

# ***Fiscal stimulus activity of subjects of the regional economy in the context of the new industrialization***

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***Abstract*** – The importance of the use of budgetary tools for solving business impact (stimulate) on the economic entities in the regions of the Russian Federation with the view of successful functioning of the economy in the new industrialization is substantiated in the article. Due to the significant amount of regional budget expenditures needed to achieve this goal, the limited ability of territories to influence the economic processes was stated. It is proved that the scale of the new processes of industrialization requires a subsidiary of funding from the state and the subjects of the Federation. The importance of pre-selection of projects related to government funding is emphasized because only under this condition, perhaps the most effective use of budget funds and the promotion of economic growth and development are possible. The conclusion that the fiscal stimulus should be of initiating and supporting character, ie, facilitate the development of innovative development projects and complete the other forms of resource mobilization for the implementation of projects for a long period time is formed.

***Keywords*** - budget, region, economy, new industrialization.

## I. INTRODUCTION

The current stage of development of the Russian Federation is characterized by the great attention to the problem of the sustainability of the national economy. One of the tools aimed to this issue is the complex of measures of state stimulation of the activity of economic entities. These measures are developed and implemented at both levels of the state as a whole, and at the territorial level in particular.

Incentives for business entities of the real economy at the state level and at the territorial level in financial terms are based on the resources of the respective budgets: the federal budget and regional budgets (local budgets due to the fact that limited funds have little or no opportunity at all to exercise economic incentives). In this context, we can speak about fiscal stimulus activity of economic entities.

In particular projects supposing fiscal stimulus subjects of the real economy in the Russian Federation.

Relevance of the research of the problem of the fiscal stimulus of regional economic entities is caused by the transition of almost all industrial regions of the Russian Federation to the new industrialization strategy.

## II. RESEARCH PROBLEMS

The study is devoted to the problem of justification of the importance of the budget simulation of activity of subjects of the regional economy in the new industrialization. The solution to this problem would promote the quality of distribution of budgetary allocations and stimulation the activity of the subjects of the real economy, which is particularly important during the economic crisis. The solving the problem in conjunction with a sensible of e policy of areas authorities will improve the quality of regional support of applications for federal transfers in order to strengthen the work in the direction of new industrial development.

## III. RESEARCH METHODS

The research methodology includes all of the following stages.

Firstly, systematization of the findings of scientists about the role and importance of regional (territorial) budgets in the system of measures to support regional economic entities. For realization of this stage publication by Russian and foreign researchers in the field of the budget system and territorial budgets will be used. Theoretical propositions that define the objective limitations of budget management activities of economic entities in the regions will be formulated. The most important method at this stage will be the method of dialectics by which the role and importance of regional budgets will be justified in relation to the provisions of the role of the territories in achieving national development goals as a whole. Besides, dialectical approach will allow to carry on the research of the necessity of budget regulation in the subject of Federation with the account of high level of regulation (all- state and national regulation). The basic thesis will be the thesis about the participation of the state and its territories in different spheres, processes and subjects.

Second, generalization of scientific statements that characterize the essence of industrialization as an important phenomenon in the economic areas. The basis for the implementation of this phase of research will develop theoretical and analytical research of this problem. On the basis of existing provisions and added characteristics of the instruments, ensuring the achievement of the objectives of industrialization, will be systematized the tools of budgetary sphere. At this stage, as the main method will be the induction

method substantiating the general conclusions from the study on the basis individual opinions, concepts, designs.

Third, the study of the general parameters of the consolidated budgets of the Russian Federation for 2015-2017 according to the Ministry of Finance. At this stage, it will assess the investment expenditures of regional budgets, since this type of expenditure provides funding for activities related to industrial development. It is supposed to justify the assumption that the stated objectives of industrial development is not provided enough by the consolidated budget, which means that the limited fiscal stimulus with corresponding limited results. The method of comparative analysis, that will determined the trend in the volume of investment budgets of the subjects of the Federation for three years will be used.

#### IV. REVIEW OF LITERATURE

Modern economic literature presents approaches that characterize the role and importance of regional budgets in general, as well as their impact on the development of the areas of the economy is present.

Since regional (territorial) budgets are system element public budgets, we note perspective M. Sicilia and I. Steccolini. These authors note that public budgets play different roles, In accordance with the authors' opinion data, budgets define the boundaries of public intervention in the economy, and the degree of redistribution of wealth in the economic system [1, p.905]. Thus, it stresses the importance of the public (including regional) budgets in the system of state intervention in the economy.

AI Povarova raises questions of influence of regional budgets on economic growth [2]. In the context of the negative dynamics of socio-economic processes budgets assume the burden of financing costs, ensuring the achievement of positive changes in the economy.

