

The Independence of Rural Settlements' Budgets in A Region's Economic Security System

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Abstract — The economic independence of rural settlements' budgets is an important factor of a region's socio-economic development and is the efficiency criterion of its budget policy and budgeting process in general. That is why it is necessary to elaborate a set of measures on fundraising rural settlements in order to enhance a region's economic security. The authors have analyzed Volgograd Oblast's rural settlements' budgets independence by their dynamics and structure. Due to the absence of a comprehensive budgets' independence assessment methodology, the authors have carried out the analysis based on the indicators noted in various research works related to this study. The calculations have shown a strong budgets' dependence on subsidies and inter-budgetary transfers. Taking into account the functioning conditions and demands of each rural settlement, the study suggests a set of measures on increasing the settlements' revenue. The study also proposes a prediction calculation of the revenue value and the independence indicators' fluctuation. Finally, the study presents methodological problems in assessing the budgets' independence, the absence of standards for the educed indicators and the difficulty in elaborating universal approaches to enhancing the independence.

Keywords – economic security, municipality, local budget, local government body, financial

I. INTRODUCTION

One of the main state's functions in modern Russian is providing economic security, which is part of national security. As the implementation of the state's goals occurs in certain municipalities, the formation of an effective municipalities' economic security system should become one of the top-priorities in this sphere. A local government body, which is in command of making decisions on a certain territory, is the local administration. Being the local economy's administrator, the local government body carries

subsistence functions and provides essential social services to the residents.

Local budget is the financial source for the local government body's functions. That is why it is important to regard a municipality's economic security and independence in conjunction with the local budget. The local budget's indicators reflect the self-sufficiency, sustainability levels of a municipality and local bodies' self-governance quality and effectiveness.

The local budget is a municipality's finance fund, which is the financial source for performing the local government's tasks and functions. The local government body forms, approves, performs and controls budget implementation.

The local budget's financial self-sufficiency and sustainability analysis is a crucial tool for assessing a municipality's economic security.

The costs should be covered by a municipality's revenues in order for the municipality to develop economically successfully and independently. Thus, one of the ways of achieving this is to start up the sources of making their own money.

The following works by Russian scientists, doing their research in finance, budgetary and economic analysis, have been used as the theoretical and methodological basis: G. Polyak, O. Aleksandrov, Ye. Yermakova, O. Bolyakina, N. Korotina. In addition to it, there are several regulatory documents referred to in this research: Budgetary Code, "General Principles of the Local Government Organization in the Russian Federation" Federal Law and etc.

The above-mentioned authors point out that it is necessary to analyze the financial independence of local budgets, however they suggest a limited number of ways to increase

them. They are: reforming the existing ways of distributing and redistributing tax revenues in favor of the local budget; establishing a higher percentage of allocations from the personal income tax revenue; establishing a percentage of allocations from the transport tax income to the local budget and transferring the revenues from the land rent in favor of the local budget. The drawback of the afore-mentioned measures is that the most interested party, which is the municipality's administration, does not have such a power to perform these measures. Therefore, rural settlements need the ways to increase the budgets, which they are responsible for.

The research objective is to find available financial sources, which rural settlements' administrations are responsible for and to develop step-by-step instructions of fund raising.

The following tasks have been set in the course of the current study:

- Analyzing rural settlements' administration's incomes and expenses' dynamics and structure;
- Monitor the financial condition of local administrations' budgets independence;
- Suggest the ways of raising local administrations' budgets independence.

II. MATERIALS AND METHODS (MODEL)

The study presents local budgets independence analysis, the incomes and expenses dynamics and structure review, the expenses defrayal calculation, the coefficient of a local budget's balance and a set of independence coefficients.

III. RESULTS AND DISCUSSION

Two rural settlements have been chosen in order to assess the budget independence (further RS-1 and RS-2). These rural settlements have in different climatic and economic conditions, what was important for elaborating universal approaches and recommendations.

