needs to be laid as the basis for solving the problem of forming own financial resources in local budgets is a balance of economic interests. The subjects of economic relations should be directly interested in the results of their economic activities and receive benefits from deductions to local budgets. The individual and society should be in an equilibrium state and their multidirectional interests should balance, strive to increase the economic potential of the territory by filling local budgets from economic activity, and then be directed to solving local problems [6, 18,19,20].

To create the conditions for the regions to become self-sufficient, improve the investment climate and reduce the dependence of municipalities on higher-order budgets, it is necessary to solve one more problem - create conditions for small business. Small business can significantly increase employment in the territory and contribute to increasing financial and social stability of both the municipal region and the region as a whole. In order to develop the institution of small business, at the start, coordinated work of state bodies, regulatory authorities, and also credit institutions is necessary. The main obstacles to the development of small businesses are expensive loans and administrative barriers, in other words, institutional imperfections.

From the point of view of solving the problem of accessibility of financial resources, it is necessary to emphasize the dual nature of the problem. On the one hand, there are objective reasons why banks are afraid to finance small business, on the other hand, entrepreneurship is not developing due to the lack of favorable financial offers from banks. Today, among the reasons why banks do not participate in the financing of entrepreneurship, the following can be distinguished:

- the inability to track the financial results of entrepreneurs;
- low level of economic and legal literacy of entrepreneurs;
- the inability of entrepreneurs to provide loans with liquid collateral;
- insufficient participation of state bodies in the formation and development of the institution of entrepreneurship;
- a high degree of loan default, frequent bankruptcy of entrepreneurs.

Entrepreneurs are not active for other reasons, including:

- high interest rates on loans;
- presentation by the bank of often impracticable conditions for obtaining a loan;
- long term for consideration of applications;
- lack of government support for business;
- the inability to obtain financing to create a new business.

Thus, for most regions, the task of creating a mature institution of small business in the short and medium term is not solved. According to the authors, the only way to solve this problem is real state assistance to small businesses through improving the budget process. Entrepreneurship can become a key link in regional economies providing employment, and a major producer of goods and services, but the development of this institution is impossible without providing access to financial resources.

Small business, especially at the start, needs credit resources, which, in the absence of liquid collateral, are impossible to obtain. Facilitating access to borrowed capital is a priority task, which can be solved under the current conditions only by the state, through budget funds.

Unfortunately, the economic course is not aimed at development, but at preserving the oil and gas income of the federal budget by placing income in debt obligations of foreign states. The solution of the tasks facing the state requires a change in the economic course, and redirection of funds from oil and gas income to development funds. To develop the economic potential of the constituent entities of the Russian Federation, it is advisable to create a Small Business Development Fund in the regions from the resources of the Reserve Fund. Thus, such a fund may become the state financial body of the Government of Russia to implement a policy of supporting small businesses.

### 3. METHODS

In the course of the study, the following methods were applied:

1. A selective analysis of specialized literature with a high citation index for the topics indicated in the title of the article. In particular, information was collected on topical issues of ensuring the budget balance in subsidized regions in order to ensure the conditions for their self-sufficient development.

2. The generated array of information was systematized for the purpose of further analysis.

3. The results of the study were given the author's interpretation, conclusions are drawn. A number of measures were proposed to intensify the efforts of the subsidized region to sustainable development.

### 4. RESULTS AND DISCUSSION

In our opinion, the activities of the Fund can proceed according to the following mechanism. In the federal budget, in the expenditure side, it is necessary to lay a special article - the development of small business in the regions. To finance the costs of this item, funds must have been received that previously came into the accounts of the Reserve Fund. The financial resources of the newly created fund will have a strictly intended purpose, and the fund itself will fulfill the function of coordination and interaction of authorities with the private sector, as well as carry out monitoring and distribution functions:

1. The Fund should build a coordinating function in the financial and informational direction to ensure access to credit resources and help in gaining first business experience. It is most efficient to perform both functions from the focal point, where necessary information about the markets for entrepreneurs can be accumulated and funds can be quickly managed. Reporting information from the regions and requests from the community of entrepreneurs on the basis of the Fund should form an inter-regional consulting center that will provide advice on the conduct and organization of business processes, as well as provide information on markets for products. The fulfillment of the coordination function of the Fund with the assistance of regional and local authorities should lead to the development of the institution of small business, the creation of new jobs and an overall increase in the standard of living of the population.

2. The distribution function of the Fund is the proportional distribution of funds. Based on the available financial resources of the Fund and the developed standards, the regions will receive tranches. The size of the tranche should be determined on the basis of data on the number of working-age population in the region. All tranches transferred

from the Fund have a special purpose - the development of the institution of small business. Unlike budgetary subsidies for obligatory expenses of the regions, tranches of the Fund should be carried out on a partially repayable basis. Gratis funds should be directed to the organization of consulting and informational assistance to businessmen. Another part of the funds should go to specialized regional banks for lending to small businesses.

Gratuitously transferred funds from the Fund to the regions should go to the creation of regional Departments, which should be held responsible for building the economic potential of the constituent entities of the Russian Federation [7, p. 108]. The regional Departments, which in essence will become the authorized representatives of the Fund in the region, should be in charge of legislative support and legal protection of entrepreneurs, informational support of business, educational centers for entrepreneurs. Possession of relevant information and professional training of entrepreneurs, participation and assistance in the development of business plans and other assistance of Departments should serve as a powerful impetus in the development of the institution of entrepreneurship in the regions.

The proposed mechanism significantly improves the business climate. The loan term, in comparison with the existing banking conditions, increases by 2-3 times, and credit rates are reduced on average by three times. Entrepreneurs receive long-term loans on acceptable terms, banks reserve the base rate of 3%. The Small Business Development Fund in the regions receives 2% per annum to cover the risks of non-repayment of loans. This mechanism will lay the foundation for the establishment and establishment of the institution of small business, create jobs, provide employment in the territory, and as a result increase the living standards of the population.

3. The control function of the Fund shall be through analysis of information on the intended use of funds. Local departments should receive information from banks in the form of reports on loans issued and settlements on them. Moreover, information on the intended use of the allocated funds should come from the municipalities.

## 5. SUMMARY

At present, the institute of small business is not formed; moreover, it gravitates to a shadow method of conducting economic activity. The solution to this problem lies in the institutional plane. It is impossible to solve this problem by administrative means, since there is no incentive for the administrative apparatus to withdraw business from the shadow sector. And the business itself is not interested in operating openly, since this is associated with an increase in transaction costs for it, and the ownership is not protected. The standard of living of the local population does not directly depend on the functioning of small businesses. To replenish the local budget from the activities of small businesses and, in general, increase the economic potential of the regions, a number of measures should be taken to improve the budget process.

## 6. CONCLUSIONS

To increase the revenue side of the budget, all collected taxes from small businesses should be credited to local budgets. At the same time, it is possible to form such a mechanism in which it becomes possible to reduce the shadow sector, since it is easier to control the activities of business entities on the ground, and the administration



is directly interested in replenishing the revenue side of the budget. To involve the population in active influence on municipal authorities, tax deductions should be provided for small businesses in the amount transferred to the local budgets for a specific expense: the purchase of medicines, equipment for social facilities, road repairs, etc. Thus, a mechanism emerges for the mutual control of power and business, which is the basis for the formation of civil society and a link is created between the economic interests of the population and local authorities.

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