

THE CONCEPT AND FEATURES OF THE FINANCIAL POTENTIAL OF MUNICIPALITY

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In the paper is discussed the concept, approaches to the definition, structure and role of the financial potential of the municipality as a factor in improving the financial condition and ensure sustainable development of territories.

In connection with the formation of a new system of local government in the Russian Federation is becoming urgent task of ensuring sustainable socio-economic development of municipalities. This is achieved through a number of subtasks, one of which is to form the optimal structure of financial resources.

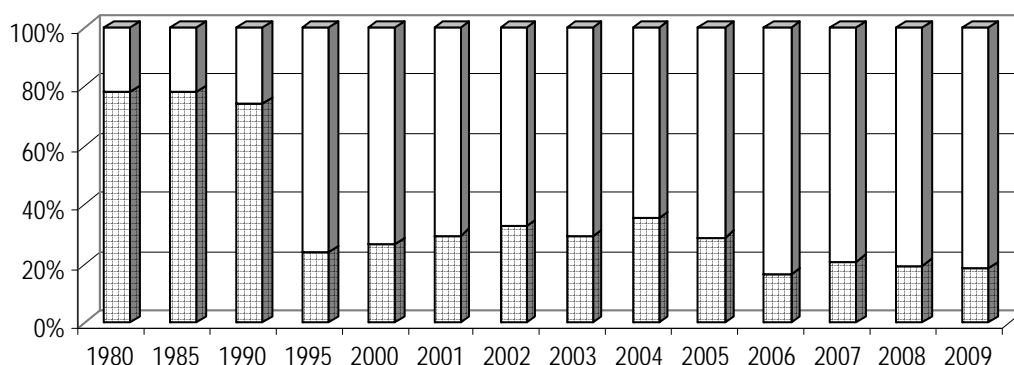
The current state of local budgets can be defined as critical. If we consider the structure of the consolidated budget of Bashkortostan in the last 30 years (BASSR until 1990 and the Republic of Bashkortostan since 1990) shows that if the Soviet period, the share of local budgets in the consolidated budget of the republic is about 70%, there is now no more than 20 % (fig. 1).

Presented in Figure 1 dynamics shows that the modern period can be attributed to the second wave of recession. If the first reduction of financial income of local budgets can be attributed to factors of economic destruction of the Soviet period, a second crisis is due to the

decline of the reform of local self-government in 2003 in connection with the adoption of Federal Law № 131-FZ "On general principles of local self-government."

In general, the state of local budgets today can be defined as a crisis. The share of funds that belong to local governments is very small - about 2% of total funds in the country, the rest belong to the state and private owners. In Russia decreased tax revenues of local budgets (from 70% before the reform to 30% in 2008), reduced the share of local taxes in local budgets (from 12% to 3% over the same period). At the same time the share of intergovernmental transfers - from 32,5% in 2002 to 58.05% in 2008. Also, a high degree of subsidies to municipalities - for the settlements it is 38.22% for 2008.

Such a crisis in local public finance has led from one side to the resource dependence of municipalities on the higher levels, and the other to reduce the interest of local governments to



□ Republican Budget of the Republic of Bashkortostan since 1990, the national budget of the Bashkir ASSR until 1990

▨ Local budgets of municipalities of the Republic of Bashkortostan since 1990, and the budgets of districts and towns of the republican budget BASSR until 1990

Fig. 1. The structure of the consolidated budget BASSR until 1990 and the Republic of Bashkortostan since 1990

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increase financial independence. Addressing the challenges of strengthening the stability of socio-economic development of the municipality requires the development of mechanisms to encourage municipalities to make efforts to increase the total resource base, the development and effective use of their financial potential.

Financial potential was defined in relation to the country in 1970. Volkov A. M. bound him with an increase of financial resources ("financial potential - is part of the financial resources of the national income, which, after all the processes of redistribution embodied in the growth of means of production").

In the 1990's there were new approaches to reveal the essence of financial potential. The first of these combines the point of view according to which the financial potential is regarded as synonymous with fiscal potential. According to another approach, financial strength is a combination of financial resources mobilized in full ever more elusive for area development and the socio-economic needs of citizens. So, for example, A. L. Kolomiets and A. Melnick believe that the financial potential is the aggregate of all financial resources of a region.

Other authors also express their financial potential through the constituent elements, which represent financial resources. For example, A. N. Kolesnikova opens it through a set of key sectors, including their own funds of economic entities, funds and credit finance, insurance and stock exchange institutions, nonprofit organizations, the population in the form of current income and savings, the regional authorities.

A.K. Osipova includes financial potential of the fiscal potential of the region, means the financial and credit system, financial potential of enterprises, public funds, external borrowings.

