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DEVELOPING INTERBUDGETARY FINANCIAL FLOWS ACCORDING TO THE PRINCIPLES OF REPAYMENT

ABSTRACT. The subject of this study is the mechanism of interbudget relations. The purpose is to study the motivational link between subsidies and the dynamics of the socio-economic situation. The work methodology is based on multidimensional analysis of budgets and indicators of the socio-economic situation in the regions. As a result, we can observe the following: the lack of a motivational component of economic growth; an increase in the number of subsidized Russian regions; a crossflow of value added cost from one region to another; the social component which characterizes the level of conditions for human potential development is not defined in the algorithm of subsidies calculation; the other components are controversial in terms of motivating the regional socio-economic system and its sub-systems. In conclusion, while arranging interbudgetary relations for the purpose of regional development, it is necessary to provide an alignment model of financial levels of human capital. The proposed model is based on the status of the territorial unit for the Index value of socio-economic forces (ISEF). The schematic of a favorable financial flow for territorial development is given. The calculation of ISEF is performed via a set of specific indexes per person (tax potential, level of human development conditions, etc.). The established ISEF determines the status of the territorial unit and is regulated by the legal-normative act of the region.

KEY WORDS. Financial flow, interbudgetary relations, socio-economic force status.

Financial and social reasons to transform the mechanism of regional development management are characterized by the following circumstances. Research into financial problems at regional level is usually restricted by a number of financial relations participants being considered only as participants of a fiscal system. In some cases, extra-budgetary funds may be included in financial flows. The introduction of such constraints leads to the population and enterprises being considered only as passive participants of financial communication and relations, and their financial resources regarded as sources of taxation. On the other hand, the population and enterprises act as consumers of regional financial resources and their needs must be met by budgetary sources. The financial welfare of the region depends not only on the distribution and redistribution of funds between the federal centre and the Federation, but rather on budget revenue. In turn, the development opportunities of the region are not in finding ways to transfer funds to the regional budgets, but in the growth of income of the enterprises and the population forming its tax base. The existing fiscal federalism does not improve the work of regional management subjects. A psychology of dependence develops, motivation for increasing rates of economic growth is reduced.

Analysis shows that the subjects of subsidized regions do not change management strategies, do not reduce management costs, preserving the existing approach to management. Statistics show that in 1990, Russia had 26 subsidized regions, in 2005 67, in 2011 73 of the 83 subjects of the Russian Federation. The majority of regions (53) had interbudgetary support without reducing the amount of subsidies, 7 regions increased their volume of dotation [1]. Comparing tax revenues per individual in the regions of the Ural Federal District and Russia in general, it is necessary to note the wide range of values: in the Kurgan region tax income is approximately twofold less than in the Sverdlovsk and Chelyabinsk regions, and 3.5 times lower than in the Tyumen region (excluding districts). The indicators of performance are not taken into consideration in the regions which receive subsidies. Thus, the gross value added per capita in the Kurgan region is 7.5 times lower than in the Tyumen region, and the annual accrued salary in the Kurgan region is 2.9 times lower than in the Tyumen region. The share of salary in the added value is more than the share of profit. According to economic logic, the higher the share of salary, the fairer the process of distributing added value in the property of citizens. Analysis showed that in some regions, the volume of the salary paid is higher than the amount of added value created. As for the quality of the regional budget implementation, this phenomenon is not positive, but on the other hand, it shows the openness of the regional economies. The added value goes from one region to another. Publicity for regional finance (or rather its absence) reduces the stability of governmental bodies and promotes corruption. Any indicator can be interpreted at any discretion, especially when one considers that most of the population is not aware of the issues of state and local government finances. Publicity on regional strategy and tactics is the key to success. Identification of these features in the Ural Federal District regions determines the need for new innovative approaches to development. Interbudgetary relations among the subjects of the Federation are complex, contradictory and incorrect. They do not provide local authorities with the ability to perform the duties and rights given by the law, and do not stimulate socio-economic development. The existing procedure for the distribution of subsidies among budgets of the Russian Federation subjects implies motivation to improve results by increasing regional tax potential, and is not based on the principles of subsidy repayment. The logic of distribution of total federal budget subsidies among the subjects of the Russian Federation is built on the basis of a comprehensive evaluation of their rating by tax potential, industry and investment. The amount of subsidy provided by the Russian Federation budget is calculated according to the following formula:

$$D_i = D \times \frac{1/K_i}{\sum_{i=1}^{20} 1/K_i},$$

Where D_i is the amount of subsidy given by the budget to 1 Russian Federation subject, D is the total amount of subsidies to be distributed among the budgets of

Russian Federation subjects in accordance with the federal law on the federal budget for the next fiscal year and planning period; K_i is comprehensive evaluation of the Russian Federation subject. The amount of subsidy provided by the budget to 1 Russian Federation subject may not exceed 20% of the total amount of the subsidies to be distributed. [2]

