

Improving Mechanism for Providing Services to Rural Population

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Abstract — According to the UN, more than 74 % of the Russian population lives in rural areas. Despite the growth of urbanization on a global scale, reducing the number of rural localities, rural territories make up a significant share in the spatial structure of Russia. With the growth of globalization, it is increasingly difficult for rural residents to preserve their original national traditions, but at the same time, their way of life is specific, which leads to a special structure of requirements for the quality of life. In practice budget financing for providing vital services to the population of administrative divisions of the state is regulated through norms and regulations. In recent years there has been a general decline in the ability of municipalities to self-financing of expenses, necessary for the organization of normal living conditions. Low concentration of population in rural areas leads to a decrease in the effect of budgetary mechanisms, forming an increased load on self-sufficiency. The article examines the state of providing services to the rural population (on the example of the Voronezh region) and offers recommendations for improving its efficiency.

Keywords — *the service standards, the mechanism of self-sustainment, financing, rural population, rural territory.*

I. INTRODUCTION

The socio-economic development of rural areas is the result of many factors. The potential contained in rural areas makes it necessary to search for methods and build models for effective management of it.

The main value of rural areas is human capital, the preservation and multiplication of which is a priority task of socio-economic development of rural territories.

Despite the low population density, demographic problems (low birth rate, high mortality and constant outflow of young people), improving the level and quality of life of the rural population can give a boost to the growth of the economies of specific regions, the state, and the world as a whole. Increasing the attractiveness of living in rural areas will lead to

the development of infrastructure, the creation of new organizations in the production and non-production sectors, markets, and spatial development.

One of the factors hindering these processes is currently insufficient provision of high-quality medical, educational and other services, and minimal living conditions. The low median income of the population, as well as the existing gap between the incomes of urban and rural residents lead to the impossibility of radical changes without coordinating redistributive financial relations.

In this regard, it is necessary to consider the mechanism of budget provision and self-sufficiency of the rural population, in order to identify structural elements for its improvement. The effective functioning of such a mechanism is not only sufficient, but also a necessary condition for the socio-economic development of the rural area.

II. LITERATURE REVIEW

One of the most important indicators of the economic potential of rural areas is the possibility of self-sufficiency of the rural population. In the modern picture of the world, the realization of rights and freedoms is almost always associated with economic factors expressed through financial components [13].

As a basis for describing the mechanism of self-sufficiency of the population of rural territories, we suppose it is possible to use the category "self-sufficiency of the region", used in assessing food security [6].

Thus in a narrow sense, self-sufficiency of the population of rural territories is the satisfaction of the needs of citizens at the expense of the results of their own labor or formed special benefits and conditions in a given area. In a broad sense, self-sufficiency is manifested through the fullest satisfaction of the existing social and economic needs of the population in

material and spiritual needs at the expense of their own capabilities, as well as through interaction with the subjects of rural territories at various levels. The scheme for obtaining goods, services and living conditions is shown in the figure 1. In this scheme, there are intermediaries: insurance and financial organizations whose activities affect the quality of life of the population indirectly.

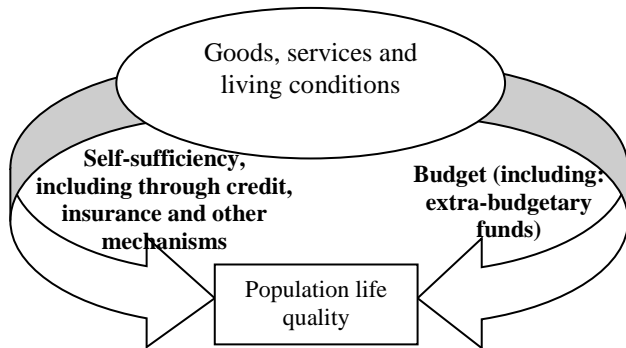


Fig. 1. Scheme of receiving goods and services by the population

It is quite obvious that the structure of the mechanism for ensuring the availability of goods, services and living conditions will be specific for each person living in any territory. In practice there is always a contradiction between the free choice of the individual and the long term preferences of society, limited resources make it impossible to completely satisfy all individual choices of all citizens. The theory of the public good deals with the formation of solutions to this conflict. Its founders were Swedish economists K. Wicksell [14] and E. Lindahl [5]. The existence of the state as a form of organization of social relations makes it possible to implement social functions through the formation of specific goods, the distribution of which among citizens is subject to certain laws.

