

State Regulation of Financial Position of Territories

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ABSTRACT

The article presents the results of the study on the inseparability of administrative regulation of debt of constituent entities of the Russian Federation and provision of federal inter-budget transfers to highly dependent territories. The authors study modern trends related to providing territories with inter-budget transfers both in foreign and domestic scientific literature. Besides, the level of financial dependence of highly subsidized territories of the Russian Federation is detected and evaluation of significant changes in the indicators of own revenues and debt of highly subsidized entities of the Russian Federation in connection with measures of state financial regulation is provided. The need for legislative financial regulation in the format of establishing mandatory parameters for the constituent entities of the Russian Federation through the example of the debt situation in high-level regions is proved.

Keywords: *constituent entity of the Russian Federation, direct financial regulation, inter-budget transfers, debt*

1. INTRODUCTION

Differentiation of constituent entities of the Russian Federation according to most social, economic and other parameters is an objective characteristic / problem of our state and an occasion for administrative action. The importance of this problem lies in the fact that different regions of Russia have different initial prerequisites for development, which entails unequal attractiveness for the population, investors, different potential in terms of budget revenues, etc.

This problem is directly related to the practical tasks of the current stage of state development. Recently, the country's leadership and executive authorities have been consistently solving practical tasks aimed at creating equal opportunities for the Russian population in terms of access to social services (primarily education and healthcare), and the level of infrastructure development. This should create the basis for achieving national goals reflected in national projects. In the end, we can talk about the approximation of indicators of various constituent entities of the Russian Federation to certain standards, i.e. reducing the level of regional differentiation.

From the standpoint of importance of the problem under consideration, it should be noted that the issues of territorial development have always been in the purview of scientific researchers. An essential scientific task of the current stage is validation of resources for sustainable development of regions and municipalities against the backdrop of external threats and internal problems of territories. A sustainable development of regions, characterized by differentiation of the

constituent entities of the Russian Federation according to most social, economic and other parameters, is possible only if the objective territorial characteristics and integrated efforts of various levels of government aimed at smoothing out territorial differences are taken into account.

As part of the efforts of federal authorities, financial regulation is an important component. This activity is primarily based on intergovernmental transfers to the constituent entities of the Russian Federation (direct financial regulation). In addition, the state carries out legislative regulation in the format of establishing mandatory parameters for the constituent entities of the Russian Federation.

2. BACKGROUND

For any federal state, the problem of distribution of financial resources between territories is always relevant, and studies of the 21st century show that even in unitary states the concepts of 'centralization/decentralization' are used. A review of foreign studies shows that mainly developing countries (Argentina, Indonesia, Kenya, China, Mali, Morocco, Uruguay, the Philippines and others) are concerned with the problem of equalizing the financial situation of the territories (at the subfederal and local levels). A similar situation is being observed in Russia – the bulk of the research is devoted to the 'problematic' – highly subsidized regions: the North, the Caucasus, the Far East, and border territories. There are several directions to financially equalize the territories. However, the preferred direction is debatable.

Many researchers (A.L. Baiao, A.S. Moreira da Cunha, F.S. Rezende Nunes de Souza [1], S.M. Makeikina [2], M.G. Polozkov [3] and others) talk about the need to ensure, first of all, the compliance of expenditure powers of the territory and the volume of its own revenues. Some authors (J. Lopez-Laborda, A Zabalza [4], K. Yuya, T. Toshiki [5], A.F. Munoz, G.A. Radics, C. Bone [6], L.M. Borshch [7], T. Gurbanova [8], S.M. Makeikina [2], M.A. Pechenskaya [9]) specify that to achieve this it is necessary to ensure the growth of tax potential of the territories. But given the fact that in Russia the bulk of the country's consolidated budget revenues goes to the federal budget, this will clearly not be enough. Therefore, redistributive transfers have been and remain a necessary tool to ensure the balance of territorial budgets.

At the same time, a large proportion of studies, both foreign and Russian, prove the inefficiency of inter-budget transfers (in Russia - in the form of subsidies):

- '... central government transfers to regional governments do not have a significant impact on regional levels of income inequality ...' (L. Muinelogallo, A.R. Miranda, P.C. Scavone) [10];
- '... entails a decrease in the interest of authorities to form the financial potential of the territories and the lack of incentives to search for internal sources of budget revenues ...' (N.M. Klimentieva, V.E. Uliankin) [11, p. 43];
- '...the main goal is to receive financial assistance from the federal Center. As a result, the socio-economic situation in the region has not changed for the better for many years' (V.G. Kostenkova) [12, p. 64];
- 'irrational and ineffective distribution of subsidies between regions, since in some regions there is a decrease in real revenues of territories, despite constantly growing subsidies ...' (O.V. Nikulina, N.A. Ragozina) [13, p. 163].

