

# Фінанси і банківська справа

JEL classification: H7

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## **Ways of ensuring financial self-sufficiency of rural territorial communities**

*The authors of this paper research the opportunities for improving the mechanism of financial potential for development of Ukrainian rural communities. They also analyze problems of providing rural territorial communities with their development in case of differentiation of rural territorial formations on the basis of cultural and socio-economic development of appropriate territorial communities considering geographic location, endogenous and exogenous relations.*

*Keywords: rural territorial communities, mechanism of financial providing of rural territorial communities development, self-taxation, impact factors of development of rural community, policy of rural development*

*Statement of the problem.* The study, analysis and consideration of all aspects of the impact upon the implementation mechanism of financial support of the development of rural communities in Ukraine clearly demonstrate the inadequacy and inefficiency of the operation of all components of the system. Firstly, the operation of any system at a high-performance level implies and requires sustained and a specified exposure determinants to it, allowing for long-term development strategy to form the system. According to rural communities, each of them as a separate system develops under the influence and with support of the budget system of Ukraine. The budget policy for the development of rural socio –spatial formations changes almost every year, and more important that «low level of development of rural territories is caused by the residual principle of financing of their needs» [1].

Equally important is the fact that the countryside is not even defined as a separate single object of management. The result is the inability to determine the detailed needs of rural communities and the lack of opportunities to meet their formation algorithm.

As can be seeing, the problem of improving the mechanism of the financial security of rural communities includes not just specific steps of changing the fiscal policy and other economic impacts. It is necessary to change radically the attitudes and perceptions of the concepts of «territorial commune» and «financial security mechanism of rural communities, «and treat them as integral multistructural and multifunctional system elements – components of the bodies of government.

*Analysis of recent studies and publications.* In recent years, the topic was identified in a separate line of study by such economists as O. I. Pavlov, who has identified the need to differentiate the village as a separate object of management, as well as M. Malik, V. Pulima, V. Borschevsky, N. Il'chenko

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and L. Tychkovska, who believe that sustainable rural development must begin with developing a program of a particular locality.

*Task statement.* The purpose of the article is to determine the main problems that prevent the achievement and ensuring of independence and self-sufficiency of rural communities and to develop specific recommendations and proposals on options to improve the current situation in the country on the path to real self-sufficiency of local government.

*The core material.* Specific changes in the tax and budget legislation towards improving the financing of local budgets do not solve the problem of financial security of rural communities. The budget cuts, unstable economic and political situation in the country tied in necessitate the need to accumulate internal resources of the community and locality. This implies the following important vector for improvement of the mechanism of financial support for territorial communities – for their self-government and self-sufficiency. In particular, in some rural areas, where the level of financing of social sphere is insufficient, it is necessary to use a tax form that is not part of the tax system in Ukraine – self-taxation.

Article 1 of the Law of Ukraine «On Local Self-Government in Ukraine» determines self-taxation as a form of involvement on a voluntary basis by the decision of local residents, of their funds to be used for one-off social need. The legislation effective in Ukraine for now is the Decree «On self-taxation of rural population» passed on the 23rd April 1984 by the then Presidium of Verkhovna Rada (Supreme Council) of USSR, which specifically determines that self-taxation may be carried out in rural areas to raise additional funds for the implementation of measures for the improvement of welfare and socio-cultural development of the village.

Self-taxation is organized by the village council together with local residents according to the algorithm of determination of payments and their collections which is specified by law (Fig. 1).

