

# Methodical Problems of Classification of Regions on the Level of Social and Economic Development

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**Abstract**— This article considers the set of methods of forecasting the socio-economic development of the region. The article also outlines two approaches of forecasting: research and targeted, and also discerns the link between these approaches in the models building of the regional development. The problems affecting the quality of forecasting are identified here as well. The article likewise presents the comparative characteristics of methodological approaches depending on their particular aspects of application to the concept of forecasting, theoretical framework, forecasting horizon and possibilities of combining them with other forecasts.

**Keyword**— *targeted approach, research approach, methodology, forecasting, socio-economic development.*

## INTRODUCTION

One of the main issues in the modern Russian economy now is increasing socio-economic development results in the regions using the existing economic resources. The majority of regions have exhausted all possible ways of developing and therefore they face the problem of searching for various alternatives for intensive development through the introduction of new methods and approaches of development. The issues related to both the efficient use of available resources and the searches for new approaches of regional development are generally decided with the help of forecasting. [2]

In the application of forecasts one might primarily face the need of choice a forecasting methodology that would make it possible to take into account the patterns developed at certain stages of the regional economy. Forecasting the level of socio-economic development of regional systems is based on objective patterns, logic, qualitative statistical information and mathematical methods.

Forecasting and planning are the most important forms of regional policy implementation and they are focused on the rationale for prospects of socio-economic development of the region [7].

Forecasting as a prediction of the socio-economic situation in the region enables to reveal the possible trends in the indicators depending on the current factors of development.

Planning is the method of implementing the economic and organizational function of the state and economic policy. An important part of planning is programming. It is based on forecasting and has its purpose making up comprehensive and target integrated programs. Resolution of the Government of the Russian Federation of 7 December, 1996 No 1450 provides for establishment of the Federal Programs Center for Regional Development under the Government of the Russian Federation. It is entrusted with the functions of a single customer of federal programs for regional development. In addition, the Government Commission for State Support for Regional Development of the Russian Federation was established. Planning contributes to the implementation of appropriate managerial decisions taking into account the forecasting situations developed for achieving the desired result.

Accordingly, regional forecasting and development planning are aimed at simulating the future socio-economic state taking into account both internal and external factors.

When forming any plan, it is important to recognize that the initial procedure is forecasting the main goal of which is to identify trends and patterns of the object of observation and then future state models of the object of research are built. The methodology of forecasting for the socio-economic regional development is based on two approaches: research and targeted. [1]

Every region should plan its development perspectives taking into account the development factors and the required criteria. In this case, the basis for the forecasting is the presumed goal and its future parameters on which long-term forecasts of regional development are investigated. This approach to regional forecasting is called targeted forecasting.

On the other hand, any economic entity in the market economy studies its current state depending on the available resources (factors). This approach is called research forecasting and its basis for forecasting is the retrospective analytical database. The link between these two forecasting approaches is obvious (Fig. 1).

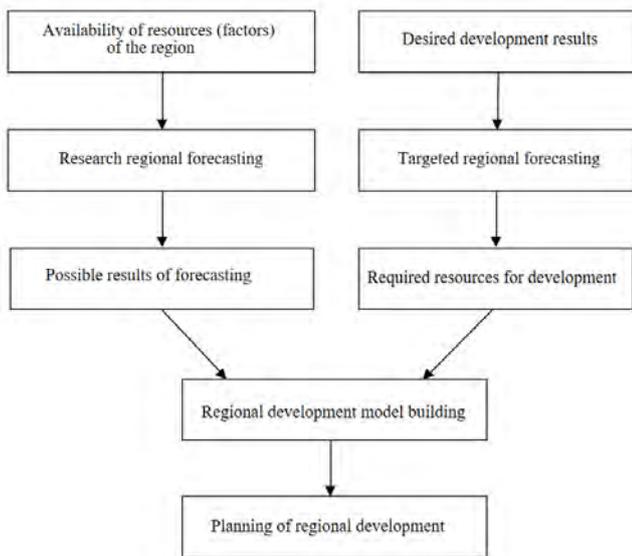


Fig. 1. The link between the two forecasting approaches.

In this regard, the process of forecasting is the key moment and the initial stage of development of any socio-economic regional system. The effectiveness in decision-making, not only at the regional but also at the federal level, depends entirely on favorable forecasting [8].

Despite the existing methodological forecasting principles there are many problems in the system of the regional forecasting (Fig. 2).

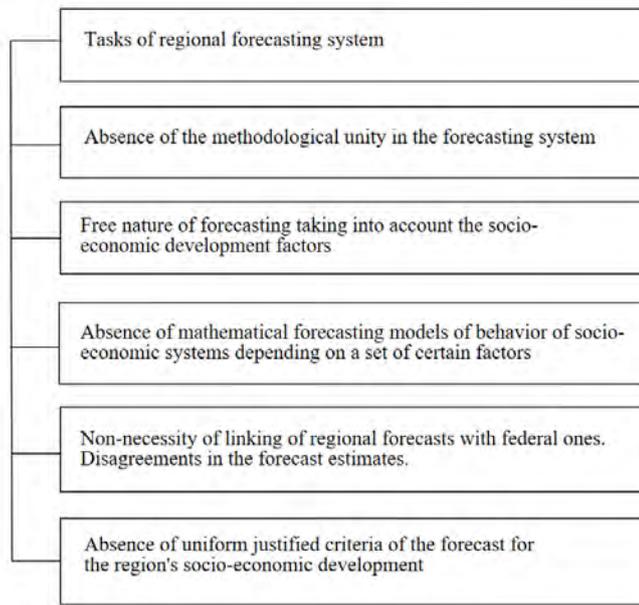


Fig. 2. Identified problems in the regional forecasting system

The presence of problems in the forecasting system confirms the need for the methodological and methodical refinement of the forecasting procedure.