Several researchers reveal the specifics of the regional budget through the budgetary possibilities of territory and revenue potential. According to AA Aivazova, quality of performance, in particular, the socio-economic programs of the Federation depends on the budgetary possibilities. [3] AA Kuklin and KS Naslunga exploring the state of regional budgets, as an integral concepts put forward the concept of "fiscal potential of the region", which is proposed as "the totality of the financial resources of the territory, which, under optimum conditions, can be used to implement the budget features aimed at achieving the strategic and tactical objectives of development region "[4, p. 397].

The specifics of the territorial budgets are also examined in the context of management theory. Natalia Bernatska [5] underlines the importance of management decisions in the process of formation of centralized resources (funds) States and its territories. The totality of these solutions scientist combines the concept of "budget management", the object of which said state and local (territorial) budgets.

The possibility of the authorities of the RF subjects to maintain operational flexibility and managerial autonomy (which is especially important in developing approaches to stimulate the activity of economic entities) to settle in their work, AL Kudrin and AN Deriugin [7]. According to these authors, even government-imposed regulations and restrictions (budget rules) should not restrict the ability of sub-national authorities to respond to various macroeconomic impact.

Problems of the essence of industrialization as an important phenomenon in the economy in the areas reveal extensive and more specific targeting areas of scientific work. Industrialization in general and the new industrialization - in

particular, are the subject of ongoing scientific interest of both Russian and foreign scientists.

OA Romanova in the extensive study on innovation paradigm of new industrialization [8] notes that the new industrialization intended to be a tool that can overcome the negative trend of de-industrialization of the Russian economy and the growing technological gap. As an important condition for the implementation of the national industrial policy OA Romanova highlights the interaction of the state and corporations [9]; wherein said policy can either provide support to the existing industrial system or stimulate the formation of a new type of industrial system [9, p. 41].

The territorial aspect of the new industrialization of the research presented, in particular, in the works by of EG Animitsa, JP Silin, NV Novikova et al., Particularly emphasizing the objective need to move to a new industrialization in the context of regional development [10], and the role of the new industrialization the transition trajectory of growth [11]. Also in their studies EG Animitsa and JP SILIN sequentially disclose the specifics of the new industrialization Middle Ural Example [12].

Specificity of industrialization in small cities the level is presented in the Tomaz Pipan [13]. Exploring the characteristics of industrialization as an important phenomenon in the economy of the territories on the example of small towns, the author gives a description of the two basic models: neo-industrialization through knowledge economy and neo-industrialization through flexible-specialization and formulates a response to the question: «How to retain industrial production in small towns?". Novikov NV, Cherey AV The processes of strategic development of the economy of single-industry towns in the region of the Russian Federation [14] generalize and justify the measures of state support single-industry towns.

#### V. RESEARCH PROBLEMS

The study proposed to consider fiscal stimulus of the subjects of the regional economy as an important, significant tool in the complex of measures to ensure the transition of the regional economy of the Russian Federation and the state's economy as a whole in the way of industrial development. The resources concentrated in the regional budgets should be seen as potential opportunities for investing in the innovative nature of the projects, especially in the priority segments of the industrial complex. Priority of fiscal stimulus for the regional economy subjects compared with traditional forms of resource mobilization (eg, bank loans) due to the low cost or free resources coming from regional budgets.

The main instrument of fiscal stimulus should be considered government funding, ie direct provision of budgetary funds for the implementation of industrial development projects of regional economic entities. Tax incentives as an additional option are deferred stimulating effect and do not allow to make the necessary investments initially (as opposed to financial budget). In addition, it is difficult to evaluate the effectiveness of tax incentives .

An obligatory condition of budget funding usage is to plan the expected results and to evaluate the effectiveness of budgetary loss (periodic and final). For maximum guarantee of total effectiveness and reduction of the probable budget loss in the course of their use it is necessary to pay special attention to the pre-selection of projects eligible for fiscal stimulus. Strict selection criteria in conjunction with the current and subsequent control will help to maximize the efficient use of limited resources of regional budgets.

It is extremely important to consider that the fiscal stimulus should not be considered as the main or the only tool due to which is possible to achieve the strategic goal of the new industrial development. The reason is the limited regional budgets and the presence of a vast plurality of other priority budget funding, the main of which is the social sphere. Even with fairly large amounts of budgetary resources of major subjects of the Russian Federation, most of the funding is directed to the direction of the social sphere; in regions with relatively weak budgets, social spending can occupy almost the entire amount of the expenditure part of the budget.

The increased importance of budget management activities of the regional economic subjects is typical for of the specific areas that have specific features. This applies to the subjects of the Russian Federation, where the economy is based on single-industry principle, that restricts the freedom of choice of industrial development projects and requires budgetary support. For such territories fiscal stimulus should ensure the gradual development of alternative activities (industries, sectors, enterprises) that provides a new strategy for industrialization; it is important to retain the ability to stimulate the main activity (production, industry, enterprise).

