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THE ROLE AND PLACE OF FINANCIAL RESOURCES FOR THE DEVELOPMENT OF REGIONS

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Abstract. *The subject of the study.* Financial support for the competitive development of the country's economy is gaining important meaning nowadays. There is determined the necessity of adapting the country's financial system to the European integration priorities of the development and solving the problem issues in the field of attracting financial resources by combining sources of their inflow to improve the efficiency of financial potential management of the country and its regions. The differentiation of regional development is the basis for monitoring the components of sustainable development, including the financial component, in order to further take into account territorial features in the process of the formation of financial resources of the regions. *Methodology.* In the course of the research, based on the synthesis of scientific approaches, an actual vision of the treatment of financial potential is formulated, determined by the aggregate of resource support, in particular, the real and potentially available financial resources, as well as the capabilities of the country, including organizational, managerial, functional, infrastructural, and adaptive for the accumulation of financial resources, their transformation into productive financial capital, its redistribution between economic entities and its use of capital to provide the sustainable development of the country and its regions. *Aim.* It is to explore the structure of the financial potential of the country and its regions, under the influence of transformational changes in the economy, where new elements appear. To generalize the development of foreign economic activity, which makes it possible to include in the composition of possible financial resources of the state and its separate regions a whole group of financial resources that are of external origin, in particular, loans from the International Monetary Fund, the European Bank for Reconstruction and Development, investments in free economic zones and territories priority development, borrowing from international financial markets, technical assistance from foreign non-government financial institutions. *Conclusions of the study.* It should be noted that nowadays, when the financial potential of the regions of the country is formed not only at the expense of budgetary funds, together with the state both the private sector and the population appear as business entities. It is emphasized that the priority in determining the sources that form the financial potential is their territorial membership, within which there are cash accumulation of incomes, economic entities and the population as a result of their production and economic activity, and attracted funds from the side that are concentrated in the respective funds for ensuring the continuity of extended reproduction and satisfying other social needs. A prerequisite for ensuring balanced development of the country and its regions is the sufficiency of financial resources in order to fulfil the functions entrusted to state authorities and local self-government bodies. At the same time, the management of the economic development of the country will take a qualitatively new innovative level, where each member of the territorial community will become a full and active participant in economic relations based on the principles of participation and solidarity in the region, as well as in the country as a whole.

Key words: financial potential, formation of financial resources of regions, financial provision, conceptual approaches, competitive development.

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1. Introduction

Nowadays, in the conditions of the transformational changes of the Ukrainian economy, the financial support of its competitive development becomes of great significance. The necessity of adapting the financial system of the country to the European integration requirements of the formation of a favourable environment for the purpose of economic growth is determined. At the same time, there is a need to resolve the problem issues in the field of attracting financial resources by combining sources of their income in order to increase the efficiency of management of financial potential within the framework of the implementation of the financial policy of the state.

The actualization of the development of an effective mechanism for the formation and use of financial potential, the study of its impact on ensuring balanced development of the regional economic system, requires scientific substantiation and outline of theoretical and practical approaches to its implementation.

Theoretical and methodological substantiation of the economic essence of financial potential and its management, mainly for the purpose of innovation growth of the country and its regions, has been carried out by scientists, in particular: A. Danilenko, B. Boronis, O. Kovalyuk, M. Kozoriz, N. Krasnokutska, M. Krupka, V. Mamonova, M. Skrypnichenko, A. Sokolov, S. Shumska, and others. Regional peculiarities of the formation and use of financial potential have been investigated by M. Kovalenko, T. Matseevich, G. Polevik, N. Radvanska, and others. Despite the significant contributions of domestic and foreign scholars in the area of financial resources of the regions, some aspects of the formation of these resources in the context of transformational changes in the economic system of the country and its regions demand further investigation.

2. The basic research material

The differentiation of regional development is the basis for monitoring the components of sustainable development, including the financial component, in order to further take into account territorial features in the process of the formation of financial resources of the regions. At the same time, the task is to promote the state in the direction of convergence of the socio-economic development of regions through the formation of an effective policy. It should be noted that the finances of the region are an integral part of the state finances. The basis for the formation of financial potential is the incomes and profits of enterprises and population that are located and reside in the region.

