Financial Resources as a Factor of Economic Security of a Municipality

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Abstract. This article summarizes the existing conceptual approaches and provides the author's interpretation of the market interpretation of the concept of "municipal financial resources". The provision of financial resources is considered as the main condition for the economic security of the municipality, as a characteristic of the financial solvency and local governments' independence. A comparative analysis of the state of financial resources of local government is carried out, the level of their financial stability and independence is determined.

1. Introduction
Issues related to threats to the security of the economic space are thoroughly studied at the global, interstate, state, regional and sectoral levels. A clear methodological approach to economic security has been formed in relation to business entities. However, the problems of ensuring the economic security of municipalities due to the local nature of threats are practically not considered. Meanwhile, the entire population of the country is daily faced with many factors that have a restrictive impact on the socio-economic development of the local community, which predetermines the practical significance of developments in the field of economic security of municipalities.

Financial resources ownership ensures the economic independence of municipalities, creates a financial basis for economic growth, social and cultural development, high-quality housing and communal services of high quality for the local population. The issues of providing local government bodies with financial resources in amounts sufficient to resolve issues of local importance are actualized from the point of view of the economic security of municipalities. The issues of providing local self-government bodies with financial resources in volumes sufficient to resolve issues of local importance are actualized from the point of view of the economic security of municipalities.

2. The security of financial resources is the main condition for the economic security of municipalities
A municipality is an administrative-territorial unit of the Russian Federation. According to official data [1], as of January 1, 2020, there are 20,846 municipalities, of which 16854 (80.9%) are rural settlements and municipalities, 1673 (8.0%) municipal districts, urban settlements - 1398 (6.7%), urban districts - 635 (3.0%) and 286 (1.4%) intracity municipalities. The predominant part (95.6%) is made up of urban and rural settlements and municipal districts located in the territories of municipal regions, in which slightly less than a third (44.2 million people) of the country's population live. Accordingly, the population of urban districts and inner-city municipalities of cities of federal significance, which
account for only 4.4% of the total number of municipalities, is 102.6 million people or more than 2/3 of the country's population. The predominant part (95.6%) is made up of urban and rural settlements and municipal districts located in the territories of municipal districts, in which less than a third (44.2 million people) of the country's population live. Accordingly, the population of urban districts and inner-city municipalities of cities of federal significance, which account for only 4.4% of the total number of municipalities, is 102.6 million people or more than 2/3 of the country's population.

Within the Economic Security strategy of the Russian Federation for the period up to 2030 [2], the concept of economic security of a municipality can be interpreted as a state of protection of the municipal economy from external and internal threats, which ensures the autonomy and independence of local self-government in conducting economic policy and in relationships with the subjects of the federation. It is obvious that the economic security of a municipality can be achieved only if it provides financial resources in an amount sufficient for the effective implementation of local self-government and the development of the municipality. The level of financial security of the municipality, in its turn, characterizes the financial viability of local governments in resolving issues of local importance and the possibility of exercising delegated powers by higher levels of government and administration.

Local self-government bodies function in the system of market relations not only as power structures, but also partly have commercial opportunities, creating, in conditions of a limited resource base, municipal entrepreneurial structures (enterprises, banks, insurance companies, etc.), establishing relationships with non-municipal business entities, developing municipal-private partnerships. At the same time, the state of the municipal property complex and the amount of money consolidated at the disposal of local self-government bodies directly depends on the degree of their economic activity, the ability to use the competitive advantages of the municipality, namely, territorial, geographical, cultural, historical, demo-graphic and others. The security of local self-government with financial resources from the point of view of the economic security of municipalities can be characterized based on the criteria of financial independence and sustainability of the local budget.

3. Interpretation of the concept of "municipal financial resources": conceptual approaches

Since there is still no unambiguous and well-grounded definition of the scientific concept of "financial resources", discussions on the interpretation of the essence of "municipal financial resources" also did not lead to a unanimity of views, which can be explained by a high degree of abstraction of the basic economic category "finance". Differences in the interpretations of the essence of financial resources are associated with the full coexistence of two main theoretical concepts of finance in Russian economic science: distributive and reproduction.