The definition of public goods has been transformed by the historical development of Finance: it was introduced in the middle of the XVIII century. D. Hume [4] pointed out the existence of such types of services, the production of which does not bring profit to individuals, but in the case of collective production can be useful for society as a whole. J. Mill [6] has shown that under certain conditions individual preferences can only be satisfied through collective action. In the 1950s, the theory of public goods, developed by the Nobel laureate P. Samuelson, became fundamental [12]. He argued that by regulating the supply of public goods and services, it was possible to achieve optimal government spending. Based on the possibility of only collective or only individual consumption, all goods (products, services) are divided into pure public goods, pure private goods and mixed public goods. We need to find an optimal balance between private and public goods, which, in our opinion, is reflected in the formation of appropriate norms and standards. An important criterion for determining the norms and standards that characterize public goods is the scale of their consumption: national, regional, district, local. There are national public goods (defense capability, accessibility of education), as well as regional and local ones-good roads, parks, etc. An example of a public good can be the introduction of innovations, the formation and use of knowledge and intelligence.

According to A. Galanov [3], the minimum state functions include the provision of public goods in the field of defense, law and order, macroeconomic management, support for the socially vulnerable segments of the population, as well as the formation of the state health system. The scope of other functions depends on the extent to which the state assumes social responsibility towards its citizens. The cost of goods and limited budgets that are formed in the system of financial relations of the state, lead to the need to form norms and standards for the financial security of the obligations assumed.

At the same time, if an individual cannot refuse certain goods, then many others may not correspond to their preferences. The degree of choice and rejection of services and goods formed in the system of minimum state social guarantees is determined by the financial availability of alternative sources of their consumption.

III. SOURCES OF FINANCIAL SUPPORT FOR RURAL POPULATION SERVICES

In a market economy, every citizen has a limited set of sources of income: wages, social payments, income from property ownership and profit from business activities, investment income, credit resources, gratuitous assistance and insurance payments. The volume of consumption of goods cannot be higher than the total income and receipts of an individual. Therefore, it is extremely important that the amount of income received by as many citizens as possible is comparable to the amount of necessary benefits.

Considering the financing of the mechanism of financial provision of services to the rural population, we come to the conclusion that it is based on 2 links – non-subject financial security and financial self-sufficiency. The peculiarity of the first one is that it is not possible to influence the amount, timing, and form of funds receipt, the second is characterized by purposeful activity of the individual to obtain the presented income.

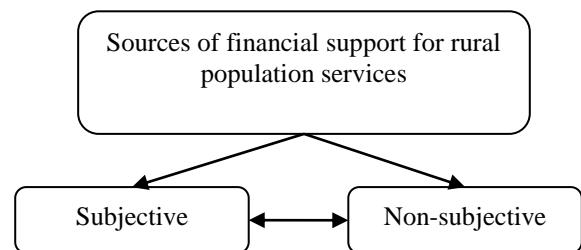


Fig. 2. Sources of financial support for rural population services

The block of sources of financial self-sufficiency includes wages, profit from business activities, income from property ownership, income from investment activities.

Although each person has an individual income structure, it is based on a basic income. Thus wages are a significant source of financial self sufficiency for the economically employed rural population. Its size mostly characterizes the real income of a particular territory.

Entrepreneurs in small businesses have income from entrepreneurial activities, which form a positive effect on the

tax potential of rural areas, reducing unemployment in rural areas.

Income from the ownership of property, namely land shares, for rural residents is transformed into the receipt of natural products from tenants – agricultural enterprises.

Regardless of the place of residence, every citizen has the opportunity to receive investment income from investing in the financial market, which can also be a source of financial self-sufficiency. However, it should be noted that low levels of financial competence, inaccessibility of Internet access and income of villagers do not allow considering this type of income as a full-fledged and significant.

The block of non-subject financial security includes social payments received by citizens in the form of allowances, pensions, and other social payments.

On the one hand has a declarative character obtaining credit funds. On the other hand, the loan is repayable and comes to the disposal of the citizen only for a certain time, leads to a decrease in the degree of freedom of choice and the probability of rejection of the minimum guaranteed services.

The use of insurance is represented in mandatory areas: motor liability and collateral insurance. Despite its limited distribution, this activity plays a role in the non-subject block of financial support for the population.

The amount of donations cannot be predicted or planned. As a rule, such income includes emergency income that is provided to the population as a result of man-made, environmental or other force majeure situations, as well as winnings, gifts and other similar economic income.

It is necessary to note that often in the structure of the sources of goods and services received, a large role is played by the funds received by the citizen. For socially vulnerable segments of the population the source of financial security is social payments from state extra budgetary funds. By influencing the population's income, the state regulates the minimum wage, credit relations, forms mechanisms for supporting the population, and also exercises other powers within the framework of macroeconomic policy. On the other hand, through the budgets of municipalities, districts and regions, conditions are created for the organization of infrastructure for the life of the population.

We should take into account that state and municipal authorities, through the adoption of appropriate laws and regulation of credit and insurance activities, through the implementation of social policy, to a greater or lesser extent affect the sources of non-subject financial provision of services to the rural population [7],[11].