Budget performance reports over the years 2015-2017 have served as the information source for the research analysis. Tax revenues, non-tax revenues and uncompensated receipts are referred to a rural settlement's administration's budget. The analysis of changes happened to the rural settlements' local budgets, being under the study, over the years 2015-2017 has shown the following results:

The growth of revenues by all indicators in general (RS-1 - 85,70% and RS-2 - 26,76% respectively), however such a growth occurred due to a significant (RS-1 - 113% and RS-2 - 55,48% respectively) subsidy in the framework of the Modern Urban Environment Formation Programme (3 million rubles and 2,32 million rubles respectively);

Inter-budgetary transfers are the main part of the local budgets' revenue, which is from 82,43 to 85,93%, while the budgets' own revenues, while the budgets' own tax revenues comprise relatively low shares

from 14,76 to 17,14%. Additionally, non-tax revenues comprise the smallest share – only 0,29-0,46%. Such figures prove the regions' strong dependence on external subsidies.

The budgets' own revenues growth happens primarily owing to the municipal property use.

The analysis of the administrations' budgets has been carried out in order to assess financial independence and sustainability. This allows to make certain conclusions on a municipality's economic security level.

The calculation of a municipality's financial self-sufficiency coefficient was done, using the methodics suggested by Ye. Yermakova and O. Bolyakina [1]. The calculation of a local budget's independence was based on N. Korotina's [2] and G. Polyak's [3] methodology of assessing a budget's sustainability by means of a criteria system. A. Sheremet, M. Bakanov, V. Kovalev and others' works served as the basis for such a system.

TABLE I. RURAL SETTLEMENTS' BUDGETS' FINANCIAL INDEPENDENCE

Indicators	2015		2016		2017	
	RS -1	RS -2	RS -1	RS -2	RS -1	RS -2
Financial self-sufficiency level	0,48	0,42	0,53	0,49	0,32	0,48
Financial independence level	0,32	0,15	0,38	0,18	0,22	0,16
Tax independence coefficient	0,22	0,15	0,23	0,17	0,19	0,15
Net tax independence coefficient	0,16	0,11	0,13	0,12	0,10	0,11
General financial dependence coefficient	0,68	0,85	0,62	0,82	0,78	0,84
Direct financial dependence coefficient	0,50	0,73	0,42	0,70	0,40	0,71
Redistributed and initial revenues correlation coefficient	3,96	5,42	4,02	4,68	3,97	5,68
External financing coefficient	0,13	0,16	0,15	0,18	0,14	0,15

Rural settlements' budgets financial independence changing tendencies are rather abrupt (with simultaneous financial and tax independence coefficients change). This could be connected with the settlements' participation in the Modern Urban Environment Formation Programme, which caused the increase of uncompensated receipts and incomes in general. Despite the changing financial independence indicators, their scales tell about the budgets' strong dependence on external sources. It is worth noting that all coefficients, which can be normalized, are within the limits. This is possible, because all types of administrations' expenses are to be paid from the budget.

The analysis of the rural settlements' administrations' incomes and expenses has shown that there is a certain danger to the municipalities' economic security. This is caused by a

large share of uncompensated receipts in the revenue share, whereas it is more favourable for the economic development and self-sufficiency that the expenses are paid from the settlements' own incomes. This means that finding new income sources can be one of the solutions.

Another negative thing is that there is a low investment activity coefficient, what explains why it is impossible to finance land improvement and road repairs from the budget. Leaving these problems unattended can lead to serious consequences and undermining the administrations' authority.

In order to find new ways of attracting additional finance to the budget, it is worth turning to the Russian Federation's Budgetary Code, as the local administrations' activity is regulated by law. Thus, Article 41 defines the following types of the budgets' incomes:

1. Tax incomes. They include incomes from taxes and fees, stipulated in the Russian Federation's taxes and fees legislature, regional taxes and fees and fines as well.