The distributive concept of finance connects the emergence and functioning of finance only with their distributive function, without denying the relationship with other stages of the reproduction process. The adherents of this concept believe that financial resources are part of the monetary funds at the disposal of business entities, citizens and the state, which can be materialized in fixed assets, the use of which will provide income.

The reproduction concept of finance proceeds from the fact that relations regarding the formation of financial resources arise in all spheres of value movement of the social product and national income, since the distribution share takes place at each stage of the reproduction process. Financial resources as an integral part of finance represent at the national level the gross domestic product and national income, and at the microlevel of the economy - a part of the gross income directed by a business entity for investments, which determines the specifics of financial resources as part of money circulation.

Some authors consider financial resources as an integral part of the concept of "resources", other authors represent financial resources through the concept of financial flows in monetary terms, some authors identify financial resources with money capital. In the market system of economic management, financial resources should be understood as the totality of centralized funds of national finance and decentralized funds of economic entities and households. The form of existence of financial resources is money.
Since all business entities, including state and municipal bodies, have economic resources and operate in a certain territory, the monetary funds and financial assets generated by them in the process of distribution and redistribution of the aggregate social product and national income are constantly consolidated into centralized and decentralized funds of funds. The financial flows’ completeness circulating between business entities and forming financial resources at their disposal depends on the amount of cash in circulation.

In our opinion, the concept of "municipal financial resources" should be detailed, highlighting two interrelated categories - "financial resources of a municipal formation" and "financial resources of local self-government", some of the fundamental differences of which are presented in Table 1.

**Table 1. Differences between the categories of "municipal financial resources" concept.**

| Signs of difference | Financial resources of the municipality | Financial resources of local government |
|--------------------|----------------------------------------|----------------------------------------|
| Content            | limited to the territory where local government is exercised | limited to belonging to the owner - local government |
| Formation basics   | financial potential of the territory, municipal economic policy | municipal finance legislation, powers of authority |
| Essence and composition | reflect all financial resources generated within the boundaries of the municipality | reflect the financial resources mobilized at the disposal of local governments |
| Affiliation and purpose | belong to different owners, satisfy private and national needs | intended to ensure the tasks and functions of local government |
| Sources            | income of business entities, households, financial resources of the credit system and the stock market, government bodies and local governments | tax, non-tax and other obligatory payments, gratuitous receipts, sources of financing the local budget deficit |

Within the market concept of finance, the approach to the interpretation of the essence of municipal financial resources can be expressed in the following main positions:

1. Since the formation of municipal financial resources takes place within the boundaries of a certain territory of the municipality, there is an inextricable connection with the territorial foundations of local self-government;

2. Municipal financial resources as a factor of production represent financial and monetary capital and, having a high degree of mobility, are able to easily move from one industry or field of application to another, exerting, with skillful manipulation, a significant impact on the socio-economic development of the municipality;

3. The monetary form of municipal financial resources makes them the only type of resources, which in the shortest possible time can be transformed into any other type of resources necessary for the municipality, in contrast to material, labor, natural and other resources;

4. Municipal financial resources mediate financial relations and act as their material carriers, forming the basis of property and non-property relationships of local government bodies with various economic entities.

The main requirements for the financial resources of local government are formulated in the European Charter of Local Self-Government [3]. These include: the sufficiency of own financial resources and their proportionality to the powers granted; freedom to dispose of these funds in the exercise of their own functions; receipt of at least a part of the financial resources of local self-government...
through local fees and taxes; protection of weaker local governments through financial equalization procedures; the provision of subsidies should not compromise the freedom of choice of local government policy in the area of their own competence.

