Issues of Strengthening of Local Budget Revenues by Assessing the Financial Potential of Regions

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Abstract. **The article explores the basic concepts and content of the financial potential of the region. It is noted that for the effective management of this potential, it is necessary to first calculate the indicators for evaluating its elements and develop measures to optimize financial decisions in the region. It is proposed to use new indicators for assessing the financial potential of the region, the values of which will make it possible to conduct a more detailed analysis of financial resources and identify deficiencies in financing various sectors and enterprises.**

Keywords: Financial potential, assessment of the possibility, labor potential, extra budgetary sources.

I. INTRODUCTION

The need to determine financial potential at the level of each region is the initial step in the development of any consolidated programs and development forecasts. To determine the total volume of the financial potential of the region, it is necessary to identify the potential effectiveness of the use of each individual resource of the territory, to make a comparison of the resources and bring them to an integrated form, to a rational combination of resources to obtain the maximum possible effect of satisfying the needs of the region.

The level of development of the territory, the stability of the political situation, the living conditions of the population, as well as the possibility of state financial regulation of socio-economic processes through the financial resources at the disposal of regional authorities largely depend on the dynamics, size and quality of financial potential. At the same time, it should be noted that at present there is no single definition of this concept and different approaches are used to determine the nature and composition of the financial potential of the region. The term “potential” is interpreted in the encyclopedic dictionary as “sources, opportunities, means, stocks that can be put into action, used to solve a problem, achieve a specific goal, the ability of an individual, society, state in a certain field” [1].

II. LITERATURE REVIEW

Main part

In the economic literature there are various interpretations of the concept of "financial potential." In the main definitions, the economic potential of the region is taken as the basis of financial potential, depending on the following factors:

- the level of development of productive forces and industrial relations;
- the availability of labor and production resources.

This definition does not reflect the composition and structure of the region’s capabilities, it is not clear what specific economic opportunities are involved and how the financial innovativeness of development is taken into account.

As for the indicators of assessing financial potential, the criteria-based assessment of budget execution by qualifying items of expenditure is mainly used. But there are other financial indicators in the region that are necessary for the statistical analysis of financial resources by the relevant departments of the region’s administration.

The basics of assessing the financial potential of a region can be divided into:

1) empirical;

2) operating.

Key indicators and strategies for assessing financial potential are presented in the table. The empirical framework is structured into sections and subsections as follows:

- market economy and resource activity (principles of functioning, basic concepts, structure of resource activity);
- resource potential (structure and cost of resources, sources of resources, investment of resources);

- forms of actions and operations (forms of calculations for the formation and use of resource potential);
- financing the formation of resource potential (performance assessment, assortment classification, characteristics and rules for choosing sources of resource formation);
- terminology of resource potential.

Operating fundamentals include:

1) mathematical models;

2) methods structured into sections and subsections as follows:

Indicators and strategies for assessing the financial potential of the region

Kind of activity	Quantitative indicators	Strategies
Operating room	Odds characterizing operational activities to provide resources	Integrated growth. Competitive strategy. Pricing strategy
Investment	Return on own resources	Investment budget resources. Concentrated growth
Financial	Income from own resources. Share of own and acquired resources	Resource structure. Diversified growth

- mathematics of resource potential (basic concepts of resource mathematics, calculation of the time value of resources);
- indicators of the state of the control object: profitability, resource efficiency;
- formulas for analyzing the quality of resource management.

Financial potential is a variable quantity; its change is due to many factors. The regional finance department is required to:

- monitor the size of the potential;
- conduct statistical accounting, analysis and processing of the collected information.

Based on the results of the assessment, one or another decision is made (for example, to which group resources should be assigned, what price best suits this period).

The average price of financial resources is called the market price. It is used as a measure of comparison. Assessment of financial resources at a price is needed to solve the following problems:

- the establishment of the amount of budget allocations, which determines the measure of obligations on the part of the supplier;
- determination of the volume of supply of products for state needs of the region, which is determined by the size of the financial potential;
- assessment of the possibility or impossibility of replacing financial resources with monetary substitutes.

To assess financial potential in practice, various methods are used. The individual valuation method applies only to financial resources that cannot be compared with similar ones. In this case, an arbitrary assessment is made on the basis of professional experience and an objective look.

The method of average values is characterized by the division of individual resource groups into subgroups, an analytical base is created to determine the size of certain types of financial resources.

The interest method is a combination of discounts and allowances to the existing price of a resource, depending on possible positive and negative deviations from the average price. Percentages and discounts used are the basis for calculating the price of a financial resource.

The structure of managing the financial potential of the region, as well as its functional composition, can be built in various ways, depending on the resource potential of the region and the type of organizational attractiveness. For some regions, the separation of the financial resources management body is required, while in other regions the role of the manager is usually performed by the ministry of economy.

In the regions of the first type, a large amount of financial resources is required and, accordingly, a large demand for them. In regions of the second type, where business development is insignificant, financial transactions related to the sale of internal resources predominate.