Due to the fact that the transition of the Russian Federation on a new path of industrialization is a strategic national priority, an important condition for strengthening the role of fiscal stimulus subjects of the regional economy is subsidiary financing from the federal budget and regional budgets. The provision of the federal co-financing is crucial due to the fact that the limited resources of regional budgets and unconditional priority social areas lead not only to an insignificant amount of regional budget expenditures on the innovative nature of the projects (ie, a low value of investment costs), but also to the absence of positive dynamics the volume of such expenses.

The study showed that the volume of investment expenditures of the consolidated budgets of subjects of the Russian Federation for 2015-2017 years, virtually unchanged and amounted to: in 2015 - 1266 billion rubles, in 2016 - 1250 billion rubles, in 2017 - 1 369 000 000 000... . rub. (According to the Ministry of Finance of the Russian Federation). It was found that during this period the sum of payroll expenditure budgets of almost three times the value of the investment costs. The lack of growth in the share should be seen as a negative trend in investment spending, the overcoming of which (including co-financing from the federal) may increase the importance of fiscal stimulus, to ensure a higher rate of positive changes in the regional economy.

It should be emphasized that the possibility of a federal co-should be built on a qualitative justification regions of applications for federal transfers. For the state, the industrial development is a national trend, but also the federal budget does not have enough money to support all of the Russian Federation (with the significant amount of required costs). Therefore, the selection of projects for co-financing of the federal competitive advantage will have the most well-prepared and well-grounded applications.

The study final scientific position was stated that the fiscal stimulus should be initiating and supporting character, ie, facilitate the development of innovative development projects and complementary to other forms of resource mobilization for the implementation of projects for a long time. It is not possible to consider the budget of the Russian Federation as the main source of funding for the solution of the transition to the path of non-industrial development. This is due to the

extensive functions of public authorities of the Russian Federation, for which the priority of the current nature of the expenditure (especially social spending) is certain.

Fiscal stimulus is able to initiate projects necessary for the revitalization of the subjects of the regional economy in the industrial development of the format (for such initiation would be enough of the amount of funds that can afford to allocate for these purposes any regional budget). Budget initiation - in the form of the regional budget (subject to federal transfers) on the development of the project and other efforts at the initial stage - will be a certain signal to private investors, an indicator of the attention of authorities to the relevant project or direction as a whole. Supporting character of fiscal stimulus will maintain the value of the current project during the stipulated period; while the active policy of both the subject of regional economy,

The use of fiscal stimulus activity of subjects of the regional economy in the conditions of new industrialization is necessary and applied in practice in a complex of measures of state and territorial impact on the economic processes.

#### VI. CONCLUSIONS

The results obtained must be balanced with the parameters of the particular subject of the Russian Federation, as the need for fiscal stimulus activity of subjects of the regional economy and the ability of the stimulus is significantly different depending on a broad set of area characteristics.

We agree with the opinion of YG Lavrikova that as one of the main features (criteria) distinguishes the region as a national space [15] and on this basis provides distinguish median and peripheral regions.

Of course, being on the periphery of region in a very small extent is involved in the global process of industrialization. Its inclusion in the nation-wide program of this kind is associated with a higher cost value than other areas, and these costs in the first place, should be at the expense of the federal budget, as own funds of the peripheral areas are virtually absent. Actually the economic feasibility of such inclusion is rather low and is mainly due to the desire of the central government to ensure alignment of the level of socio-economic situation of the most troubled regions.

Unlike the peripheral region, the activities of economic entities in the region is the most attractive target for fiscal stimulus, and the results of such incentives would be unconditional. For the middle of the region, according to EG Animitsa and AA Glumova characterized by a high level of concentration and the population, scientific, technical, and human intellectual capacity, infrastructure .. historically formed, and the presence of powerful core (or several cores), which act as a major cities [16, p. thirty.]

Application of resources in the framework of budget stimulation development in areas such as the median will provide not only the solution of strategic tasks of the state transition to the new industrialization. Of course, the incentives will have a significant effect reverse the budget in the form of increased tax revenue from the expansion of the activity of economic entities. In addition, the attractiveness of the regions with a specified set of characteristics, initially quite high, which is associated with significant investment in response to the initiation of various projects by the public authorities of the region on the basis of budget financing.

The success of fiscal stimulus measures in any subject of the Federation depends on the stability and sustainability of the regional budget itself and its ability to withstand the fiscal risks. In modern conditions the likely budget actual revenues of deviations from the planned values (especially in the medium term), which creates a hazard to the efficient use of

budgetary funds allocated to the real sector of the regional economy, as well as stop funding projects in general. In this regard, an important objective of activity of authorities of subjects of the Russian Federation should be considered management of regional fiscal risks [17], implying the need to, inter, the creation of regional reserve fund to be used in case of insufficiency of incomes.

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