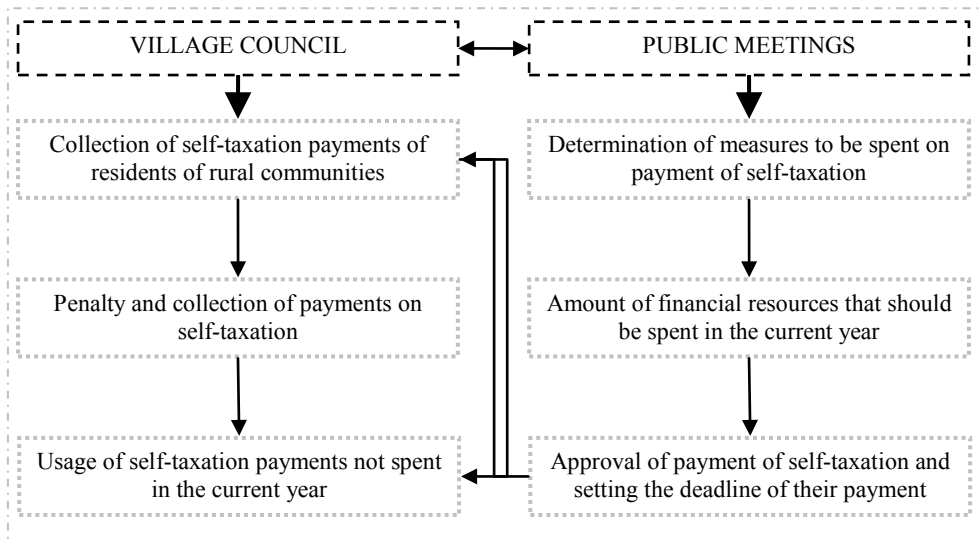


Figure 1. The algorithm of self-taxation in rural local communities

Implementation of this objective will solve one more essential problem. It is important that the process of economic development should be of a truly local nature, because in that case it will engage people not only in entrepreneurial projects, but also in social processes.

The process due to its local nature is aimed to help people to identify and form their own management and organizational base. It means that the socio-economic development of rural areas should be based on bringing together community's efforts, local authorities and government and all producers in the territory. Each of these subjects is given a place and a role in this process: local authorities with civil society groups determine priorities and stages of development of rural social sphere, and production structures by increasing the efficiency of production and tax revenues to local governments, which contributes to their financial resources. [2].

Currently the development of business in rural socio-spatial formations is inhibited by the system of regulatory policy concerning small administrative units. «It is not impossible to provide revitalization of small business of rural territories without liberalization of fiscal legislation and reduction of administrative burden imposed by inspection services» [3]. The vector of budget federalism implementation is necessary for Ukrainian village today; it means the direction towards obtaining specific, though limited by government, self-reliance and self-sufficiency. This, as can be seeing, is directly related to the development of business in the village, as an incentive for economic activity of enterprises and their development, and therefore the investment in the prosperity of the latter. The development of enterprises will create more jobs, improve employment in rural areas and increase revenues to local budgets through taxes.

We believe that an important improvement can be achieved by way of financing in which all revenues received from agriculture by large agricultural enterprises located in rural areas, are distributed directly for the needs of rural development, rather than through the budgetary mechanism. This is a constructive and a transparent way of self-financing of rural spatial formations, and also of forming of social responsibility of agribusiness [4]. Of course, it is possible only for those villages, which can be designated to typical rural (agricultural) areas [5]. But it applies to the majority of Ukrainian villages located in the central, central-eastern, north-eastern and southern regions.

Agribusiness development in rural areas and its reorientation to ensure implementation of mentioned tasks is possible only in case of investment activity and financial support. The main financial sources of increasing of investment activity of territorial communities in rural areas are shown at Figure 2.

Specific sources of local community investments mentioned here are not accidental. As already noted, in case of difficult economic situation in the country and the lack of funding, community itself should be the main subject of financial provision of local projects and business development as a key participant and the object to which this process is affected. And «a participation – is the process which allows stakeholders to influence in

