

Threats and factors of financial security in the region

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Abstract. In the contemporary world, the problem of financial security in the region is very important and urgent. Financial security is one of the most important characteristics of the economic system, which determines its ability to function in the mode of expanded reproduction, to provide the region with financial resources, and to stimulate economic development. Globalization processes and regional development differentiation generate economic relations. Within these relations, destructive contradictions arise as sources of threats to economic security in general and financial aspects in particular. For this, the article considers internal and external threats to the financial security of a region, factors of financial security in a region.

Keywords: region, financial security, threats and factors of financial security, regional financial security

1. Introduction

Financial security is one of the most important components of the state's economic security in a market economy. Financial security is of great importance for the development of the country as a whole and its regions [6]. However, the financial security of a region depends on the threats affecting it, relying on a great number of factors, as the contemporary scholarship suggests [7, 8, 9]. Therefore, the study of threats and factors of financial security in the region is relevant. This paper provides a general overview and discusses further research potential.

2. Regional Financial Security

The vast majority of authors propose the division of threats precisely into "internal" and "external" ones in order to study each of the categories and eliminate the factors contributing to their occurrence. Those threats which are associated with the activities of the state carried out in the internal and external financial markets can be attributed to external threats in the field of financial security [1, p. 4].

External threats are represented by a structure that consists of:

- Amendments made at the federal level in the legislation in the field of taxation, budget, customs, tariff, and monetary policy;
- Changes in the conditions of foreign trade and world prices;
- Sharp fluctuations of the ruble exchange rate;
- Growth in financial debt and increased value from foreign loans;

- Exceeding the external debt of a critical level acceptable for sovereign debt;
- Reforming the management system of a number of major domestic companies;

Internal threats are the threats related to the ineffective policy pursued by the regions in the field of socio-economic and investment development of the potential of a constituent entity of the Russian Federation. There are 4 types of threats at the level of the subject of the Russian Federation:

The first type of threats is associated with the deformation of the structure of the regional economy and includes:

- Loss of foreign and domestic markets for high-tech products as a result of production recession; low quality of the goods produced, generating a weak ability to compete for most types of products of regional enterprises, and as a result, a greater share of the domestic market is seized by foreign producers;
- Degradation of production, scientific, and technical personnel potential;
- Weak security of local producers; a significant level of monopolization of raw materials in the economies of most regions; high domestic debt.

The second type of threats is associated with differentiation in the socio-economic development of the constituent entities of the Russian Federation and includes:

- Violations of industrial and technological relations between enterprises of the regions; objectively present differences in the level of socio-economic development of regions;
- The increase in the gap between the subjects of the Russian Federation in the level of production of national income per capita.

The third type of threats is associated with significant distinctions in the level and quality of life of the population of the regions and includes:

- Low wages and a highly differentiated hierarchy in the incomes of the population of the regions;
- Unemployment increase;
- Wage arrears; bankruptcy of enterprises.

The fourth type of threats is associated with the lack of an effective investment policy in the regions: low investment attractiveness of the regions and low investment activity, as a result.

This division into internal and external threats in the field of financial security is not unambiguous. These data are open and require constant refinement and can be corrected over time, taking into account the emerging problems [2, p. 240].

Each region must confront certain threats in order to maintain its financial security. This means that the financial security of a region depends on the threats affecting it, and on a number of factors. The threat represents the probability of occurrence of negative events due to certain factors. Threats to the financial security of Russian regions are not recorded in any government document. Its destabilization factors are also not reflected in the State Economic Security Strategy [10]. The Strategy mentions only those factors that undermine the economic security of the Russian Federation, which can worsen the achieved relative balance and lead to the onset of threats. The main reasons for the occurrence of threats to economic security are the instability of the financial situation of the enterprise, the unfavorable investment climate, the persistence of inflation processes, and other problems associated with financial destabilization in the economy. These factors are pretty outdated by now, in our opinion.

A factor of financial security of a region is any event or chain of events occurring in the financial sphere of a region and affecting its financial security positively or negatively. In the case when this factor has a positive effect, it reinforces the stability of the financial security of the region. The threat to the economic security of a region is possibly a violation of the required state of the regional financial system due to the influence of financial security factors.

The influence of factors and threats on financial security can be visually represented in the form of Figure 1.