Comprehensive evaluation is made according to the following formula:

$$K_i = \text{Rank } O_i^I \times Y^I + \text{Rank } O_i^H \times Y^H + \text{Rank } O_i^N \times Y^N$$

where: respectively, O_i^I , O_i^H , O_i^N is the place of a Russian Federation subject by synthetic indicators in the areas of investment taxation and industrial production, Y^I , Y^H , Y^N show the relative importance of indicators in the spheres mentioned and equal 1/3 in these spheres. As can be seen from the existing algorithm for determining the amount of subsidies, the social component is missing from the calculation, the other components are debatable in terms of motivating the regional socio-economic system. The problem of forming the mechanism of financial flows management can't be solved without developing a system of financial incentives and instruments, promoting growth of output and income of business entities in the region and optimizing distributional fiscal relations among the Federation and its constituent entities and municipal territorial units. The experience of balancing regional disparities by improving interbudgetary relations has not lead to the desired result and hasn't had a stimulating effect on the economic self-development of territorial units. In this regard it is proposed to consider the model of balancing the (financial) levels of human capital development while forming the mechanism of regional strategic management.[3] One possible model we proposed is based on the status of the territorial unit for the value of the index of socio-economic forces (I_{SEF}). Territorial units in accordance with the status, the numerical value of I_{SEF} , are divided into three groups: donor TUs; stable TUs (self-contained) and recipient TUs.

The scheme of status formation of the territorial unit according to the index of socio-economic forces and the algorithm of favourable financial flow for the development of the region are shown in Fig.1.

Socio-economic alignment of financial flows among territorial units implies vertical (direct investment, etc.) and horizontal alignment (money flows from TU with more ISEF to those with smaller ISEF). Factors shaping the status of TU should be taken into account on the basis of a regional accounts system which allows to solve the problem of the calculation of regional economic indicators. ISEF calculation is made with the help of groups of indicators (tax potential, specific indicators per capita, indicators of the level of human development conditions, etc.). ISEF determines the status of TU. It is fixed in the legal-normative act of the region and renewed, for example, once every three years. In further studies, the problems of realization of such an option model in full and creating access to information resources and the methodological soundness of calculating SEF will be examined. Despite the information difficulties, the proposed methodological approach to encourage the economic development of territorial units and to form interbudgetary financial flows on the principle of repayment was supported by a number of regions.

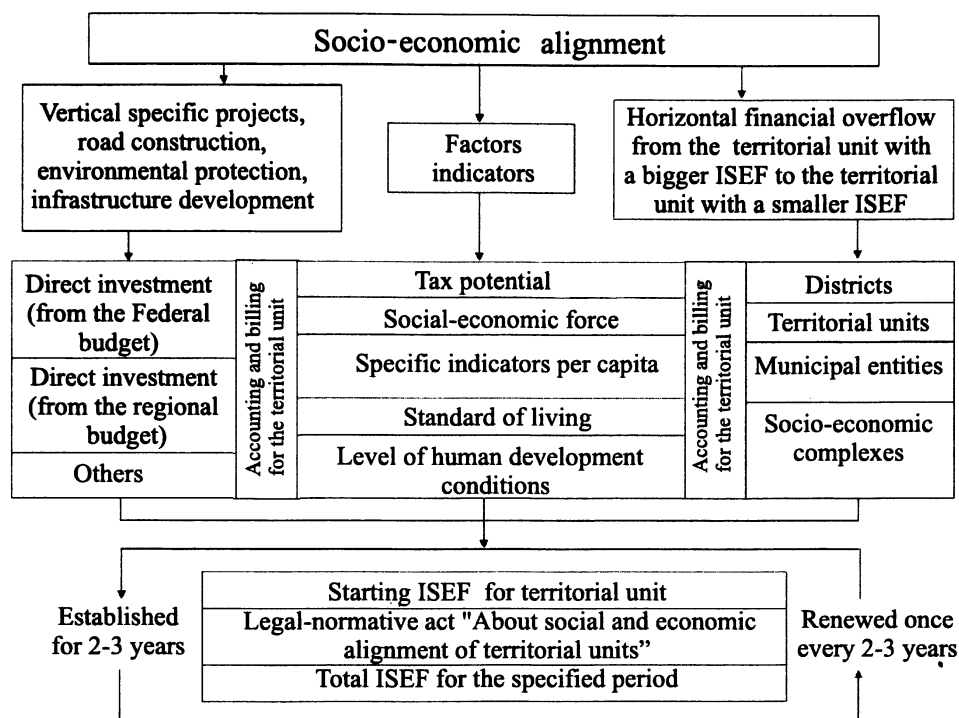


Fig.1 Favourable financial flow for the development of the region

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