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APPROACHES TO DETERMINING THE RISK OF LOCAL BUDGET AND ITS COMPONENTS

The essential characteristics and features of fiscal risk are considered in the article. Different approaches to its definition are substantiated. A structurally-logical scheme of the components of risk of local budgets and the main risk-causing factors is proposed.

Key words: risk, fiscal (budgetary) risk, the risk of the revenue part of the budget, the risk of the expenditure parts of the budget, the risk of budget deficit, the risk of interbudget relations.

Statement of the problem. During the period of market reforms the persistent imbalance between expenditure commitments and income opportunities of local budgets is observed. The reason for this is that local budgets are characterized by the high degree of subsidiarity, absence of own powerful capital base for implementation of functions, low efficiency of management financial resources and incuriosity of organs of local self-government in self-development.

Therefore, information on budgetary risks and the use of evidence-based methods of diagnosis and the further use of their results in the performance of budget will allow local governments to increase the effectiveness of budget management.

Analysis of recent research and publications. In recent years, special interest among scholars raise questions of determination of the budgetary risks, such as their identification, assessment and management. Thus, the theoretical fundamentals of justifying budgetary risks are reflected in the writings of Bulgakov S., Mykytyuk I., Ismailov A., Kulchytsky M., Kirilenko O., Chugunova I.

Highlighting of not resolved earlier aspects of the general problem. However, very few works devoted to coverage of the problem of budgetary risks diagnostics and its managing. Given the interest of researchers on this issue, there is a number of tasks that require scientific justification for their decision.

The purpose of the article. The purpose of the article is the highlighting of approaches to the nature of the risks of local budgets and their characteristics, factors that cause them and justifying components of risk of local budgets.

The main material. At the present stage of social development researching of risk, its causes and effects become particularly relevant. The successful settlement of a number of problems of economic and social nature is attributed with their development and use of a variety of traditional and non-traditional methods to minimize their negative effects. Risks are an integral part of all processes of society's life. They depend on a number of factors whose effects can not always be predicted. Increase in the frequency of adverse manifestation of risky situations necessitate scientific study of the nature of the concept. A variety of interpretations of this concept in various literary sources,

as well as the complexity and multiplicity of meanings of this phenomenon make studying of it more difficult. Given this diversity of definitions, we consider it necessary to outline these approaches to the definition of «risk».

Studying of risks in the budget sector is particularly relevant nowadays. We also take into consideration the fact that in the works of domestic and foreign scholars question of the risks in the budget sector is poorly understood and there is no complete definition of «budgetary risk» and risk budget problems in local finance in general are beyond their attention.

Some aspects of budgetary risks on the level of local finance are considered in the works of S.G. Ayupov, M. A. Kayuchkina, O. I. Lebedev, S. V. Podobryayeva, E. A. Stepanova and others. However, these authors have different approaches to the interpretation of this concept.

In normative legal documents, this concept is seen as the risk of significant shortfall of revenues of the state (local) budget, which could lead to an increase in government (local) debt and / or non-compliance of liabilities with the debt service [1, 2].

The views of scholars concerning the coverage of this issue can be grouped into the following approaches:

1) budgetary risk - is the probability of not implementing costs from the budget [3; 4; 5];

2) budgetary risk associated exclusively with probability of non-execution budget revenues compared with the expected value [6; 7];

3) budgetary risk in the narrow sense - a shortfall of income and, consequently, the inability to finance their spending, that is potentially possible deviations in budget indicators from its intended meaning under risk-creating factors [8, 9];

4) budgetary risk in the broadest sense - the probability of non-execution of actions in budgetary planning and fiscal policy in connection with violations in circulation of budgetary resources and their proportions [10];

5) budgetary risk as one of varieties of financial risks, that is such a budget situation where the quality of tax and budget planning and grant funded services decreases [10, 11].

Taking into account all the above said, we consider it appropriate to clarify some definitions fiscal risk. Budget risk – a kind of financial risk inherent in each entity at all stages of the budget process, the result from implementation of which is the deviation of actual results of budget execution from the plan indicators.