In this regard, there has been a discussion in Russia about replacing the subsidy with some 'grant-in-aid': '...the formation of a uniform subsidy will ensure the independence of regional authorities as to administering funds coming from the federal government' (T.Y. Tkacheva, L.V. Afanasjeva) [14]. However, this may not lead to the desired consequences. M. Jean-Francois and S. Muhammad-Kabir rightly note that 'transfers are not a universal solution in countries with weak institutions' [15]. Likewise, Russian researchers noted the negative impact of 'features of the institutional environment' [16, p. 22]. That is, introduction of new forms of inter-budget transfers is not an effective solution to the problem of balancing territorial budgets. This study proposes to introduce the inseparability of administrative regulation of debt obligations of a constituent entity of the Russian Federation from the provision of federal inter-budget transfers to highly subsidized territories.

It must be remembered that in itself, 'optimization of the debt' volume and structure is not yet an indicator of the qualitative and effective management of the sub-federal debt' [17, p. 72], and only considering the growth of real financial independence, we can evaluate the effectiveness of debt management. Thus, the values of transfers and debt are interconnected.

3. RESEARCH PURPOSE AND OBJECTIVES

The aim of the study is to confirm the hypothesis that within the framework of state measures to regulate the financial situation of regions it is not possible to significantly adjust the level of financial self-sufficiency of the constituent entities of the Russian Federation (which remains relatively constant), but a substantial change in absolute debt indicators is possible due to administrative measures.

The research objectives are:

1. Evaluation of the share of inter-budget transfers in the revenue structure of highly subsidized constituent entities of the Russian Federation and assessment of dynamics of this indicator for the period of 2015-2018.
2. Evaluation of the ratio of the debt of constituent entities of the Russian Federation and the revenues of highly subsidized constituent entities of the Russian Federation and assessment of dynamics of this indicator for the period of 2015-2018.
3. Assessment of significant changes in terms of indicators of own revenues and debt of highly subsidized constituent entities of the Russian Federation in connection with measures of the state financial regulation.

The following are considered as assumptions: for constituent entities of the Russian Federation, the indicators of the consolidated budget revenues are accepted as budget revenue parameters; the sum of the debt of a constituent entity of the Russian Federation and the debt of municipalities located within the territory of this constituent entity of the Russian Federation are considered as an absolute amount of debt. The Federal Statistics Service and the Ministry of Finance of the Russian Federation serve as sources of information.

4. RESULTS

Based on the study [16], highly subsidized constituent entities of the Russian Federation include: the Republic of Tyva, the Chechen Republic, the Republic of Dagestan, the Republic of Ingushetia, the Republic of Crimea, the Republic of Altai, the Kamchatka Krai, the City of Sevastopol, and the Karachay-Cherkess Republic. According to the Ministry of Finance of the

Russian Federation [18] and the Federal State Statistics Service of the Russian Federation [19], the state of consolidated budgets of these entities, as well as the government debt of the constituent entities of the Russian Federation and the municipal debt of municipalities that are part of these constituent entities of the Russian Federation, can be represented as follows (Table 1, quantitative indicators in billions of rubles):

Table 1 Budget and debt parameters of highly subsidized regions

Parameter	2015	2016	2017	2018
Republic of Tyva				
Revenues	21.46	24.48	24.96	29.80
Transfers	15.28	18.49	18.51	22.86
in % to revenues	75.00	75.53	74.16	76.71
Debt	3.81	3.65	2.67	2.37
in % to revenues	18.01	14.91	10.70	7.95
Chechen Republic				
Revenues	73.68	72.07	77.48	80.81
Transfers	61.39	56.57	62.28	64.54
in % to revenues	83.22	78.49	80.38	79.87
Debt	6.07	5.61	4.94	4.76
in % to revenues	8.24	7.78	6.38	5.89
Republic of Dagestan				
Revenues	90.59	98.07	107.28	119.87
Transfers	62.10	64.58	74.79	80.79
in % to revenues	68.55	65.85	69.71	67.40
Debt	18.65	17.74	14.65	12.22
in % to revenues	20.59	18.09	13.66	10.19
Republic of Ingushetia				
Revenues	24.41	28.66	23.00	24.82
Transfers	20.65	24.64	18.70	19.73
in % to revenues	84.60	85.97	81.30	79.49
Debt	3.23	2.39	2.25	2.14
in % to revenues	13.23	8.34	9.78	8.62
Republic of Crimea				
Revenues	95.76	116.75	160.40	175.51
Transfers	64.35	76.17	100.72	120.66
in % to revenues	67.20	65.24	62.79	68.75
Debt	0.4	5.29	4.31	3.64
in % to revenues	0.42	4.53	2.69	2.07
Altai Republic				
Revenues	16.96	17.09	17.58	20.76
Transfers	12.27	11.97	12.17	14.42
in % to revenues	72.35	70.04	69.23	69.46
Debt	2.79	2.37	2.28	2.25
in % to revenues	16.45	13.87	12.97	10.84
Kamchatka Krai				
Revenues	65.19	72.04	75.77	87.79
Transfers	39.61	43.56	45.51	53.55
in % to revenues	60.70	60.47	60.06	61.00
Debt	6.90	5.01	5.88	5.00
in % to revenues	10.58	6.95	7.76	5.70
Sevastopol				
Revenues	21.24	21.82	30.99	39.54
Transfers	13.04	11.48	18.54	25.61
in % to revenues	61.39	52.61	59.83	64.77
Debt	0.00	0.00	0.00	0.00
in % to revenues	0.00	0.00	0.00	0.00
Karachay-Cherkess Republic				
Revenues	22.56	21.23	24.04	26.50
Transfers	14.81	12.59	15.74	17.83
in % to revenues	65.65	59.30	65.47	67.28
Debt	5.40	5.82	5.76	5.56
in % to revenues	23.94	27.41	23.96	20.98

