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**STATE SUPPORT FOR REGIONAL DEVELOPMENT**

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**Abstract**

The article discusses the role and importance of financial levers for the development of regions. Of paramount importance are state and municipal finances, which are the leading link in the financial system, characterized by the unity of the top financial categories: taxes, government spending, and government credit in their operation. It is noted that the self-elimination of the state from the financial sector may lead to the fact that the economy will lose one of the most important internal channels of large-scale, long-term investment resources. The issue of state participation in the activities of the financial sector is strategic. It should be addressed not only from the standpoint of ensuring state economic security, but also, above all, from the perspective of increasing the efficiency of the financial system and ensuring economic growth. All investment projects proposed for financing from the state budget must comply with the priorities of the country's social and economic development. It is noted that a single integrated reproduction management process makes it possible to carry out constant feedback on assessing the efficiency of resource allocation. In this situation, constant monitoring of the implementation of projects and the search for real areas of investment in the economy comes to the fore. Based on the analysis of scientific approaches, the author concludes that, along with purely financial results, the commercial use of budget funds can allow expanding and strengthening of regional authorities influence on entrepreneurial structures that are involved in the sphere of budget funds turnover.

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## 1. Introduction

The relevance of the topic is because state support weakly stimulates the development of regions. Commercial bank loans are too expensive, businesses, even with a normal financial situation, can hardly use them. As a rule, commercial banks do not provide long-term loans, especially those required for investment. The effectiveness of state regulation of the development of the financial system largely depends on how various well macro- and micro-instruments are combined, as well as on control over the targeted use of incentives. In current conditions, the priorities of human development, high-quality investments in human potential are the starting factor of social progress, as seen in the XX century. Investments in this area are the most effective in the scale of generations. The stability of the region's economy is largely based on the stability of the credit and financial system. As the analysis showed, during the period of reforms, the use of banking instruments as supporting structures for financial support of economic growth did not achieve the expected result. All investment projects proposed for financing from the state budget must comply with the priorities of the country's socio-economic development.

## 2. Problem Statement

Regional segments of the Russian banking system are formed and developed under the influence of two external parties. As links of the national credit and financial system, they function according to universal norms and rules for the country and following the macroeconomic environment. The economic situation influences sectors of the regional economic system in a particular territory. They are forced to take into account the peculiarities of the development of the regional economy. Practice shows that the banking system does not yet make active investments in the economy, since enterprises mobilize up to 60% of investment resources within themselves, without resorting to the services of the financial sector. Market factors of economic growth by themselves are insufficient to ensure the required rates. In this regard, it is necessary to strengthen state support for economic growth and regulation of the economy through the implementation of an active state economic policy, including the activation of final state demand, a sharp increase in the participation of the state in the investment process. Thus, the relevance of this study is determined by the fact that an efficient banking system should become the most crucial pillar of the state in implementing this policy. Its relations with the state should be based on the principle of strategic partnership, which means a mutual interest of the state – in effective business, ensuring economic growth, and business – in an effective state that creates favourable conditions for the development of the national economy and ensures the protection of its interests. However, each region is looking for its base of entrepreneurial activity, within which the central place is given to the creation of a system of regional financial instruments.

## 3. Research Questions

Among the most significant tasks of state policy are:

- forming a strategy of monetary regulation in a single complex with the general economic, industrial, financial policy of the state, in order to ensure the concentration of financial resources on the main national economic goals;

- expansion of the activities of credit institutions to attract funds from legal entities and the population and their effective investment in the real sector of the economy;
- strengthening the systemic stability of the banking system.

The main results of the implementation of state policy in the development of the banking system should be

- strengthening the functional role of the banking system in the economy;
- significant growth in investment in the real sector of the economy;
- increasing the rate of economic development of the country;
- stimulating the development of small and medium-sized businesses, housing construction, trade;
- reliability of the banking system and the stability of the economy as a whole.

As scientists point out, this equally applies to the state policy pursued by the constituent entities of the Russian Federation (Inalkaeva, 2019).