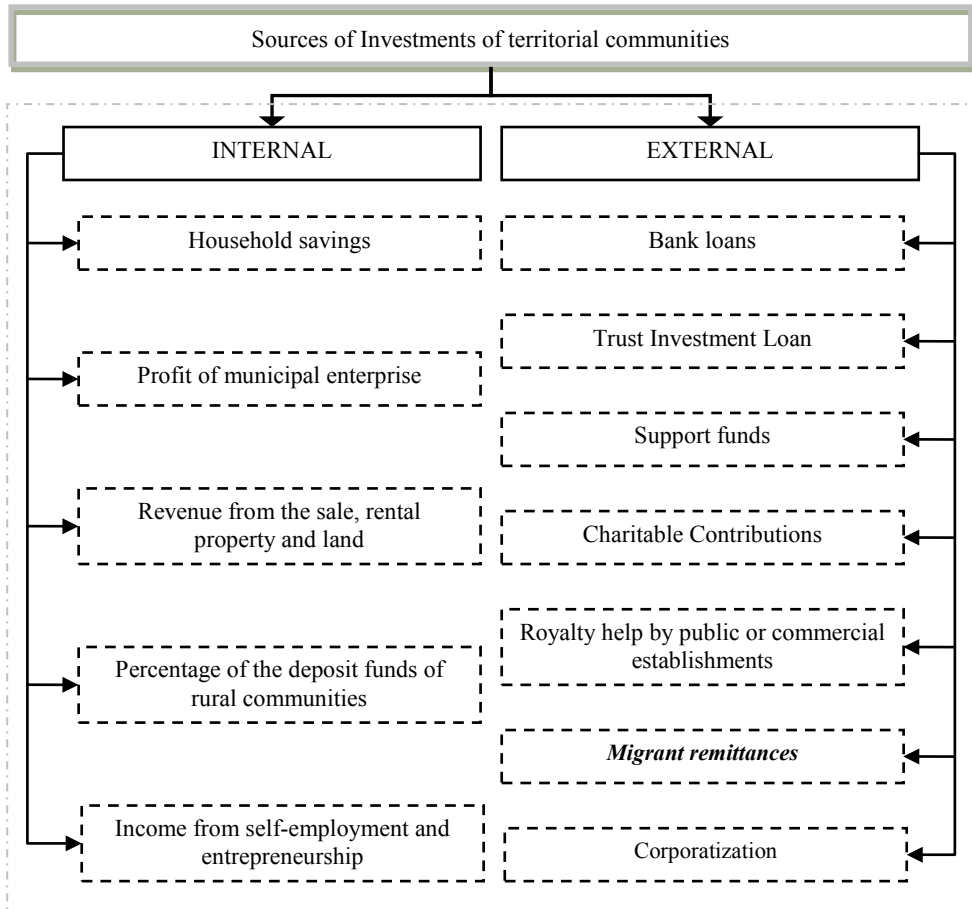


Figure 2. Sources of investments of territorial communities

development initiatives and carry out joint control over them, as well as to participate in decision-making and allocation of resources» [6, 7]. That is, «people, who have the right to vote in making decisions, are more willing to pay the cost. Besides, the effectiveness and efficiency of programs and projects have been improved» [7].

The problem of improving the financing of the agricultural villages depends directly on agricultural development, as well as the development of the latter depends on the situation of local governance, the political situation and the participation of communities in the management of territorial settlement. In case of «mixed» type of villages, improving the financial provision of development of a rural formation depends primarily on the geographical location, which is not only the location of the object in space, but also a set of relationships of this object with the surrounding objects, meaning in this case, the location of a settlement next to an important urban center. It enables city to use all its connections, and allows using its economic and productive resources, social and cultural opportunities, as well as creates its own foundation of settlement development, based on that background.

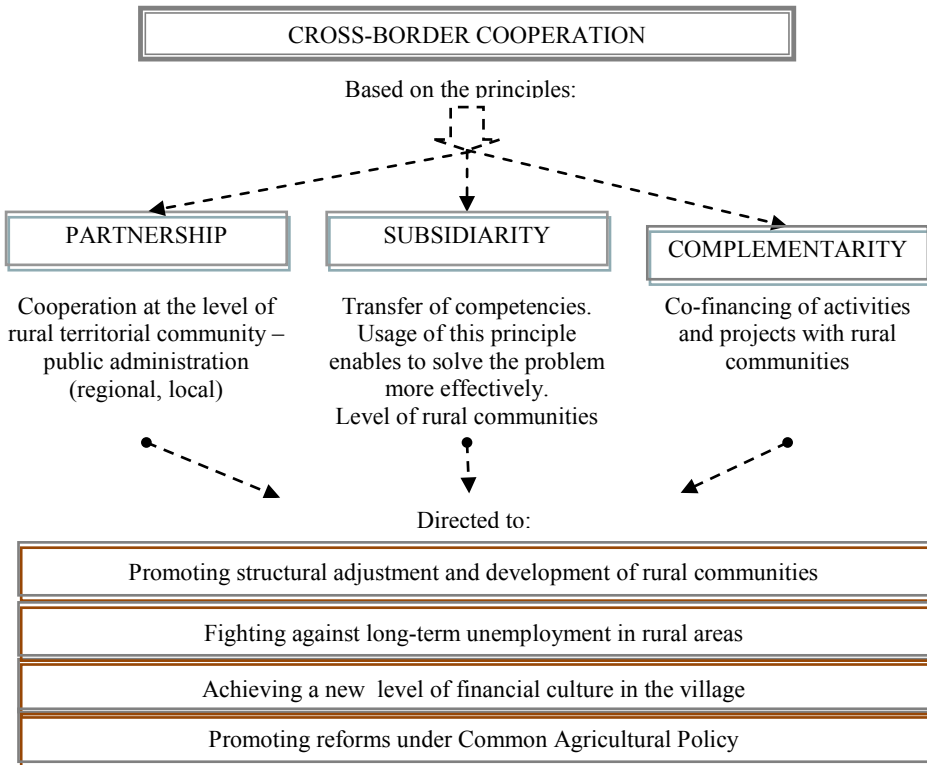


Figure 3. The main aspects of cross-border cooperation with rural socio-spatial formations

As for border villages and areas with tourist potential, it is necessary to emphasize on the benefits of cross-border cooperation. There are 19 border regions in Ukraine (77% of its territory), so the question is not just relevant but also potentially important.