Based on the presented data, we can formulate the obtained scientific results:

- the level of financial dependence of highly subsidized constituent entities of the Russian Federation, basically, remains at a certain level typical for each constituent entity (this is most clearly manifested by the example of the Republic of Tyva, the Republic of Dagestan, the Republic of Altai and the Kamchatka Krai);
- the growth of the absolute amount of budget revenues of highly subsidized regions is to a certain extent connected with the growth in the volume of inter-budget transfers from the federal budget (the highest rate of revenue growth from 2015 to 2018 is typical for the Republic of Crimea and the city of Sevastopol);
- due to financial injections from the federal budget, an increase in indicators of regional budgets is achieved, i.e. the degree of financial differentiation of regions decreases; however, the growth of financial independence does not occur (it can be noted through the example of the Karachay-Cherkess Republic, where from 2016 to 2018, the absolute amount of consolidated budget revenues increased by more than 5 billion rubles, while the share of inter-budget transfers increased from 59.30 to 67.28%);
- most of the highly subsidized constituent entities of the Russian Federation examined during the period of 2015-2018 (the Republic of Crimea: from 2016 to 2018) are characterized by a decrease in both the absolute amount of debt and the percentage of debt and the amount of consolidated budget revenues; this trend is pronounced and stable;
- a specific debt situation is characteristic - to a certain extent - of the Karachay-Cherkess Republic (fluctuations in the absolute value of debt with a stable tendency to debt decrease in relation to the amount of budget revenues) and of Sevastopol (absence of debt);
- the decrease in the absolute amount of debt of the constituent entities of the Russian Federation as a whole (not only in relation to highly subsidized regions) is determined by the government policy that has been implemented in recent years to control the debt situation of the territories;
- for highly subsidized constituent entities of the Russian Federation, the criteria introduced by the Government of the Russian Federation regarding indicators related to the debt situation are the most stringent and dictate a model of minimum financial freedom, which meets the general requirements for the financial situation of problem territories.

5. CONCLUSIONS

The state policy of increasing financial resources of highly subsidized territories, the purpose of which is to reduce the level of differentiation of territories, consolidates a low level of financial independence of

the territories, but increases their ability to solve pressing problems of socio-economic development.

1. Direct directive regulation in the form of setting normative values for the own revenue share of highly subsidized regions will negatively affect the living standards of the population and the ability of the regions to maintain the results achieved in the economy and social sphere.

2. When choosing between two priorities – ‘1) increasing the share of own revenues of highly subsidized territories; 2) creating conditions to ensure a standard level of services to the population throughout the country, achieving economic growth of problem areas’ – the choice of priority number 2 is more rational.

3. Directive financial regulation in the format of establishing mandatory parameters for the constituent entities of the Russian Federation through the example of the debt situation in highly subsidized regions is effective for the federal center and acceptable for some territories;

- reduces the risk of budget resources (coming from the federal budget) being diverted to repay debt obligations;
- is not associated with a decrease in inter-budget transfers and a significant reduction in the financial capabilities of the territories.

Prospects for the development of the presented direction of scientific research are associated not only with the formation of a scientific basis for the policy of controlling debt situations in the regions by grouping the constituent entities of the Russian Federation according to the level of debt sustainability (this practice began to operate on January 1, 2020). It seems necessary to develop scientific research in the field of approaches to planning the system of inter-budget transfers, in particular, grant-in-aids and subsidies, in order to take into account the specifics of the territory with different financial status and correctly determine the goals of transfers.

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