The budget as a variety of financial risks has not only its main essential characteristics, but also certain peculiarities [12]:

- budgetary risk as an economic phenomenon manifests itself in the financial sector of the state, at all levels of budgetary system, it is directly related to the process of formation of revenues of state and local budgets, characterized by the possible loss of money in the process of financial performance and budgetary policy of the country;

- budgetary risk appears at all stages of the budget process and is an objective phenomenon in the operation of any state, it accompanies almost all types of financial transactions that relate to the formation of budget revenues and their expenditure at all levels of budget system;

- budgetary risk assumes the need to choose alternative actions, which means to take risks or refuse;

- assessment of the level of budgetary risk is subjective and depends on an assessment of the socio-economic condition of the state, the political component;

- uncertainty always accompanies budgetary risks and describes such their properties as: the risk related to the future and is closely associated with forecasting, risk provides for the probability of adverse situations and the consequences, predictable or not, that is unfavorable situation can happen or not, predictability and consequences of an unfortunate situation means an existence of risk management mechanism ;

- the probability of adverse situations should fluctuate within: more than zero and less than one. In this case, if there is no zero-probability, the risk is absent, and if there's one, a problem of crisis occurs necessarily, but not the risks;

- uncertainty of the effects of budgetary risk is that the deviation from the planned amount can occur as towards reduction and towards increasing the amount of budgetary revenues and expenditures.

The causes of budgetary risks are a number of interrelated factors. Among them it is worth to allocate internal and external, objective and subjective.

The internal include domestic economic policy, planning and implementation of budgets, not sticking to planned revenues, the excess items of expenditure during budget execution, ineffective use of budget funds and more.

External factors related to the environment, that is not directly related to the activities of the state and arise not depending on the participants in the budget process.

Among the main objective factors of budgetary risk it is worth noting economic (economic situation, the level of inflation, the level of citizen income, unemployment, the budget deficit, state debt), political legal (political stability, budgetary, customs, tax legislation), social (standard of living, average salaries, cost of living, the level of pension provision) and demographic.

Subjective factors are shown on the stage of budget planning and depend on the level of professionalism of the budget process participants, taking part in this.

Given these circumstances, we have proposed structural logical scheme of components of the risk of local budgets (Pic. 2), which highlighted the following main types of risks:

- the risk of budget revenues (risk of shortfall of the planned level of income);

- the risk of expenditure part of the budget (underfunding of planned level of costs);

- the risk of budget deficit (risk of inconsistencies between the obligations of expenditures and sources of funding);

- The risk of interbudget relations (risk of inefficient redistribution of funds among regions).

As shown in Pic. 2, each of the selected risks contains certain types. However, it is worth noting the fact that they can be managed and unmanaged by the subjects of the budget process at the local level.

Managed - those subjects which may be affected by the budget process in order to minimize negative consequences by adopting certain management decisions. Unmanaged risks, in its turn, are not influence by budget process subjects, but reduce their negative impact possible with predicting their arising, assessment and consideration at each stage of the budget process.

Conclusions and recommendations. The major types of risks are offered to include: the risk of budget revenues, which involves the risk of a shortfall of planned level of income, the risk of budget's expenditure part, which is the risk of underfunding the planned level of expenditure; the risk of budget deficit that is seen as the risk of mismatch between liabilities under costs and funding sources and the risk of interbudget relations or the risk of inefficient redistribution of funds among regions.

Taking into account risk components of local budgets will allow them to substantiate the approaches to assessment and diagnosis, and to improve their management, which, in its turn, will contribute to the effective management of the budget process and improve the accuracy of forecasting of the amount of revenue and expenditure budgets at all levels.

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**ПІДХОДИ ДО ВИЗНАЧЕННЯ РИЗИКУ
МІСЦЕВИХ БЮДЖЕТІВ ТА ЙОГО СКЛАДОВІ**

Резюме

У даній статті розглянуто сутнісні характеристики та особливості бюджетного ризику. Обґрунтовано різноманітні підходи до його визначення. Запропоновано структурно-логічну схему складових ризику місцевих бюджетів та визначено основні ризикоутворюючі фактори.

Ключові слова: ризик, бюджетний ризик, ризик доходної частини бюджету, ризик видаткової частини.

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**ПОДХОДЫ К ОПРЕДЕЛЕНИЮ РИСКА
МЕСТНЫХ БЮДЖЕТОВ И ЕГО СОСТАВЛЯЮЩИЕ**

Резюме

В данной статье рассмотрены сущностные характеристики и особенности бюджетного риска. Обоснованы разнообразные подходы к его определению. Предложено структурно-логическую схему составляющих риска местных бюджетов и определено основные факторы возникновения рисков.

Ключевые слова: риск, бюджетный риск, риск доходной части бюджета, риск расходной части бюджета, риск дефицита бюджета, риск межбюджетных взаимоотношений.