The direct influence of the state on the functioning of the banking system, including through its participation in the capital of credit institutions, is limited and is determined by economic efficiency. The practice of industrialized countries proves the effectiveness of including the problems of maintaining economic growth in the competence of central banks (Shovkhalov, 2019).

As Goreglyad (2020) points out, "the development of equal and fair competition in the banking services market is associated with a gradual economically justified decrease in the share of the state in the capital of credit institutions" (para. 6). The following point of view is more economically justified: Each region is looking for its base of entrepreneurial activity, within which the central place is given to the creation of a system of regional financial instruments. It is advisable to create regional banks, including insurance, investment and leasing companies. Along with purely financial results, the commercial use of budget funds can allow expanding and strengthening regional authorities influence on entrepreneurial structures that are involved in the sphere of budget funds turnover. Getting the opportunity to attract budget funds to implement their projects, business "pays" for this by increasing its dependence on government structures, dependence based on ruble control, and therefore the strongest in the market economy (Petrova & Shovkhalov, 2016).

Goreglyad (2020) also points out that for the implementation of long-term strategic investments, large-scale, long-term resources are needed, the main internal source of which can be, in particular, the state. The experience of many countries (Germany, Austria, Israel and other countries), where the state's share in the banking system remains high, testifies to the advisability of maintaining a certain scale of the state's presence in the financial and banking system through specialized institutions or in other forms (Petrova & Shovkhalov, 2016).

Self-elimination of the state from the financial sector may lead to the fact that the economy will be deprived of one of the essential internal channels of large-scale, long-term investment resources. The issue of state participation in the activities of the financial sector is strategic. It should be addressed not only from the standpoint of ensuring state economic security, but also, above all, from the standpoint of increasing the efficiency of the financial system and ensuring economic growth. The state cannot and should not take upon itself the solution of the issues of ensuring economic growth only through state

investments. However, it can and should support positive changes in the structure of production with financial resources. All investment projects proposed for financing from the state budget must comply with the priorities of the country's social and economic development (Inalkaev, 2019).

It should be noted that the indicators of the financial balance allow determining the financial stability of the region. In case of violation of the principle of correspondence of costs to the capabilities of the authorities of a certain territory, resources in both the public and private sectors will be allocated inefficiently, which will lead to financial and economic losses.

The financial balance is an important analytical tool when designing the regional budget and forecasting the sources of capital investments that are formed on the territory of the subject of the Federation. The problem of analyzing the balance of financial resources is of paramount importance for all authorities of all regions and federal authorities. Currently, many methods of budget forecasting and planning have been developed, including expert, factual, which, in turn, consist of logical and mathematical methods. In modern Russia, the use of complex mathematical methods is constrained by financial constraints and the absence of an integrated system for managing public financial activities. Therefore, the attention of scientists and practitioners is attracted by the consolidated financial balance, which was effectively used in budget forecasting and planning even in the period of the planned economy.

At present, the method of the consolidated financial balance has become more complicated; the results of forecasts and plans are close to those obtained using econometric and regression models. The financial resources balance method allows avoiding the errors inherent in mathematical modelling methods and developing sufficiently accurate forecasts of tax and non-tax revenues, as well as budget expenditures in the context of the functional, economic and departmental classification of the Russian Federation. It should also be noted such advantages of the financial balance as relative simplicity, coverage of the resource system and structural compliance with financial flows circulating between the managing and controlled subsystems of the economy.

The adoption of a new concept for the formation and functioning of the regional level on a new basis can be defined as two main directions of development of the financial system, in which the financial balance sheet toolkit can play a significant role:

a) elimination for a large group of regions of the phenomenon of "artificial subsidies <sup>TM</sup>" with a narrowing to a "minimum" of the components of inter-budgetary relations as financial assistance from the federal budget to equalize budgetary provision;

b) replacement in some cases of financial equalization with a model of special budgetary relations, first of all, in relation to highly subsidized regions in a state of a stable financial crisis;

c) amendments to the already operating model of inter-budgetary relations and, first of all, to the method of allocating funds from the federal fund for financial support of the constituent entities of the Russian Federation, this mainly concerns the methodology for assessing the tax potential of constituent entities of the Russian Federation, taking into account which the volumes are currently being determined federal financial assistance from the Fund for Financial Support of Regions (Arsakhanova, 2010).

