Budget risks in the management of small businesses in rural areas

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Abstract. The article discusses the concept of budget risks, especially their identification and assessment. The necessity of assessing budget risks in the distribution of budget allocations to support and stimulate the activities of small forms of farming in the countryside is substantiated. Grants and subsidies are allocated for the development of rural areas and infrastructure, the provision of housing for young professionals and farmers. The goal of developing a budget risk management policy, its control and audit is to bring financial resources to a specific addressee, prevent corruption-hazardous operations, meet the targets of national projects and rural development programs. The research methodology is based on a comprehensive, risk-based approach to the formation of a small business management system, the main tools of which are external and internal control and audit. The results are based on the author’s development of regulations and working control documents for departments of the Department of Agriculture.

1. Introduction

Small business forms play a key role in the development of entrepreneurship and the sustainable development of rural areas. Infrastructure transformations and employment depend on the effective functioning of entrepreneurial structures in the countryside. In the current environment, small farms and private farms in rural areas experience the same difficulties as the majority of entrepreneurs whose business was affected by the coronavirus pandemic. The deterioration of the financial situation and conditions of operations are associated with the closure of borders, the violation of economic relations and supplies, the difficulties of migration of foreign citizens who were involved in seasonal agricultural work, and the change in the policy of subsidizing and lending to small and medium enterprises.

The anti-crisis rural business management policy is complex today and is determined by unstable financing conditions, which acquire the status of targeted support, and the functioning of rural entrepreneurs in a situation of uncertainty and increased risk. It is these categories, their study and evaluation, that are in the perspective of science-based research and projects, on the basis of which an effective anti-crisis management policy is built on the part of state and local government bodies and sectoral ministries and departments.

The strategy of state support and business management is focused not only on solving current problems of preventing crisis manifestations and their consequences, but also on fulfilling the goals and objectives of national projects and programs for sustainable rural development and well-being of the
population. National projects for the development of small and medium-sized enterprises, labor productivity and support for employment, ecology, relate to the development of small forms of farming in the countryside, attracting young people, providing housing, and increasing professional literacy. The state program “Integrated development of rural territories” is implemented in 2020 - 2025. Among the main areas of the program are identified: analytical, regulatory, methodological support for the integrated development of rural areas, the creation of conditions for providing affordable and comfortable housing to the rural population, the development of the labor market (human resources) in rural areas, the creation and development of infrastructure in rural areas.

All financial flows are directly or indirectly associated with the allocation, distribution and expenditure of budget funds for the implementation of program activities. Financial flows should not only be transparent, but also aimed at achieving a specific target result, which is expressed by the indicator of the effectiveness of the program (project). The performance of an indicator or indicator is achieved not only in the process of implementing a certain budget procedure, but also in the exercise of control. This control is external and internal in nature and is optimal for the subject of public administration to be included in the management system, which is currently based on a risk-based approach.

2. Materials and methods

To achieve the goals, indicators and results of federal and regional projects and programs, budget grants and subsidies are allocated to create a support system for farmers, develop rural cooperation and sustainable development of rural areas, within the budget allocations stipulated by law for the corresponding financial year and planning period.

Budget flows from the moment they are allocated to being brought to a specific recipient undergo certain budgetary procedures that require monitoring at different levels of management. Organization of control is that management function that ensures the reliability of budget operations and the formation of budget reporting indicators. In addition, control ensures the effectiveness and quality of financial management in budgetary organizations and prevents the risk of corruption violations.

Organization of control as a budget management function is interconnected with the concept of budget risk. Moreover, control is represented in the management system from the perspective of the organization of external financial control and internal financial control and audit. The concepts of control and audit vary and are new tools for effective financial management in the state segment.

For the methodological regulation of the concept of budget risk, a number of regulatory documents are used that allow applying the best corporate practices in public administration:

- "Organization Risk Management. Conceptual Model", Committee of Sponsoring Organizations (COSO);
- International standard ISO 9004: 2009 "Management for achieving sustainable success of an organization. An approach based on quality management";
- International Standard ISO 31000: 2009 "Risk Management. Principles and Guidance";
- International standards for supreme audit institutions;
- International professional standards for internal audit;
- GOST R ISO 9004-2010. "The national standard of the Russian Federation. Management to achieve sustainable success of the organization. An approach based on quality management";
- GOST R ISO 31000-2010. "National Standard of the Russian Federation. Risk Management. Principles and Guidance";
- The standard of external state audit (control) N 104 “Performance audit”, approved by the resolution of the Board of the Accounts Chamber of the Russian Federation of November 30, 2016 N 4PK.

Risk-oriented approach is used as a positive practice of modern management in the exercise of control powers at all levels of government.
Budgetary risks represent the management of events that adversely affect the implementation of internal budgetary procedures. Based on a review of regulatory documents governing budgetary risks, it is recommended that they be classified into subspecies. Reducing the magnitude of budgetary risks will ensure the quality and reliability of the management system. Thus, in a crisis and the need to redistribute budget funds for grant support and the allocation of subsidies for rural entrepreneurship, effective management of budget risks contributes to anti-crisis spending of money. To control the financing of grants and subsidies to support small-scale farming in rural areas and the sustainable development of rural areas, the following budgetary risks should be provided for in the methodological documents on the organization of internal control and audit (figure 1).

![Types of Budget Risks](figure1.png)

**Figure 1.** Types of budget risks in the management system of small businesses in the countryside.

The methodology for assessing budget risks is formed at the level of organization of internal control and at the level of internal audit.

If in the organization of internal control, risk management includes their identification and determination of the level of risk, then during the internal audit, the procedure and accuracy of identifying budget risks in the implementation of budgetary procedures and measures to reduce them that were adopted in the process of grant management are monitored and subsidies to support farmers and farms.

