

Assesment of the Impact of Assets Value on Financial Statuses of Regions

Efremova M.J.

Sabitova N.M.

Kazan Federal University, Institute of Management, Economics and Finance, Kazan, 420008, Russia

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Abstract

We offer to supplement existing approaches to evaluation of financial statuses of governmental units with an index of assets availability which are the basis of their activities. Necessity for consideration of assets dynamics, their structure, as well as quality of their management is proved in the course of evaluation of financial statuses of governmental units. The article makes the evaluation of influence of various assets of constituent entities of the Russian Federation, included into the Volga Federal District, on their financial statuses level; they have been graded with a glance to assets dynamics changes.

Keywords: assets, Volga federal district, region, budget, incomes, non-tax incomes, financial statuses, correlation, rating

1. Introduction

Rating agencies, ministries, and agencies employ such indexes as revenues, expenditures, budgetary gaps, government debt, etc. in making an evaluation of financial statuses of constituent entities of the Russian Federation [1, 2, 6, 10]. At that, such an important factor as assets availability is not taken into account, though this is an activity base of every governmental unit. First, they can serve as a source of an extra budget revenue from non-tax revenues; second, they can be considered as a guarantee in financial operations of a governmental unit. In the course of evaluation of the financial status of the governmental unit it is important to consider not only their availability, but also their dynamics, structure and management quality, and this will be a guarantee of the region financial sufficiency. The issue of evaluation of the financial status of the governmental unit and regions in particular is not a new one: it has been worked out for many years [3, 4, 5, 7, 8, 9].

2. Methods

Estimation of assets indexes influence on non-tax revenues and financial statuses of governmental units at large has been performed with reference to the data from review of budget and balance execution of constituents of the Russian Federation included into the Volga Federal District. We have conducted a correlation analysis for assessment of influence of different groups of assets on the amount of non-tax revenues of regions of the Volga Federal District. We have taken all Volga Federal District regions data for the last five years as a basis. Analysis findings are shown in the Table 3.

We have employed a rank method for evaluation of the financial status of the region: rating of every region of the Volga Federal District has been defined on the basis of the sum of relative values volume (coefficients). Indexes summary has been performed according to the following formula:

$$R_j = x_{ij}/x_{i\text{cp}} \quad (1)$$

Where, R_j – is a relative value of every index in the Volga Federal District region;

x_{ij} – is an actual value of every region's indexes;

$x_{i\text{cp}}$ – is an average value of indexes;

i – is a number of indexes;

j – is a number of regions under analysis.

3. Results

Analysis of statistical data for 2009-2013 has revealed that revenues of all Volga Federal District regions have a steady tendency to the budget increase. Over a period of five years budget revenues of the Volga Federal District constituents

increased 37%, and differentiation among regional revenues remained: the smallest revenues for the stated period were evidenced in the Republics of Mari El, Mordovia, Chuvashia, and in the Ulyanovsk Region; and the Republics of Tatarstan and Bashkortostan, the Samara and the Nizhni Novgorod Regions had the biggest revenues. Primary revenues derived by the Volga Federal District regions are arisen from tax proceeds, which is an evidence of favorable economic climate and good industry development level in constituents of the Russian Federation. An average performance of tax proceeds rate in revenues of the Volga Federal District regions are the following: 52.1% in 2009 and 65.8% in 2013. The highest tax proceeds level in the budget revenue structure can be observed in the Samara and Nizhni Novgorod Regions, the Republic of Bashkortostan and the Perm Territory (65-72% in 2009 and 72-84% in 2013). At that 1 region of 14 constituents of the Russian Federation, namely the Republic of Tatarstan, did not obtain an equalization transfer in 2013 (the same is true for 2009); other constituents of the Russian Federation included into the Volga Federal District obtain the stated transfers. Non-tax revenues of the majority of constituents of the Russian Federation, included into the Volga Federal District, generally have a tendency to growth (amount of non-tax revenues in absolute terms, as well as their rate in budget revenues of constituents increased in five constituents of the Volga Federal District, for instance more than fourfold in the Republic of Mordovia). However, non-tax revenues dropped off in such constituents of the Russian Federation, as the Kirov, Penza, and Saratov Regions, the Perm Territory, and the Republic of Bashkortostan.

Non-tax revenues of governmental units come from a range of sources including assets (according to the Budgetary Code of the Russian Federation, these revenues may include revenues from use and sale of public property). At that, decrease of non-tax revenues rates can be an evidence of assets management quality as well (for example in the trade of unprofitable objects).

The performed analysis of assets dynamics for the period of 2009-2013 for balances of constituents of the Russian Federation, included into the Volga Federal District, showed their increase. But this increase is connected with financial assets in a greater degree. And non-financial assets of constituents decreased in eight constituents of the Russian Federation (Table 1). Regionwide, assets increased, but such increase occurred due to financial assets, while non-financial assets decreased.