It should also be noted that optimization and balance calculations are an essential tool for the sectoral distribution of production. Balance calculations play an important role in determining the

location and development of production. Along with the identification of the comparative regional efficiency of the location of the enterprise and the industry, reasonable rates and scales of production growth in different regions are established.

Summing up, we can say that in the current system of the consolidated financial balance sheet, the private sector of the economy in terms of income is represented by such financial flows as the balance sheet profit of enterprises and depreciation deductions. All other items of the consolidated financial balance are the movement of centralized funds. This diagram does not exhaustively illustrate the "balance" of financial flows of the public and private sectors of the region's economy, since it does not represent income and expenditures of the household sector (except for tax payments received from it). The latter takes out of the financial balance the income of the population (individuals), one of the most important components of the tax base of the region and its possibility of expanding (Inalkaev, 2017). Nevertheless, in the current, and even more so in the potentially broader model of consolidated financial the balance sheet, one can find tendencies of "over-taxation" of the regional economy – both producers and consumers, if the share of financial flows decreases, and the share of centralized income (excluding the balance of relationships with higher budgets) – increases. Thus, the financial balance reveals itself as one of the crucial tools necessary for the implementation of economically justified criteria for the introduction of special budgetary regimes concerning individual subjects of the Russian Federation, as well as for the subsequent monitoring of the effectiveness of measures for financial stabilization of regions.

#### **4. Purpose of the Study**

The article is aimed to theoretically substantiate the directions for the development of the regional financial system and develop recommendations to improve its efficiency, based on attracting the region's internal and external reserves, contributing to the economic growth of the constituent entity of the Russian Federation. The constituent entity of the Russian Federation is relatively independent, which, first of all, is supported by its financial base. Financial security implies the existence of its financial system. It should be emphasized that in the conditions of a market economic system for the development of one's financial system, the development of entrepreneurship in the territory of a constituent entity of the Federation is of particular importance (Chaldayeveva, 2012). The Russian Federation has legislation that allows the organization and development of large, medium and small businesses. Business development, in its various forms, expands the tax base of the region. It increases the financial activity of taxpayers not only to pay taxes established by law but also to conduct active investment activities.

#### **5. Research Methods**

The solution of these problems predetermines the widespread use of such scientific methods as dialectical, which makes it possible to study economic phenomena and processes in their constant development and interconnection, methods of systemic, comparative, economic, statistical analysis and generalization, with the help of which numerical information is systematized and reflects data on qualitative characteristics of the phenomenon.

## 6. Findings

This article is of interest to students, graduate students, teachers involved in various types of practice related to legislative activity. The theoretical provisions and conclusions contained in work will contribute to the development of scientific knowledge about the features of the legislation.

## 7. Conclusion

The main feature of financial relations, distinguishing from the general system of economic relations, is that financial relations are manifested through the movement of money, cash flows. Cash flows are carriers of financial relationships. The most important qualitative characteristic of finance is its ability to reflect the volume and movement of material assets and services. It is this quality that makes it possible to use financial relations in the process of managing the economy as a whole, in increasing its efficiency, as well as in managing enterprises and corporations. Financial relations are based on the financial and material balance of the economy (Petrova et al., 2018).

The essence of financial incentives is to influence the interests of enterprises and organizations by creating such conditions for the activities of market economy entities that encourage them in the course of solving their socio-economic problems to solve the problems of the state and society simultaneously. The solving of these problems requires a practical and financial mechanism that comprehensively takes into account the entire system of interests of the emerging market economy. In these conditions, the most responsible and challenging part of the implementation of the task of ensuring economic growth is ensuring the flow of financial, including government, resources into the real sector of the economy.

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