For public administration, a risk-based approach is a new concept that is subject to continuous methodological development. Moreover, changes in financial conditions and adjustment of managerial measures constantly affect the requirements for the formation of risk maps, their identification and assessment. Risks are trying to typify for different areas of management. This means that the risks for the state and municipal administration in the implementation of national projects and programs for the integrated development of rural areas will differ.

Risk - a focused approach to managing budgetary risks is reflected in publications and the exchange of opinions between scientists, practitioners and experts - agrarians.

The authors of the article write about the problems in the field of public finance management, the presence of discrepancies between planned and actual indicators, uneven cash execution of the budget, inefficient or illegal use of budget funds [1-3].

The financial subsystem is considered as an integral part of the overall anti-crisis management system at the level of the national and regional economies using a risk-based approach. Authors G. S. Merzlikina and E. V. Kuzmina [4] in particular, note that crisis management in the region is aimed at increasing sustainability in the development of entities. To achieve results, the policy is built on the basis of identification and risk assessment, as noted by the authors T. Golovina and A. V. Polyanin [5]. The importance of developing a crisis management policy on the basis of balanced financial distribution
mechanisms, targeted support for entrepreneurs and citizens are noted by S. Lyanova [6], I. G. Pavlenko [7].

A number of authors argue about the need to develop management policies in times of crisis in relation to segments of the economy, including in the agricultural sector. The authors (M. M. Shakhmurzov and A. S. Gordeev [8], T. I. Gulyaeva and V. I. Savkin [9]) highlight the strategic directions of sustainable rural development.

These studies are a continuation of previously published works (N. V. Parushina [10], N. A. Lytneva [11]) on the topic of effective management and state support of the agricultural sector of the economy.

The methodology of budget risk management in the departments of agriculture in the regions is normatively regulated in internal regulations.

An effective risk management process, in addition to identifying and evaluating them, implies the organization of risk control in the process of implementing internal financial control. Therefore, it is necessary at the department level to develop regulations and methodological regulations for informational, organizational, functional, methodological, procedural, and procedural management of budget risks.

3. Results and discussion

The results of the risk management process include the following actions. First, identification of budget risks is carried out. It is based on information from the Ministry of Agriculture and departments of agriculture by region about violations and deficiencies in the field of budgetary legal relations, their causes and conditions. The presence of events that may adversely affect the result of the budget procedure is also determined. For example, this may be a delay in the operation or errors made during the operation. Next, it is necessary to calculate the probability and consequences of the risk.

Probability characterizes the expectation of an event that negatively affects the implementation of internal budgetary procedures. The consequences are evaluated from three positions:

- The amount of damage from the onset of a negative event;
- Loss of reputation of a ministry or department in the field of agriculture;
- The amount of sanctions imposed for violation of budget legislation;
- Decrease in the indicator of the effectiveness or economy of spending grants and subsidies to farmers and farms.

The matrix of budget risk assessment for the financial flow management system for the development of small business in rural areas is presented in table 1.

Table 1. The matrix of budget risk assessment for the financial flow management system for the development of small business in rural areas

| Level according to the criterion "Probability" | Level according to the criterion "Consequences" |
|-----------------------------------------------|-----------------------------------------------|
| от 0 до 20% | Low | Low | Low | Mild |
| от 20 до 40% | Low | Low | Mild | High |
| от 40 до 60% | Mild | Mild | High | Very high |
| от 60 до 80% | Mild | High | Very high | Very high |
| от 80 до 100% | High | High | Very high | Very high |

Budget risks are reflected in the risk map, which are used to organize and conduct external and internal control and are the methodological basis for checking and confirming the reliability and legality of the implementation of budget procedures and the formation of budget reporting. A fragment of the budget risk map in terms of budget accounting procedures is presented in table 2.
Table 2. Fragment of a map of budget risks in terms of budget accounting procedures in the planning, land resources, small business and infrastructure infrastructure of the village for state support of the agro-industrial complex and village infrastructure.

| The name of the operation | Budget Risks | Probability      | Effects      |
|---------------------------|--------------|------------------|--------------|
| Verification of budget accounting documents | Acceptance for execution of documents executed in violation of budget legislation | Low Mild High Very high | Low Mild High Very high |
| | Inconsistency of the amounts accepted in the budget accounting and the document of the basis | x | x |

The results of the budget risk control are rechecked in the process of external and internal audit. Thus, the quality of financial management in the public sector is achieved and the desired result of the implementation of a national project or program is obtained.

When auditing compliance with the procedure, conditions and goals of providing social benefits allocated for the implementation of the state program “Sustainable Development of Rural Areas” within the framework of subprogram 1 “Improving the living conditions of citizens living in rural areas, including young families and young professionals” in the audit program, the following questions may be posed:

1. Quality control of the organization and conduct of internal financial control;
2. Audit of the use of automated information systems;
3. An audit of the existence of a conflict of interest among officials involved in the provision of social benefits;
4. Audit of the validity of the provision of social benefits;
5. An audit of compliance of documents reflecting the provision of social benefits with applicable law;
6. Audit of compliance with deadlines;
7. Audit of the targeted use of funds.

Approaches to the assessment and management of budget risks in the field of state support for small business in rural areas during the crisis and subsequent years should only be reflected in the federal standard “Planning for internal financial audit”, however, the recommendations and suggestions of the authors found practical discussion in the process of staff development for the agro-industrial complex, were used in amending internal regulations and developing working documents of specialists in the field of control, audit and management.

4. Conclusion
Budget risk management contributes to the achievement of targets of national projects and sustainable rural development programs.

The management process is based on its sound methodological support and regulation at all levels of government.
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