The approach Osipova A.K. also important is that it defines the financial potential as the basis for a gross regional product, and as a system of economic relations, whereby the regional reproduction process.

Thus, most authors in the structure of the financial potential distinguished: the fiscal potential of the region, funds of economic entities, public funds and the financial and credit system.

An interesting approach of the authors, who see the financial potential of three positions:

- ◆ total potential of its finances (financial resources) to support (provide) economic activity;

- ◆ set of financial resources;

- ◆ real effect of the economic object, which can be achieved with maximum use of financial resources.

This definition allows us not confuse the concept of financial potential with the concept of "financial resources". That is, in this approach, financial strength - not just a collection of financial resources, but also their ability to effectively use and the possible effect on their optimal use. In addition, a positive in this approach is also focused on the optimal structure of financial resources.

All these definitions have been given to the financial potential of the region. At the municipal level, the content of the financial potential of developed worse than for the regions.

Some authors believe that the financial potential of the municipality - that govern the ability of the territory of the assets to generate cash flows, realized a total income of subjects of its economic system. Based on this definition of financial potential involves two basic indicators: financial income and financial resources.

Financial revenue of the municipality - the total income received by various entities of its economic system, which is generated in the area. The financial resources of the municipality - a set of financial balances as a result of their redistribution among economic entities, local budgets and the population of the municipality.

The advantage of this approach is an indication of the resource base financial potential, however, is not entirely correct is the presentation of financial potential as the outcomes of all other potentials (in his case, institutional, natural, social capital, building the basic sectors and infrastructure). Financial potential on a par with the rest used to achieve a different result of the municipality - the welfare of the population. In addition, he submitted a financial income, in essence, is the financial potential. A converted potential into resources, which is defined by the author as financial resources, is not a potential.

Menkova N.M. believes that the financial potential of the area is the aggregate potential of the financial resources to achieve real social and economic effects of a certain territory.

However, she shared the financial potential to use (resources, which ensured the achievement of a municipality) and unused (resources that are not involved in the process of reproduction and does not serve the goals). Such a division in our opinion reveals effectiveness of potential. The positive is the fact that the financial potential is focused on the purpose of functioning and development of municipalities - to satisfy the socio-economic needs.

Thus, analyzing different approaches, we can conclude that the majority of authors identify the financial potential of the tax and identify it as a combination of financial resources. There is confusion about the concepts of “financial potential”, “financial resources”.

For a definition of financial potential, it is necessary to identify key features:

- 1) is part of the overall potential of self-development;
- 2) is a system;
- 3) a combination of financial potential;
- 4) divided by the degree of use;
- 5) has the focus of revitalization.

Let us consider these symptoms.

1. Financial potential as part of the overall potential of self-development.

From our point of view of financial strength - is part of the overall potential of the municipal self-education, along with the natural, human,

economic geography, innovation and the reproduction potential of the municipality.

2. Financial potential is a complex system consisting of constituent elements, evaluation methods, principles and implementation functions, as well as various methods of management. The main structural elements are presented in fig. 2.

3. The set of financial opportunities.

Financial strength is the financial potential of various agents of the municipal economy (fig. 3).

There are three components of financial potential: the financial potential of the population, economic entities and the fiscal potential of the municipality, each of which can be characterized by a set of indicators:

1) the fiscal potential: the tax revenue budget non-tax revenues of the budget, funds transferred to municipal budgets, etc.;

2) financial potential of enterprises and organizations: profit of profitable enterprises (large and medium); depreciation entrepreneurial income, etc.;

3) financial potential of the population: cash income, etc.

4. The degree of use.

Financial potential can be broken down into used and unused potential. Used potential - the potential involved in the economic turnover and employee development goals of the municipality. Not involved in the economic cycle - it is an