Consequently, it is possible to single out a number of conditions that ensure qualitative forecasting for regional development:

The region should be considered as an organizational system in which socio-economic development factors are the dominant indicators. In this case, the development goals are closely related to the available resources and the potential of the region.

1) When forecasting, it is necessary to take into account the patterns of factors of regional development interaction and their impact on key indicators that characterize the level of this development.

2) On the basis of the identified patterns the forecast models of behavior of socio-economic systems should be obtained. These models should be simulation models to be able to predict the reaction of regional systems to changes in development factors. In general, this process guarantees the effectiveness of forecasting.

3) The forecasting should take into account not only the multi-variance of economic growth of the regional system but also its qualitative change, that is, the socio-economic development.

The choice of forecasting tools in the practice of regional development is generally determined by the methodological principles of the two approaches (Fig. 3).

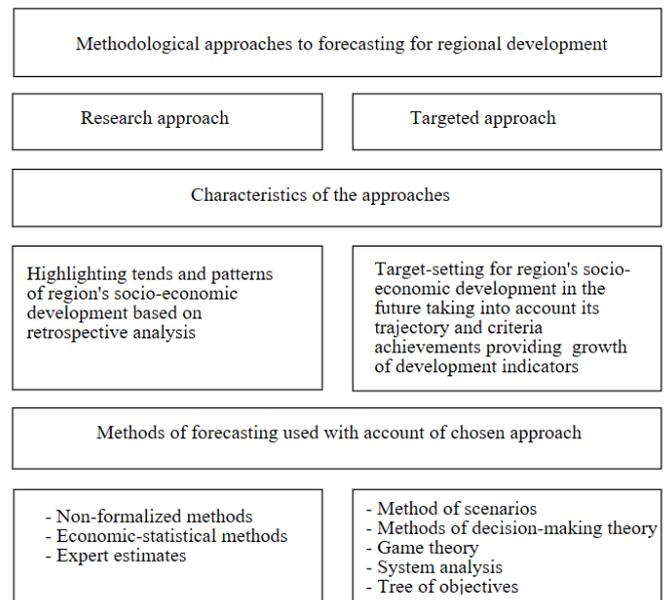


Fig. 3. Choice of forecasting tools taking into account the methodological approach

The variety of existing forecasting methods raises the problem of choice. First of all it is necessary to take into account the time intervals of forecasting, the so-called "forecasting horizon". According to the forecasting horizon of the socio-economic regions' development it is possible to separate the short-term, medium-term and long-term forecast.

Then, in order to choose the forecasting method, it is necessary to determine the availability and quality of the retrospective and current information. In this case a developed model for research and forecasting for regional indicators of socio-economic development is required.

Taking into account the two directions of the methodological building of forecasting variants of the socio-economic development of the systems, the main issue is the choice of the most suitable forecasting variant [4]. For this purpose two methodological approaches to forecasting, based on advantages and disadvantages, can be compared (Table 1).

TABLE 1. COMPARATIVE CHARACTERISTICS OF METHODOLOGICAL APPROACHES TO FORECASTING

Scope of application	Approaches to forecasting	
	Research approach	Targeted approach
1. The conception of forecasting for regional development	Indicative forecasting	Optimality and multi-variance of forecasts
2. Theoretical framework (forecasting techniques)	Research of multifactorial models using mathematical theories	Taking into account the dynamics of economic indicators with the wider application of formalized methods
3. Forecasting horizon	Short-term, medium-term and long-term forecasts with the priority of social sphere	Taking into account the risks in the dynamics of socio-economic development for the future
4. Opportunity of matching with other forecast	Multi-variance and multidimensional nature taking into account intersubordination of plans	Individuality of forecast variants is combined with global forecasts

Predicting a strategic vector of socio-economic development in a certain interval is possible through the use of different approaches and methods of forecasting. There appears an objective need to use certain methods of combining various methods in forecasting for the regional development that are characterized by the presence of complex interdependencies of development factors.

In the forecast models of socio-economic development [6] not only the quantitative parameters of the current situation in the region but also the qualitative characteristics of the processes in the region and the conditions of their changes to produce the required results are very important. At the same time the choice of the model is strongly influenced by the conditions of their information support that, as a rule, worsens as the forecasting horizon calculations increase.

### CONCLUSION

Thus, in connection with the variety of factors of forecasting for regional development described by a large number of factor indicators the use of any single forecasting methods is not possible. In this case it is proposed to apply the

concept of an integrated approach to forecasting for strategic indicators and for this purpose it is first of all necessary to identify a general mathematical dependency that sufficiently precisely describes the development of the level of the regional economy as a roundup (integral) criterion from retrospect to prospect.

Thus, the process of forecasting in selecting any methodological approach may include the search for universal indicators and criteria for socio-economic development.

The choice of forecasting methodology gives a wide range of practical application of forecast models with regard to their multi-variance.

Therefore, when setting specific forecasting tasks for choosing appropriate approaches it is first of all necessary to clearly formulate regional limits and tolerances under which forecasting is performed.

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