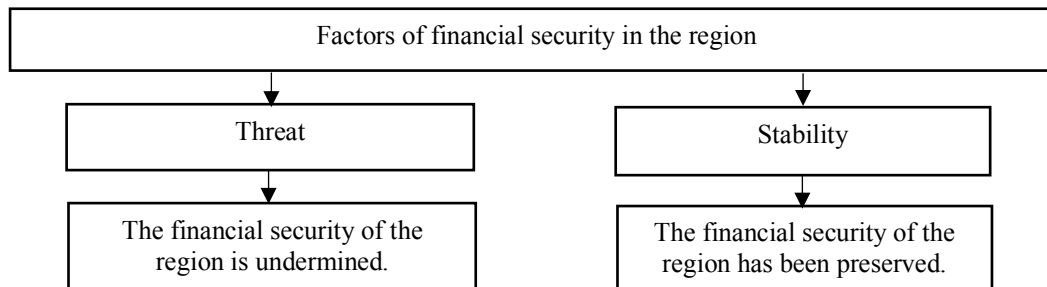


Figure 1. The process of influence of factors and threats to the financial security of the region.

Of the totality of factors characterizing the level of financial security in the region, the key ones are internal factors, first of all, since many external financial threats are generated due to unresolved problems of the internal financial structure of a country.

The first factor is the budgetary factor, which is characterized by uneven distribution of tax and non-tax revenues by levels of the budget system.

The second key factor in the financial security of territories is the level and structure of state (municipal) debt.

The third key factor in financial security is the availability of financial resources for economic actors, which is characterized mainly by the level of interest rates on loans.

Classification of external and internal threats of a financial nature representing the greatest danger:

- External ones, which are caused by the increased competition in world markets in the context of the development of globalization processes, the movement of financial flows from the real sector to the speculative, dependence on imports of strategically important goods and services, distortions in the structure of exports of imports.
- Domestic ones, which are related to the stability of the state budget, the level of gold reserves, the ratio of investment and savings in the economy, Internal, related to the level of security of the parameters of the banking system, the state of the financial markets (investment structure), the ineffectiveness of credit, financial and economic policies, the increase in the shadow economy, and so on [1, p. 5-6].

External threats are the threats associated with an increase in the dependence of the regional budget on financial assistance from other levels of the budget system, with a slowdown in the rate of foreign investment in the regional economy, with the appreciation of resources from other subjects of the country and foreign countries, with an increase in the share of goods imported into the region from other subjects of the country and foreign countries.

Internal threats are the threats associated with the failure to comply with the plan for receiving regional budget revenues, with an increase in the share of unprofitable organizations, a decrease in the capitalization of regional banks, with a decrease in monetary incomes of the population, a reduction in the volume of investment in fixed capital of an organization in a region.

Detection of threats allows one to highlight the main areas of protection of financial security in the region. The main structural links of financial security for the region are: budget and tax security, inflation and price, investment and currency security, security of the stock market, credit and banking system, security of corporate and household finances [3, p. 120].

3. Discussion

According to the research conducted, the typical threats of Russian regions include:

- Actual liquidation, bankruptcy, and sale for a nominal fee of many system enterprises that generated profits during the years of liberal forms.
- Financial interventions; in this direction mainly two groups of subjects act. The first is represented by banking structures of the Russian and interregional levels. In this case, the mechanism of financial intervention involves the accumulation of savings of the population and funds of enterprises and their placement on the financial markets of other regions. The complete absence of our own banks in the region contributes to this. The second group of subjects is the owners of enterprises in many industries that use different financial schemes to withdraw resources from the field.
- Corruption in the public sector, impeding the support of key industries and enterprises.
- Increasing the share of the shadow economy and various tax evasion schemes that narrow the taxable potential of a region.
- Significant imbalances in the development of municipalities of the region, most of which are subsidized and have no incentive to develop.
- The concealment of tax revenue is completely.

4. Conclusion

Thus, in the conditions of sharp financial differentiation of regions, the need to ensure their financial security is acutely felt. Understanding the factors and threats to the financial security of a region can help resolve many issues to achieve financial security in the region [4, p. 38]. To prevent threats to the financial security of a region, the degree of influence of a particular threat to the financial security of a region or to the components of financial security must first be determined. To assess the financial security of a region, various methods of assessing the financial security of a region use.

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