In the scientific literature, there are a significant number of definitions of the concept of financial resources of the regions. Thus, the researchers M. Kovalenko, T. Matseevich, G. Polevik, and N. Radvanska investigated the finances of the region, substantiating them as a sphere of mutual relations concerning the circulation of financial resources, where their mobilization, distribution and organization of rational use are carried out. At the same time, according to M. Kovalenko, they are formed at the expense of such elements as: own funds of economic entities, whose commercial activity is carried out in the productive and non-productive sectors; funds of the credit and financial institutions of the region, their district affiliates, as well as branches of credit and financial institutions of other regions operating in this region; funds of public organizations, non-profit funds; funds of the population, in particular, current cash receipts and savings in various forms; funds of regional authorities (regional budget), budgets of cities, towns, and districts. At the macro level, the financial potential of the enterprise is considered by O. Sokolov (Sokolov, 2007), reducing it to the availability of financial opportunities for the purpose of investing funds in current activities, prospective development and increase of its production potential, but without pointing to the sources of such opportunities.

Because of the high level of shadowing of the national economy, as noted by V. Boronos (Boronos, 2011), it is necessary to include shadow capital in the financial resources of the region and their account in the formation of its financial potential, since these funds really exist and can be used to restructure the economy, develop the social sphere of the region, but do not really participate in such processes, therefore, can be considered as potential investment resources.

Along with the financial resources in circulation of enterprises, organizations, population, the financial potential of regions of the country includes the money that can be attracted by the credit and financial system in the process of economic growth, as well as investment resources, which are formed as a result of acceleration of the reproduction process (Mamonova, 2012).

The generalization of scientific approaches to outlining the economic essence of financial potential makes it possible to form its own vision of this interpretation, which is determined by the aggregate of resource provision (real and potentially available financial resources), as well as the country's capabilities (organizational, managerial, functional, infrastructural, and adaptive) for the accumulation of financial resources, their transformation into productive financial capital, its redistribution among economic actors, as well as the use of this capital to ensure balanced development of the country and its regions. This also makes it possible to substantiate that:

- the financial system of any state is formed on the basis of a set of parts of the finance regions, which, in general, constitute the national economy. At the same time, the functionality of financial relations manifests itself both within one country and outside its borders in relations with other countries of the globalization economy;

- there is a close interaction between the categories of financial potential of the region and international financial and intermediary finances;
- the financial potential is determined by a coherent structure consisting of public finances, local government finances, financial enterprises and the finances of the population. Thus, the financial potential of the country depends directly on the capabilities of each of its components.

It should be noted that in aggregate, they constitute the resource base for the formation of the country's financial potential while preserving the specific features of their filling, based on the current legislation of Ukraine on the issues of the formation, distribution, and redistribution of financial resources of the state.

Considering that each participant of the process of forming financial resources is simultaneously a participant in financial relations beyond its limits, it should be assumed that only a part of their own financial resources they will direct to ensure the socio-economic development of the region. The abovementioned fact determines the necessity of studying the resource capabilities of each of the sources of filling the financial potential, based on the following starting positions, in particular:
- belonging to the country's economy, that is, all actors involved in the creation of the financial potential of the country must be registered, located or residing in its territory;
- structure-forming elements of the grouping of sources of the formation of the financial potential of the country adopted common legal requirements for them in relation to the formation and distribution of financial resources;
- the financial strength of the country depends on the effectiveness of financial and economic activities of the participants in the process of forming financial potential. At the same time, the capacity of economic entities depends to a large extent on the financial strength of the country.

Nowadays, when the financial potential of the regions of the country is formed not only at the expense of budget funds, together with the state, private business and the population appears to be business entities. In addition, a significant number of sources for the formation of financial resources, their relative separation, the chaos of movement and interaction, predetermine the diverse nature of market economy subjects.

Thus, the research confirms that the static concept of "financial resources" is gradually transformed into a dynamic concept "financial potential", for the formation and rational use of which it is expedient to plan the movement of financial resources, regardless their origin, including private owners, who also seek to receive the largest profit with the lowest risk.

In a generalized form, the financial potential of a country (region) by sources of its origin is divided into the financial potential of external and internal origin. Thus, the financial potential of external origin includes subventions and subsidies from the state budget, funds that were attracted or borrowed by economic entities and people from sources external to the region, assistance from foreign sources. The financial potential of internal origin is formed primarily through the funds of local budgets, non-budget funds, enterprises and organizations of the region of all forms of ownership and of various spheres of activity, as well as money of the population, that is, the funds that are domestic for this region.

Priority in determining sources that form the financial potential is their territorial affiliation, within which money accumulation of revenues is created, as we have already noticed, business entities and the population as a result of their production and economic activity, and attracted funds from the parties focusing on appropriate funds to ensure the continuity of extended reproduction and satisfaction of other social needs (Figure 1).