Table 1. Assets Dynamics in the Volga Federal District Regions for the period of 2009-2013 mln. rub.

Index Name	Assets			
	Total	Financial Assets	Non-Financial Assets	
			Total	Incl. Non-Financial Treasury Assets
Republic of Bashkortostan	19437,03	27952,11	-8515,08	4353,35
Republic of Mari El	12940,91	14497,26	-1556,35	1866,44
Kirov Region	18389,16	19046,74	-657,57	6345,41
Republic of Mordovia	41643,38	31922,01	9721,36	4423,49
Nizhny Novgorod Region	92273,01	49337,80	42935,21	64572,11
Orenburg Region	20580,24	30272,07	-9691,83	-18,01
Penza Region	22323,91	32151,03	-9827,12	3479,20
Perm Territory	1158,83	39505,20	-38346,4	1502,31
Republic of Tatarstan	162010,7	147948,30	14062,37	7000,77
Samara Region	64052,99	60996,44	3056,54	12047,19
Saratov Region	16800,58	25989,38	-9188,80	474,84
Republic of Udmurtia	9443,21	27659,87	-18216,7	30,12
Ulyanovsk Region	18044,15	16645,02	1399,13	12609,31
Republics of Chuvashia	24928,54	24193,36	735,19	8385,00
Volga Federal District	524026,6	548116,57	-24090	127071,52

Rate of non-financial assets as part of assets of the said constituents of the Russian Federation also decreased from 80% in 2009 to 45% in 2013, and rate of financial assets increased correspondingly (Table 2).

Table 2. Composition and Profile of Assets of the Volga Federal District Constituents in Percentage Terms

Index Name	2009 year			2013 year		
	Non-Financial Assets		Financial assets	Non-Financial Assets		Financial Assets
	Total	Incl. Non-Financial Treasury Assets		Total	Incl. Non-Financial Treasury Assets	
Republic of Bashkortostan	43,73	6,83	56,27	34,94	8,40	65,06
Republic of Mari El	93,05	1,89	6,95	50,85	6,92	49,15
Kirov Region	88,09	16,87	11,91	45,06	25,15	54,94
Republic of Mordovia	86,40	15,04	13,60	50,96	12,56	49,04
Nizhny Novgorod Region	95,62	6,74	4,38	70,37	39,27	29,63
Orenburg Region	76,98	0,27	23,02	28,30	0,13	71,70
Penza Region	95,93	5,16	4,07	39,59	9,35	60,41
Perm Territory	71,49	0,28	28,51	15,15	2,43	84,85
Republic of Tatarstan	52,61	5,75	47,39	34,57	5,16	65,43
Samara Region	83,18	4,25	16,82	55,83	9,33	44,17
Saratov Region	96,91	0,41	3,09	65,19	0,92	34,81
Republic of Udmurtia	79,94	2,20	20,06	26,10	1,83	73,90
Ulyanovsk Region	97,42	1,13	2,58	68,47	23,34	31,53
Republics of Chuvashia	91,10	15,70	8,90	46,25	24,83	53,75
Average Value in the Volga Federal District	82,32	5,89	17,68	45,12	12,11	54,88

Our correlation analysis has revealed that there is heavy reliance between non-tax revenues and assets, including financial assets as well (Table 3). High correlation value can also be observed between non-tax revenues and an aggregate value of financial assets and non-financial treasury assets. Thus, we can observe heavy reliance of non-tax assets with treasury property which is not secured to governmental enterprises and agencies. At that the correlation turns firm with the increase of years.

Table 3. Correlation of Non-Tax Budget Revenues of the Volga Federal District Regions for the period of 2009-2013

Year	Correlation of Non-Tax Revenues with:				
	Assets	Financial Assets	Non-Financial Assets	Sum of Non-Financial Treasury Assets and Financial Assets	Non-Financial Treasury Assets
2009	0,7	0,76	0,51	0,74	0,54
2010	0,73	0,8	0,52	0,81	0,58
2011	0,83	0,8	0,63	0,84	0,46
2012	0,86	0,91	0,59	0,89	0,18
2013	0,9	0,94	0,69	0,94	0,33

For the purpose of finding an ordered estimate of financial statuses of regions we have taken indexes in rubles: regional incomes per capita (one of key indicators of economic development of a region), non-tax revenues entered to the budget of the constituent of the Volga Federal District (they show constituent's assets management quality), assets on balance of every region, as well as quota of revenues exclusively of equalization transfers, in percentage terms.

We have compared real value of index of every region with average value in the Volga Federal District, following which we will make a table defining contribution of every index to the final coefficient. Every constituent will be given a number from 1 to 14 in the rank table according to the value of the final coefficient (Table 4).