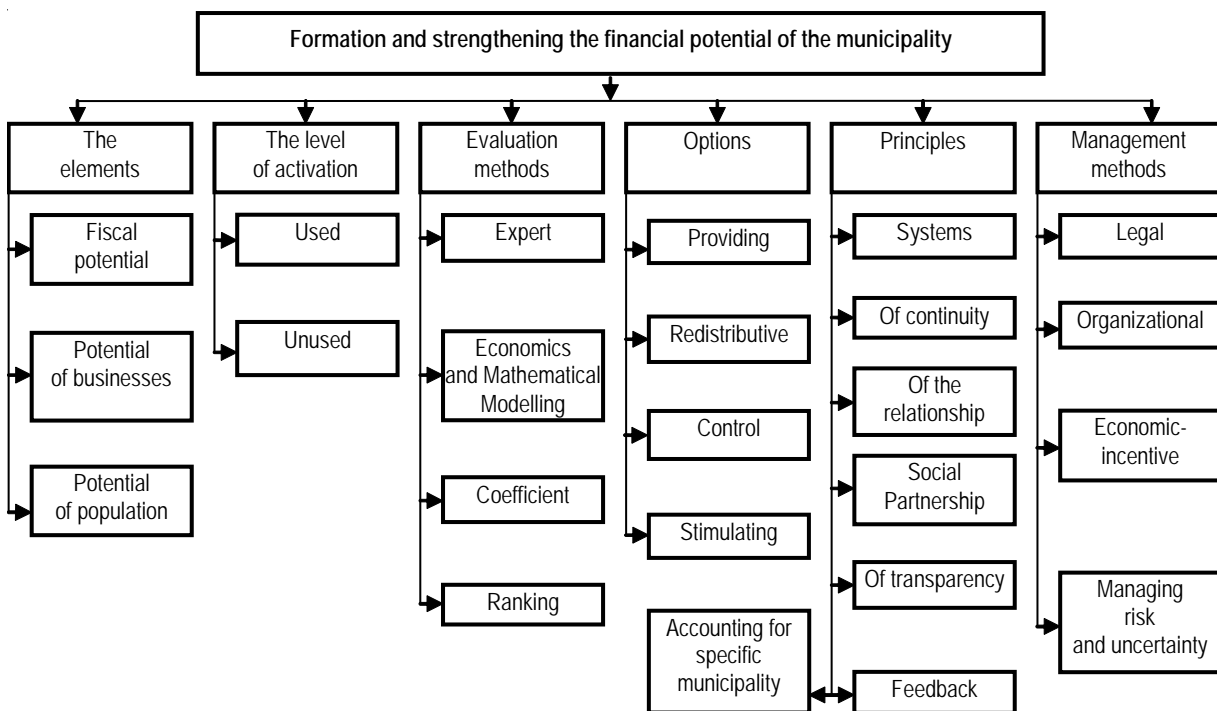


Fig. 2. Structural elements of the financial management system capabilities

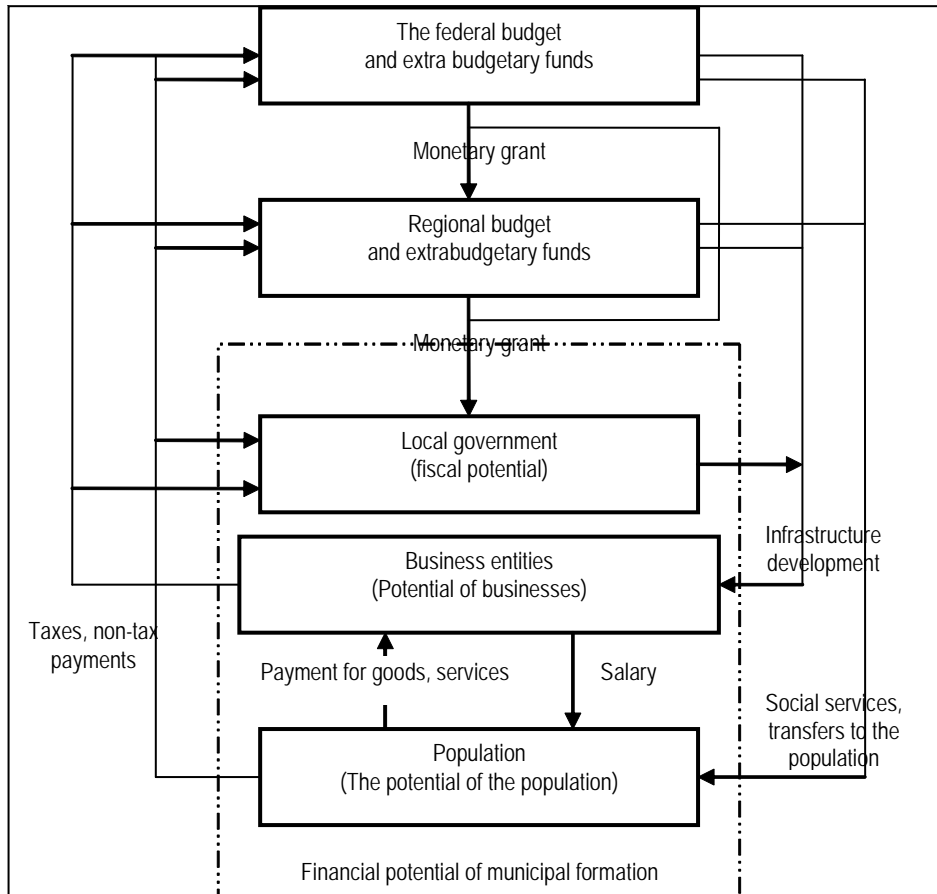


Fig. 3. Scheme of financial flows in the municipality

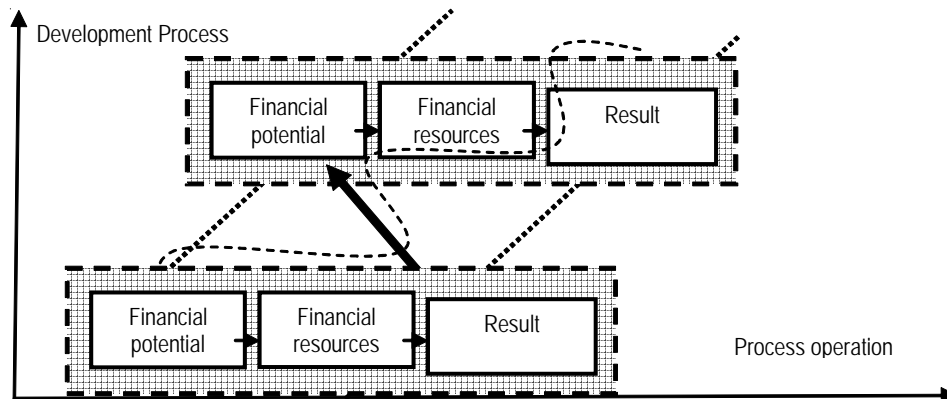


Fig. 4. The process of building self-transformation of the municipality

unused financial potential. And one of the tasks of local government financial management is the conversion of unused financial potential used.

5. Targeting.

In a dynamic model of the transformation of the financial potential it through the formation of the optimal structure of financial resources used to achieve operation of the municipality (fig. 4).

The overall pattern of transformation of the financial potential to achieve development goals municipality is presented in fig. 5.

During the operation of the municipal formation potential is converted into financial resources. The result of the use of financial resources, the municipality is a common goal - improving