In calculating financial potential, the following two approaches can be applied: *differentiating*, which involves determining the financial potential of the main sources of its creation, namely, financial resources of each region of the country; *integral*, determining the overall financial capacity of the country in the implementation of goals of the socio-economic development. However, issues remain related to the assessment of the effectiveness of the use of financial resources in a particular region. The research revealed that, with the identical structure of the sources of formation of regional financial resources, there are significant differences in the indicators characterizing the results of their management, in particular, by the volume of the gross regional product per farm, the average wage per employee, etc.

In the structure of the financial potential of the country and its regions, under the influence of transformational changes in the economy, new elements appear. Thus, the development of foreign economic activity makes it possible to include into a composition of possible financial resources of the state and its separate regions a whole group of financial resources that are of an external origin, in particular, loans from the International Monetary Fund, the European Bank for Reconstruction and Development, investments in free economic zones and territories priority development, borrowing from international financial markets, technical assistance from foreign non-governmental financial institutions. Means from the listed sources may be provided to economic entities of the region, as well as to local governments with a view to solving various socio-economic programmes of territorial development.

A significant role in the investment potential of a particular region, due to the presence of sufficient unused financial resources, belongs to the credit potential of the local banking system since the borrowing capital of the banking system determines the amount of funds, by which the system of commercial banks can increase the mass of money in circulation by providing new

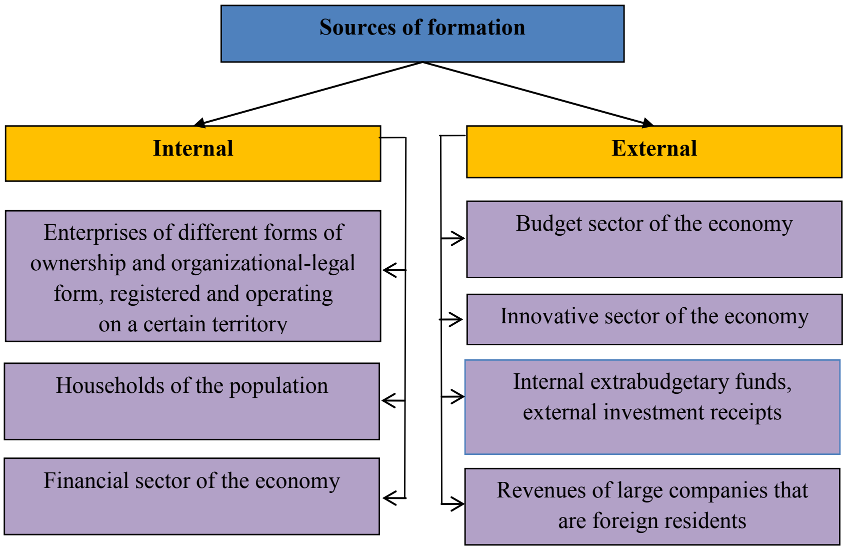

Figure 1. Sources of the formation of financial potential

Source: the author's development

loans to citizens and firms. However, if the borrower's loan is not matched by adequate property or other collateral, the funds of the credit and financial system, in particular, the banking institutions of the region, will remain a potential source of financial resources, or will be withdrawn by this system outside the region.

Business practice shows that at the present stage of the transformational changes in the economic system, funds are separate sources of financial potential of regions of the country: mainly money from local budgets, state and communal enterprises from property privatization or lease, joint-stock companies for the management of corporate rights of local authorities.

One of the main prerequisites for ensuring balanced development of the country and its regions is the sufficiency of financial resources in order to carry out functions assigned to public authorities and local self-government bodies. For this reason, one of the priority vectors of the regional budget policy is the formation of financially self-sufficient territorial communities, each member of which is interested in building up financial capacity, finding ways to transform potentially available financial resources into real, efficient use of available cash to finance important socio-economic programmes, control by the territorial community of the efficiency of spending budget funds and the correspondence of the amount of taxes paid to the size of public goods that must be received by the subjects of economic relations. Consequently, the management of the economic development of the country will take a qualitatively new level, where each member of the territorial community will become a full and active participant in economic relations in the country (region) that will be formed on the principles of participation and solidarity.

3. Conclusions

The research shows that the best option for a complex reflection of the structure of financial potential is a combination of the abovementioned approaches, where the structural basis is made up of actors such as the state, enterprises, credit and financial organizations, households and external organizations that enter into functional relationships (budget, investment, savings) that manifest themselves and are implemented through the use of various funds and sources of financial resources.

Thus, the financial self-sufficiency of the country depends on the availability of financial resources, stable financial capacity, and the ensuring of balanced socio-economic development of the regional economic system to a large extent depends on the effective management of these resources.

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