Cross-border cooperation ensures the establishment of social and economic relations based on partnership. The border areas are territories inhabited by a community of people linked by similar cultural characteristics and identical socio-economic problems. This is the basic principle of such collaboration – creation of such connections and contractual relationships in the border areas, which would help to solve common social and economic problems (Figure 3.).

The figure above clearly demonstrates the possibilities of cross-border cooperation, that enables not only to obtain additional financial resources for implementation of important local projects, but allows territorial community to play a major role in such cooperation. Therefore, participation of rural communities in this connection will attract additional necessary financial resources, implement important projects and events (which are important to a particular locality), and ensure the development of rural formation.

Another direction of improving the mechanism of financial support for development of territorial community is the formation of an effective management system, that is, the implementation of rural strategic management. It allows providing a comprehensive view of the problems of

rural areas, processed and analyzed for the time, and formed for a long-term perspective. Strategic management of developing human settlements is a fairly new to the local government as in Ukraine, as in developed foreign countries too. The main goal of the strategic management of the settlement is to improve quality of life through:

Maximum demand satisfaction of citizens (through private and public consumption);

Ensuring the possibility of developing economic activity (a favorable business environment, jobs);

High quality of environment (ecology, land improvement, cultural environment, etc.).

As can be seeing, the implementation of new programs of rural settlement is expected only after a detailed analysis of its features. Received information will determine the social and economic characteristics of rural settlement, its cultural characteristics, divide them into strengths and weaknesses and compare them with the opportunities and predictions. Identifying the strengths and weaknesses of strategic opportunities, monitoring the market threats, looking for positive synergies «strengths – the possibilities», eliminating negative synergies «weaknesses – threats» are main elements of this analysis.

Conclusions. Taking into consideration all the elements of development of rural socio-spatial formation enables determining and implementing the correct perspective and mechanism of financial security of the village. That is the way of ensuring effective rural development, accumulating and correct using both internal and external resources of socio-spatial formation, and involving a community in the process of settlement development.

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**Сторонянська І.З., Пелехатий А.О. Шляхи забезпечення фінансової самодостатності сільських територіальних громад.**

*Досліджуються можливості удосконалення механізму фінансового забезпечення розвитку територіальних громад українських сіл. Обґрунтовано доцільність поширення практики використання такої форми фінансового забезпечення розвитку сільських територіальних громад як самооподаткування, як одного з альтернативних джерел фінансування разових цільових заходів соціально-побутового характеру. Розроблено алгоритм практичної реалізації самооподаткування на рівні територіальної громади, який дозволить створити підґрунтя для активної участі мешканців у розвитку сільських населених пунктів. Наголошено на необхідності поступового розширення джерел та нарощенні обсягів небюджетних фінансових ресурсів, що впливають на підвищення інвестиційної активності територіальної громади на сільських територіях. Запропоновано основні аспекти формування транскордонного співробітництва із сільськими соціально-просторовими утвореннями.*

*Ключові слова: сільські територіальні громади, механізм фінансового забезпечення розвитку сільських територіальних громад, самооподаткування, імпакт-фактори розвитку сільської громади, політика розвитку сільських районів.*

**Сторонянская И.З., Пелехатый А.О. Пути обеспечения финансовой самодостаточности сельских территориальных общин.**

*Исследуются возможности усовершенствования механизма финансового обеспечения развития территориальных общин украинских сел. Обоснована целесообразность распространения практики использования такой формы финансового обеспечения развития сельских территориальных общин, как самообложения как одного из альтернативных источников финансирования разовых целевых мероприятий социально-бытового характера. Разработан алгоритм практической реализации самообложения на уровне территориальной общины, который позволит создать основу для активного участия жителей в развитии сельских населенных пунктов. Отмечена необходимость постепенного расширения источников и наращивании объемов внебюджетных финансовых ресурсов, влияющих на повышение инвестиционной активности территориальной общины на сельских территориях. Предложены основные аспекты формирования трансграничного сотрудничества с сельскими социально-пространственными образованиями.*

*Ключевые слова: сельские территориальные общины, механизм финансового обеспечения их развития, самостоятельное налогообложение, импакт-факторы развития сельской общины, политика развития сельских районов.*

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