2. Non-tax incomes. They include:

- Sales of state or municipal property;
- Commercial services provided by state institutions;
- Incomes received as a result of applying Civil, Administrative and Criminal Codes measures as a result of causing damage to the Russian Federation, Russian Federation Regions and municipalities (including fines and confiscation);
- Self-taxation;
- Other non-tax incomes

3. Uncompensated receipts include:

- Subsidies from other Russian Federation's budgets;
- Inter-budgetary subsidies;
- Federal and\ or other Russian Federation regions' budget subventions;
- Other inter-budgetary transfers from other Russian Federation's budget system's budgets;
- Uncompensated receipts from individuals and legal entities, international organizations or foreign governments and donations as well.

Russian Federation's Budgetary Code defines certain income sources. Self-taxation (Article 56) is one them. Article 56 says that finance subject to self-taxation include single payments, made to solve local issues [4].

After analyzing income sources and expenses of RS-1, it becomes clear that self-taxation as a financial source should be included in the budget. This is caused by the lack of finance, which becomes evident when seasonal issues, such as repairing the dam in spring, are being solved.

The above-mentioned problems affect all residents to some extent. If these problems are solved, then the residents' level of life will definitely rise. Several years ago the residents bore

civil expenditures. This happened when territorial public self-government was functioning.

According to current legislation, a referendum should be organized in order to find the public agreement on introducing such a payment and to stipulate possible ways of spending the collected money. Conducting a referendum will cause additional expenses, what should certainly be taken into consideration when the self-taxation issues is solved.

It is worth saying that the amount of this payment should not be too big, as it may become burdening for the residents. The amount of the payment should be fixed taking into account the land improvement expenses amount and the number of residents.

The results of introducing this local self-government budget financing measure have been adapted according to the needs of RS-1. Moreover, the research presents general needs in paying for certain event, as well as the amount of the payment and the volume of incomes.

Furthermore, the study shows the forecast independence coefficients calculation, based on the data planned for the year 2019. This calculation the financial independence coefficient growth due to the new income from 0,22 in 2017 or 0,38 in 2016 up to 0,43. This coefficient's growth will certainly affect the territory's economic security in a positive way.

What is more, the positive change of the general financial sustainability coefficient should be noted. If the suggested measures are implemented, this indicator will reach 0,53, what is much higher than the fact figures in 2015-2017.

All the above-mentioned, makes it clear that the suggested measure will be efficient and will help increase the budget by means of the residents' self-taxation payments. Another positive thing is that the residents may start taking part in solving the settlements' problems actively and they will increase their engagement in controlling the reasonable budget spending, what will rise the level of trust to local authorities. This will in turn influence the settlements' economic security level.

Another increasing financial independence measure has been prepared for RS-2. This region doesn't use too much of state property. There is only one cultural center, which could therefore provide commercial services. The incomes from these services will go to the settlement's budget as part of non-tax incomes, thus increasing the territory's own revenues.

It is suggested to fix a list of commercial services, which can be provided by the Settlement's Cultural Center and possible prices:

- Providing the center for rent on special occasions such as birthday parties, anniversaries and special events;
- Photocopying the documents;
- Printing;
- Recording videos and making photos.

The article forecasts both incomes and expenses for organizing the above-mentioned events and gives recalculated independence coefficients, which have shown positive dynamics.

IV. CONCLUSION

The analysis results have shown the possible situation with current local budgets independence: low level, unstable coefficients, homogenous structure. Therefore, the research suggests several methods of attracting the settlements' own incomes.

The research authors realize that the mentioned methods are not universal what deals with the territories and their residents various abilities and demands. Additionally, the authors found out that there isn't a comprehensive approach to characterizing independence, as it is only defined as a financial sustainability component. This demands elaborating a system of assessing the financial sustainability. The article also hasn't used several incomes and expenses' classification features, such as the classification of expenses by their usefulness for achieving financial independence [6]. Moreover, it should be born in mind, that rural settlements' administrations are government institutions, what consequently means that certain independence limits should be fixed, rather than constantly raised.

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