Since people are mobile enough, the possibility of relocation and migration allows improving the conditions and quality of life through interaction with organizations and administrations of localities. We believe that even with equal incomes, opportunities for fulfilling needs can be differentiated. Therefore, the self-sufficiency mechanism is a set of ways and methods to meet the needs of the population through the exercise of their civil rights, as well as through the

income received in the process of distribution and redistribution of state finances.

Thus, for the socio-economic development of rural areas, it is necessary to create prerequisites for increasing both financial self-sufficiency and non-subjective financial provision of the rural population.

IV. CHARACTERISTICS OF THE LEVEL OF INCOME OF THE RURAL POPULATION

One of the sources of food and recreation opportunities can be personal farms. Income of citizens can be formed from different sources, so the main and most obvious source of financial resources for working citizens is wages.

The dynamics of average wages will be an indicator of the potential volume of consumption, regardless of whether the municipal districts of the Voronezh region are homogeneous. We analyzed the dynamics of rural population wages for the period from 2007 to 2017 and obtained the following conclusions.

- In all rural municipal districts of the Voronezh region, the nominal wage of employees has increased by more than 3 times.
- The leaders of wage growth are areas close to the regional center, which is important to take into account when assessing the possibilities of financing and the quality of consumption and provision of services to the population of these territories.
- A higher rate of wage growth in some rural municipal areas is associated with a low base effect.

One of the criteria for the sufficiency of the amount of income received is their comparison with the subsistence minimum. To do this we use two indicators.

A. *First indicator*

It is calculated as the difference between the average wage and the minimum subsistence level discounted for inflation. This allows determining the cost dynamics of the disposable income of the population of the municipality after the necessary expenses have been incurred. As a result of calculating this indicator we have established the following:

- Despite discounting, the difference between the average monthly wage in the region and the subsistence minimum has been growing over the study period, which indicates an increase in the level of living of the rural population.
- During the period, the average difference between the subsistence minimum and wages in homogeneous rural municipal areas was 8937 rubles, and in heterogeneous – 9306 rubles. In our view, this indicates a faster development of mixed territories;

B. *Second indicator*

It is calculated as the ratio of the average monthly salary in the municipality to the subsistence minimum in the region during the study period. This will allow characterizing

potential resources for investment, savings, credit security, or maintenance of relatives. Coefficient analysis of self-sufficiency of citizens allowed drawing the following conclusions:

- Only in 2015 and 2016, the studied coefficient was higher in homogeneous rural territories, which indicates a disproportionate potential for the concentration of labor and financial resources between homogeneous rural and heterogeneous rural territories.
- The maximum value of the indicator was recorded in 2012 when the average monthly salary in the municipalities of the region was three times higher than the subsistence minimum.
- The decrease in this indicator in 2015–2017 indicates a deterioration of the economic situation in the municipal districts of the region.

The general trend of income growth indicates a nominal increase in self-sufficiency potential. However, their comparison with the subsistence minimum significantly corrects the financial capabilities of citizens. This situation indicates that the cost of goods and services is growing faster than the growth of income of citizens.

V. PROBLEM OF FORMING NORMS AND STANDARDS FOR PROVIDING VITAL SERVICES AND GOODS TO THE RURAL POPULATION

Our research shows that the basis for providing services and goods to the population is either self-sufficiency or a mechanism for budget financing. Currently, there are a significant number of documents that define the General requirements for determining the standard costs of providing services[10].

In theory, the norm is considered as an accepted and scientifically-based state or change in the object of study, and the standart is considered as the estimated amount of goods, services, labor and financial costs, etc. These two categories are related. The norm defines a qualitative and quantitative description of services consumed, defines possible mechanisms for organizing their consumption (self-sufficiency or budget financing mechanism, including financing through extra-budgetary funds). Then the norm is recognized regularly achievable, becomes a standard that must be followed by most of the people, institutions, etc. At the same time people's satisfaction with services can act as a criterion for the ratio of the norm and the standart. When the effectiveness of interaction between mechanisms of different structural levels of the system increases, the standards may be higher or lower than the norm, or they may be equal to it.

Standards can be formed in both absolute and relative terms. Therefore, the standard in our study can be considered as a universally recognized necessary quantity of services consumed by the population of appropriate quality, as well as a measure of funding to ensure their availability.

The standard of financing is necessary in the process of municipal planning, formation of budgets of various levels, their implementation, as well as evaluating their effectiveness.

The standards are a unified value and should ensure that the quality of life and socio-economic development of rural areas fully meet modern standards, taking into account changes in macroeconomic conditions.