4. The state of financial resources of local self-government in the context of the economic security of municipalities

The municipal financial system is structurally a combination of various financial spheres, links, institutions, foundations that mediate the formation and use of various monetary funds at the level of the municipality. Through developing within the municipal financial system of socio-economic relations (budgetary, extra-budgetary, insurance, etc.), there is a movement of financial resources, causing the formation and use of various monetary funds for local purposes. Participants in the process of formation and use of financial resources in a municipality are all subjects of municipal economic relations (individuals and legal entities) located and functioning on its territory.

As part of the financial resources of municipalities, the central position is occupied by the financial resources of local self-government. The process of formation of financial resources of local self-government is embedded in the general state financial system, built on the principles of budgetary federalism.

From the point of view of the economic security of the municipality, within the boundaries of which local self-government is carried out, it is expedient to consider the mobilization financial resources at the local self-government bodies disposal of in the institutional aspect from the standpoint of the role and functions of organizational structures in the process of financial support for resolving issues of local importance. All elements of the organizational and institutional structure are interconnected and interact with local self-government bodies, which independently manage their property, land, financial and other resources. Neither the available resources, nor the profit received from their exploitation, can be used by municipal structures in spheres that are not related to the interests of the population forming the local community, in contrast to commercial organizations, the purpose of which is to generate profit in the interests of beneficial owners.

The interaction of local governments on the formation and use of financial resources is carried out through financial relations. Financial bodies of local administrations coordinate financial relations within the framework of their executive and administrative powers, which are also entrusted with the function of planning and executing local budgets, building a controlling system for administrators of budget funds and budget recipients, pursuing a unified municipal financial policy, including budgetary and tax.

The satisfactory state of the financial resources of local self-government is becoming the most important characteristic of the economic security of municipalities. The financial resources of local self-government are concentrated in local budgets, therefore their condition can be evidenced by absolute and relative dynamic budget indicators, for example, the total volume and structure of local budget revenues, specific budget indicators, average per capita income and the level of subsidies to the local budget, and others.

Municipalities of the Russian Federation are numerous, heterogeneous and differ in their legal status, population, functional criterion, the nature of the building, degree of urbanization and other features. The mechanism for the formation of financial resources in each type of the organizational structure of municipalities has certain features arising from its specifics. Urban districts and intracity municipal formations are traditionally perceived as the most stable type of municipal formations, local governments of which have at their disposal the most stable local budgets.

For the convenience of analytical procedures, we will combine urban districts, urban districts with intracity division, intracity districts and intracity municipalities of cities of federal significance [4] with the concept of urban municipalities, and urban and rural settlements, municipal districts and districts with the concept of municipal areas with settlements.
The following table 2 shows some indicators calculated according to the official data of the Federal Treasury [5] and the municipal statistics of Rosstat [6], characterizing the state of the financial resources of local self-government of municipalities of various types.

### Table 2. State indicators of financial resources of local self-government of the Russian Federation in 2019

| Indicators                                           | Urban municipalities | Municipal areas with settlements | Average for municipalities of all types |
|------------------------------------------------------|----------------------|----------------------------------|----------------------------------------|
| Average size of local budget revenues, million rubles| 2818,5               | 116,8                            | 226,7                                  |
| Average per capita revenues of the local budget, thousand rubles | 2530,4               | 4816,2                            | 3219,3                                  |
| Share of tax and non-tax revenues in total local budget revenues, % | 39,2                 | 27,8                             | 34,1                                    |
| Share in the total volume of tax and non-tax revenues of local budgets, % | 63,1                 | 36,9                             | 100,0                                   |
| The level of financial dependence of the local budget, % | 60,8                 | 72,2                             | 65,9                                    |
| The level of subsidization of the local budget, % | 8,0                  | 21,0                             | 13,8                                    |
| Coefficient of general financial stability of the local budget | 0,4                  | 0,3                             | 0,34                                    |
| Coefficient of aggregate financial stability of the local budget | 1,0                  | 1,0                             | 1,0                                     |

Analysis of the state of financial resources of local self-government shows that in general for the Russian Federation the average revenues of the local budget for the last year are rather low and amounted to 226.7 million rubles. For urban municipalities, this indicator is 24 times higher than for municipal districts with settlements, which is justified by the peculiarities of their purpose, the specific infrastructure of the local economy and other distinctive characteristics. The average per capita income of local budgets in the country is 3219.3 thousand rubles. More "wealthy" were municipal areas with settlements, where this indicator is 1.5 times higher than the average, while in urban municipalities its value is 21.4% lower than the average.