Table 4. Ordered Estimate of Financial Statuses of Volga Federal District Regions for 2013

Index Name	Regional Incomes Per Capita	Non-tax revenues	Revenues Exclusively of Transfers	Assets	Final Coefficient	Region Rating
Republic of Bashkortostan	0,93	2,91	1,07	1,80	1,7	12
Republic of Mari El	0,94	0,22	0,80	0,30	0,6	14
Kirov Region	0,92	0,62	0,89	0,36	0,7	13
Republic of Mordovia	1,20	0,56	0,91	0,69	3,4	6
Nizhny Novgorod Region	1,00	1,31	1,08	1,67	5,06	3
Orenburg Region	0,97	0,91	1,09	0,49	3,5	5
Penza Region	0,92	0,29	0,91	0,52	2,64	11
Perm Territory	1,04	1,02	1,10	0,65	3,8	4
Republic of Tatarstan	1,39	3,53	1,10	3,67	9,7	1
Samara Region	1,19	1,09	1,09	1,71	5,08	2
Saratov Region	0,78	0,27	1,00	0,75	2,8	8
Republic of Udmurtia	1,02	0,41	1,08	0,44	3	7
Ulyanovsk Region	0,81	0,39	1,01	0,52	2,73	9
Republics of Chuvashia	0,89	0,46	0,88	0,46	2,69	10

So, we have graded constituents of the Volga Federal District according to the level of their financial self-sufficiency. Let us estimate financial prosperity of the Volga Federal District regions in order to make a matrix. For that end we shall define to what extent expenditures of every constituent of the Volga Federal District are safeguarded by their own revenues (i.e. exclusive of equalization current grants) (Table 5).

Table 5. Financial Prosperity of the Volga Federal District Regions for 2013

Index name	Expenditures	Revenues (Exclusively of Current grants)	Revenues - Expenditures	% of Insufficient Prosperity
Republic of Bashkortostan	139180,21	119389,90	19790,32	14,22
Republic of Mari El	22684,69	15295,55	7389,15	32,57
Kirov Region	44587,27	31550,28	13036,98	29,24
Republic of Mordovia	35465,88	26512,29	8953,59	25,25
Nizhny Novgorod Region	114850,05	104778,16	10071,89	8,77
Orenburg Region	74174,28	62723,43	11450,85	15,44
Penza Region	46655,67	33707,70	12947,98	27,75
Perm Territory	96049,82	88886,73	7163,09	7,46
Republic of Tatarstan	172304,96	171997,48	307,48	0,18
Samara Region	134267,31	123524,67	10742,64	8,00
Saratov Region	69758,40	57288,16	12470,24	17,88
Republic of Udmurtia	57878,77	49183,87	8694,90	15,02
Ulyanovsk Region	38547,42	30720,92	7826,50	20,30
Republics of Chuvashia	36791,84	28584,18	8207,67	22,31

4. Conclusion

Every constituent of the Russian Federation is an economic entity which owns and disposes of assets and revenues in its own name, enters into economic relationship with other economic units, assumes financial obligations, makes economic decisions for which it is responsible in accordance with the applicable legislation. Financial assets and non-financial assets of treasury property are strongly interrelated with non-tax revenues. At that our analysis has revealed that decrease or increase of total assets does not always influence directly on the amount of non-tax revenues of the region. In order to understand if financial status of the region becomes better or worse (at that it is essential to consider influence of various factors, for example, revaluation of assets, etc.) and to evaluate assets management quality, it is necessary to

conduct deeper analysis of assets dynamics and structure, which will be the subject of our further research.

We have made the matrix of financial statuses of the Volga Federal Districts regions based on the results of the conducted analysis (Table 6). Authors have offered results gradation. The level of financial prosperity: poor - 25% and higher, medium - 10-25%, high - from 10% and lower. The level of financial self-sufficiency: poor - up to 2%, medium - 2-5%, high - from 5% and higher. The level of financial self-sufficiency reflects influence of assets on the amount of non-tax revenues of regions.

Table 6. Matrix of Financial Statuses of the Volga Federal Districts Regions

The Level of Financial Prosperity	The Level of Financial Self-Sufficiency		
	Low	Medium	High
Low	Republic of Mari El, Kirov Region	Republic of Mordovia, Penza Region	
Medium	Republic of Bashkortostan	Saratov, Ulyanovsk, Orenburg Regions, Republics of Chuvashia and Udmurtia	
High		Perm Territory	Nizhny Novgorod and Samara Regions, Republic of Tatarstan

Results of our research are the following: the highest level of financial self-sufficiency is observed in the Republic of Tatarstan, the Nizhni Novgorod and Samara Regions. The Republic of Mari El and the Kirov Regions hold the lowest positions.

Effective social and economic development of any region becomes possible only upon continuous monitoring of regional budgets revenues including their structures, as well as expenditures. It will help to understand how much revenues arrive from every territory, as well as percentage of tax and non-tax revenues. Non-tax revenues of regions in a greater degree arise due to revenues from assets management, but quality of this management is almost not taken into consideration. In reliance on such information we could estimate financial self-sufficiency of every region and its financial capability to ensure its development. And in its turn this will allow making individual decisions concerning each region.

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