Based on the methodology of existing accepted documents, the standard costs for the provision of state (municipal) services are determined on the basis of the basic standard of costs for the provision of state (municipal) services and adjusting coefficients to the basic standard [8]. The basic standard consists of the service itself and the organization of its provision. In accordance with the uniformity and remoteness of the territory, appropriate coefficients can be applied.

The provision of services must comply with the standards, procedures and regulations (passports) for the provision of state (municipal) services. If there are no norms for this type of service, they are determined based on average or median indicators. The main features and disadvantages of the method of the most effective institution and the median method proposed by the Ministry of Finance of the Russian Federation are that their implementation does not take into account customer satisfaction with the services provided, and uses the least expensive method of financing services from the budget.

We believe it is possible to analyze the potential of providing services to the population in the context of the local budget's ability to cover the needs of citizens. To do this it is advisable to estimate the budget revenues of rural municipal districts per 1 resident. The greater the specific amount of budget revenue per citizen, the greater the volume of services and higher quality can be provided to residents of this territory. According to the data obtained, the amount of the annual budget of the municipality per each resident is relatively small and in 2017 does not exceed three times the minimum subsistence level. In addition, we found out:

- During the study period, budget revenues per resident increased in all municipalities.
- On average, in homogeneous rural areas over 10 years, the value of this indicator was recorded at 16.49 thousand rubles/person, compared to 15.79 thousand rubles/person in heterogeneous areas;
- The gap in the provision of population with budget revenues of the district reaches 3.

It should be noted that the mechanism of budget financing, without taking into account funds distributed through extra-budgetary funds, has very limited volumes. Funds from municipal budgets are used to ensure the tasks and functions assigned to the subjects of local municipality. At the same time the greater the amount of funds, the greater the potential for the improvement of the quality of living on the territory, stimulating business and infrastructure development. Budget constraints lead to the rejection of many activities, make many interaction tools unavailable, and reduce the likelihood of implementing optimal options for strategic development.

The main strategic targets identified by us during the analysis of rural development strategies in the Voronezh

region reflect the needs of the rural population and have the following composition [2]:

- Providing pre-school children with places in pre-school educational organizations;
- Coverage of children aged 5 to 18 in additional education programs;
- Percentage of the population covered by cultural events from the total population of the district;
- Percentage of the population regularly engaged in physical education and sports;
- Number of doctors per 10000 people;
- Total area of residential premises per inhabitant in the entire housing stock;
- The share of the area of the housing stock provided with all types of improvement in the total area of the housing stock of the district;
- Percentage of street water supply network in need of replacement;
- Percentage of the length of illuminated parts of streets, driveways, and embankments to their total length at the end of the reporting year;
- Percentage of the length of local public roads that do not meet regulatory requirements in the total length of local public roads;
- Number of small and medium-sized businesses per 10000 people.

VI. RESULTS

In our work [9],[15] we have made recommendations for setting standards for most indicators. However, considering the state of the mechanisms for providing goods and services to the rural population, we have identified strengths, weaknesses, threats, and opportunities for setting standards (table 1).

SWOT- ANALYSIS OF THE MECHANISM OF PROVIDING RURAL POPULATION WITH SERVICES AND FORMING STANDARDS

Strengths	Weaknesses
Preserving the human capital and identity of rural areas	Low concentration of the population living in rural areas
Opportunities	Threats
Growth of rural population's income and self-sufficiency potential	Population decline

The predominance of rural population in Russia leads to the need to preserve and develop rural areas. The focus on human capital as the main strategic macroeconomic task forms the strengths of the provision mechanism. At the same time increasing the income of rural residents is one of the main factors for improving the quality of life in rural areas.

The low concentration of residents in rural areas is a weak point in the mechanism for financing the provision of goods

and services to the population. A small number of residents with a relatively large distance from regional and district centers leads to an increase in transaction costs for providing services, as a result, both the residents ' own expenses for self-sufficiency and budget expenditures for performing these functions are quite high.

Currently there are localities with fewer than 10 inhabitants on the territory of the Voronezh region. In such conditions it is difficult to form a full infrastructure for living. The constant decline in the number of rural population exacerbates this problem and does not allow forming stable standards for budget financing.

VII. CONCLUSION

The mechanism for providing rural population with services and goods has a complex structure. Its economic content is in the field of the theory of public goods, and its functioning is based on the system of distributive and redistributive relations of public finance.

As our research showed the current low income of the population, the lack of a sufficient number of alternative channels of earnings and income lead to the impossibility of full self-sufficiency even with a minimum set of vital goods and services.

The budget financing mechanism, which includes extra-budgetary funds, is also limited. This leads to dissatisfaction of the population with the results of its functioning. Moreover, the constant decrease in the number of residents of rural municipalities leads to the need to constantly increase the amount of expenditures per resident.

Thus, despite the possibility of calculating norms and standards, their financial security will have to be constantly adjusted.

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