The indicator of the share of tax and non-tax revenues in the total volume of revenues, characterizing the independence of local budgets from external sources of funding, demonstrates that local governments can regulate only 34.1% of their financial resources, making efforts to increase revenues to local budgets and increasing the efficiency of municipal property management. In urban municipalities, this indicator is 5.1 percentage points higher, since 63.1% of tax and non-tax revenues of all local budgets of the Russian Federation are collected in their territories, which indicates their great independence in making financial solutions. Only 36.9% of tax and non-tax revenues of all local budgets are collected in the consolidated budgets of municipal districts, and their local self-government bodies have the ability to control a little more than a quarter (more precisely, 27.8%) of their budget revenues.

With little ability of local self-government bodies of municipal districts with settlements to regulate the process of generating revenues of local budgets within the provided budgetary and tax powers, the level (72.2%) of their financial dependence on financial assistance allocated from regional and higher local budgets in the form of grants, subsidies and subventions. At the same time, the budgets of urban municipalities are characterized by a lesser degree of dependence on the financial decisions of the constituent entity of the Federation, since they are formed at the expense of gratuitous and irrevocable receipts from outside by 60.8%. The average level of financial dependence of local budgets in the
The country as a whole is quite high and amounts to 65.8%. This provision is confirmed by the indicator of subsidization of local budgets. So, due to subsidies for leveling up budgetary provision, 13.8% of own revenues (excluding subventions) of local budgets of the country are formed. The values of the indicator vary significantly according to the types of municipalities: in the budgets of urban municipalities - 8%, in the budgets of municipal districts with settlements - 21%.

Indicators of the budgetary sustainability of municipalities, defined as the ratio of various elements of the revenue and expenditure parts of the local budget, are very informative. The coefficient of the general financial stability of the local budget characterizes the degree to which local budget expenditures are covered by tax and non-tax revenues [7] and shows that, in general, Russian municipalities are able to cover their current expenses with tax and non-tax revenues only by 34%. Unfortunately, we have to admit the financial instability of local budgets, since the coefficient values are extremely low, both in the group of urban municipalities (0.4) and in the group of municipal districts with settlements (0.3). Therefore, the indicator of total financial stability is more relevant, which gives an assessment of the degree of coverage of expenses by all revenues coming to local budgets. Its value, equal to 1 for all types of municipalities, characterizes the borderline level of financial stability of financial resources of local government.

5. Conclusion
The essence of the concept of "municipal financial resources" consists in their inextricable connection with the territorial foundations of local self-government, their representation as a factor of production with a high degree of mobility, as the most liquid asset and material carrier of financial relations in the territory of the municipality. The categories "financial resources of the municipal formation" and "financial resources of local self-government" differ in content, essence and composition, basis and sources of formation, belonging and purpose.

The financial viability and independence of local self-government bodies in resolving issues of local importance and the execution of delegated powers can be determined on the basis of financial stability indicators of the local budget. Analysis of the financial resources state of local self-government showed that according to the criterion of per capita revenues of the local budget, urban municipalities turned out to be less "rich", although much more tax and non-tax revenues are collected in their territories in local budgets. At the same time, municipal districts with settlements are more dependent on regional interbudgetary transfers, which equalize the level of their budgetary provision.

In general, in the Russian Federation, all municipalities have a minimum financial stability level, provided that the costs are partially covered by financial assistance from regional and higher local budgets. In conditions when own tax and non-tax revenues cover only one third of the costs of local budgets, the activities of local governments are financially dependent on external sources of funding.

6. References
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