To manage the financial potential of large regions, the personnel potential of professionals with special training in the field of resource supply and budgeting of public finances is needed.

The author proposes new coefficients for assessing financial resources in the region, which reflect the totality of financial potential in the region. The relevance of their development is due to the presence of various types of financial resources at enterprises in the region that ensure the creation of gross domestic product, but are not considered in the financial balance of the region.

To assess the financial potential of the region (FPR), you can use the following formula:

$$FPR = So.f + Sob + St.p + Snm.a,$$

where So.f - funds invested in fixed assets of enterprises in the region; Sob - funds invested in working capital of enterprises in the region; St. - funds invested in the labor potential of enterprises in the region: SNM.a

- funds invested in intangible assets and innovative technologies of enterprises in the region. Each financial indicator is determined on the basis of statistical components in the region

$$So.f = So.f.b + So.f.vn,$$

where So.f.b - funds financed from the regional budget for the creation and construction of fixed assets; So. f.vn - financial resources from extrabudgetary sources allocated for the creation or construction of fixed assets at enterprises in the region;

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where So.f.b - funds financed from the regional budget for the creation and construction of fixed assets; So. f.vn - financial resources from extrabudgetary sources allocated for the creation or construction of fixed assets at enterprises in the region; Sob = Sob.b + Sob.vn, where Sob.b - funds financed from the regional budget for the creation of working capital; Sob.vn - financial resources from extrabudgetary sources allocated for the creation of working capital at enterprises in the region;

Snm.a = Snm.a.b + Snm.a.vn + Snm.a.in, where Snm.a.b. - funds financed from the regional budget for the creation of intangible assets and the introduction of innovative technologies; Snm.a.vn - financial resources from extrabudgetary sources allocated for the creation of intangible assets at enterprises in the region; Snm.a.in - investment resources allocated for the creation of intangible assets (intangible assets) and innovative technologies at enterprises in the region;

$$Art.\ n = C3 + Ck + Cm + Cd,$$

where C3 is the cost of the wages of workers; SK - the cost of improving the qualifications of employees; See - the cost of medical care in enterprises and organizations; SD - the cost of social needs of workers.

Based on these indicators, employees of the region’s finance department can conduct a detailed analysis of the region’s financial potential and identify funding shortfalls in various sectors and enterprises of the region. The proposed indicators can be calculated for a group of enterprises or for each industry in the region as a whole. The optimal values of indicators are associated with the growth of the region’s GDP: the more the values of the indicators grow, the higher should be the region’s GDP. If the value of the region’s GDP does not increase over the period, and the value of the indicators grows, then it is necessary to direct the excess of resources only to innovative technologies and the intellectual potential of the region. To increase the level of financial potential of the region, it is advisable to study the sources of financing the region's resources. Under the financial potential of the region refers to the totality of funds available to the region and necessary for its further development. The bulk of the funds is the region’s equity. The formation of equity is carried out in two directions:

1) the creation of equity in the region (TFR), i.e., the necessary volume of property in the region. Its value can be determined by the following formula:

$$TFR = RI - DO,$$

where RI - regional property; DO - long-term liabilities (federal budget loans and loans of banking institutions) used to finance regional property;

2) the formation of the region’s own working capital, i.e., a certain share of current assets (SOCR)

$$SOCR = OAp.r - DOP.r - KOp.r,$$

where OAp.r - current assets of enterprises in the region (region resources); Dop.r - long-term liabilities aimed at financing current assets of enterprises in the region; KOP.r - short-term liabilities aimed at covering current assets of enterprises in the region. The excess of the region’s own capital over the region’s property and long-term liabilities represents the region’s net working capital (BCHR)

$$BKR = SKR - (RI - DO),$$

where SKR is the region’s equity. It characterizes the amount of free cash that the region can use for its development. The coefficient of maneuverability of equity capital of the region KM.s.r is determined by the formula: KMS.k.r = CHOKR / SKR. The coefficient shows which part of the region’s own capital is in the most liquid form. The best indicator is - 0.7–0.8. Management of the financial potential of the region is associated not only with the optimal use of its accumulated budget part, but also with the formation of its own sources of financial resources. The region’s own capital management has internal and external sources.

Internal sources include: - regional budget revenues; - means of revaluation of fixed assets of enterprises in the region; - other internal sources (reserve funds, state duty, fines, confiscation of property, etc.). Depreciation charges are a source of the formation of own monetary resources of regional budget organizations, but they do not increase the amount of equity, but only serve as a way of reinvesting it. External sources of financial resources of the region include: - additional share capital of regional organizations; - Means of re-issue and realization of regional loans;

- gratuitous financial assistance from legal entities and the state; - funds targeted budget financing received for investment purposes; - other external sources. It is possible to evaluate the system of forming financial resources of a region using the coefficient of financial growth of the Ke region. r Ke.r = DD / SK, where DD - additional revenues of the regional budget; SK - the average over the period the cost of equity in the region. This indicator characterizes the development prospects of the region's finances, that is, it shows how fast the financial potential is increasing on average.