the quality of life and the consequent improvement of the socio-economic condition of the municipality, which in turn again increases the financial potential of the municipality.

Thus, the financial potential of self-development of the municipality - is the total financial potential of the municipality, including the financial potential of the Budget, businesses and

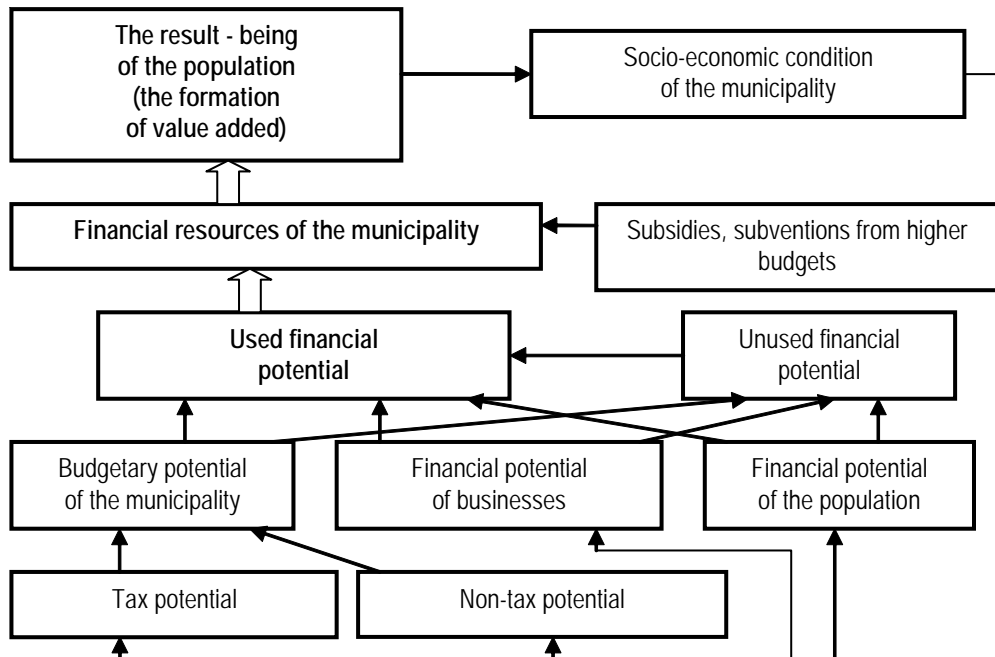


Fig. 5. Model of the transformation of the financial potential

communities, which are translated into financial resources and are used to achieve the development goals of the municipality.

This definition allows to link the internal potential of economic agents municipality for the development of the municipality. Increased financial potential allows to increase the financial sustainability of the municipality, to ensure the interest of local governments to more effectively and efficiently manage their resources and potential.

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