Based on these indicators, employees of the region's finance department can conduct a detailed analysis of the region's financial potential and identify funding shortfalls in various sectors and enterprises of the region.

The proposed indicators can be calculated for a group of enterprises or for each industry in the region as a whole. The optimal values of indicators are associated with the growth of the region's GDP: the more the values of the indicators grow, the higher should be the region's GDP. If the value of the region's GDP does not increase over the period, and the value of the indicators grows, then it is necessary to direct the excess of resources only to innovative technologies and the intellectual potential of the region.

The excess of the region's own capital over the region's property and long-term liabilities represents the region's net working capital (BCHR)

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where SKR is the region's equity. It characterizes the amount of free cash that the region can use for its development.

To increase the level of financial potential of the region, it is advisable to study the sources of financing the region's resources. Under the financial potential of the region refers to the totality of funds available to the region and necessary for its further development. The bulk of the funds is the region's equity. The formation of equity is carried out in two directions:

1) the creation of the region's own capital (TFR), i.e., the necessary volume of property in the region. Its value can be determined by the following formula:

SKR = RI - DO, where RI - regional property;

DO - long-term liabilities (federal budget loans and bank loans

institutions) used to finance regional property; 2) the formation of own working capital of the region, i.e., a certain share of current assets (SOCR)

$$SOKR = OA - DO - KO.$$

where OA - current assets of enterprises in the region (region resources);

DO - long-term liabilities aimed at financing current assets of enterprises in the region;

KO - short-term liabilities aimed at covering current assets of enterprises in the region.

The excess of the region's own capital over the region's property and long-term liabilities represents the region's net working capital (CHOKR)

$$ChKR = SKR - (RI - DO),$$

where SKR - equity capital of the region.

It characterizes the amount of free cash that the region can use for its development.

The coefficient of maneuverability of equity capital of the KM.k region is determined by the formula:

km = Chokr / TFR.

The coefficient shows which part of the region's own capital is in the most liquid form. The best indicator is - 0.7-0.8.

Management of the financial potential of the region is associated not only with the optimal use of its accumulated budget part, but also with the formation of its own sources of financial resources. The region's own capital management has internal and external sources. Internal sources include:

- revenues of the regional budget;
- means of revaluation of fixed assets of enterprises in the region;
- other internal sources (reserve funds, state duty, fines, confiscation of property, etc.).

Depreciation charges are a source of the formation of own monetary resources of regional budget organizations, but they do not increase the amount of equity, but only serve as a way of reinvesting it.

External sources of financial resources in the region include:

- additional share capital of regional organizations;
- Means of re-issue and realization of regional loans;
- gratuitous financial assistance from legal entities and the state;
- funds targeted budget financing received for investment purposes;
- other external sources.

To assess the system of forming financial resources of a region, you can use the coefficient of financial growth of the Ke

$$Ker = DD / SK,$$

where DD - additional regional income budget;

SK - the average cost of own capital of the region.

This indicator characterizes the development prospects of the region's finances, that is, it shows how fast the financial potential is increasing on average.

Thus, the management of the financial potential of the region lies in the ability to rationally manage all types of resources necessary for the development of the region. Together with the region's management system and methods for assessing the financial potential in the field of resource consumption, an understanding of the principles and technologies of managing financial resources by the regional administration services is required. The right combination of principles and technologies of financial potential management contributes to:

- stable development of regions;
- improving its financial component.

Financial management

with considerable effort and involves certain skills. An assessment of financial resources takes place when at least one of the parties to the potential exchange of resources develops and uses the means to achieve the desired result.

The structure of the assessment of the financial potential of the region should take into account possible risks when making decisions. It is necessary to have a minimum of losses in resource supply. This requires the financial potential management department of the region in the structure of the finance department, whose functions it is necessary to transfer the analysis, planning and distribution of financial resources, that is, achieving the optimization of financial potential. This administrative body is obliged to carry out the formation of financial potential not only at the expense of internal sources, but also to have a relationship with other areas and regions. Mutual exchange and cooperation in the use of financial resources is currently the main thing in the activities of regional financial managers.

III. CONCLUSIONS

In the modern economy, the regional financial manager is becoming one of the key figures in the administration of the region. He is responsible for:

- optimization of financial potential;
- analysis of the feasibility of using one or another resource;
- making the final decision on choosing the most acceptable option of resource supply.

Regional Finance Manager:

- is the responsible executor of the decision;
- carries out operational activities to optimize the use of the financial potential of the region based on its assessment.

Its main content is to control the flow of financial resources.

The tasks of the regional financial manager are determined by a number of factors:

- competitive environment;
- the need for constant updating of financial potential;
- changing resource conditions;
- innovative technologies;
- change in the situation on the financial resources market.

The activities of the regional financial manager can be structured as follows:

1) a general analysis of the financial potential of the region based on the assessment of the proposed indicators;

2) providing the region with the necessary financial resources;

3) distribution of financial resources and their sale to other regions.

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