

Assessment of the Components of Financial Potential of the Regions of Ukraine

Davydenko Nadiia ^{a,*}, Buryak Alina. ^a, Demyanenko Inna. ^b, Buryak Mykhailo ^a

^a Finance Department, National University of Life and Environmental Sciences of Ukraine, Kyiv, Ukraine.

^b Finance Department, National University of Food Technologies, Kyiv, Ukraine.

Received 07 February 2020; Revised 19 March 2020; Accepted 25 March 2020

Abstract

The relevance of the topic of the study is due to the fact that in Ukraine today, the need to form a perfect system of public finances, stabilize and overcome the uneven regional development of the national economy, which should guarantee a corresponding increase in the financial potential of the regions, is of particular importance. as a result of the analysis of the dynamics of the volumes of financial potential of the regions during the analyzed period, significant asymmetries were revealed, which is caused by the influence of factors of the external and internal environment, both positive and negative content, as well as different levels of economic development of the regions. results of the research The result of the study is a clear identification of the tendencies of economic development of the regions of Ukraine on the basis of their financial potential and the reasons for the deepening of differentiation of development, which makes it possible to develop recommendations for improving the formation of financial potential at the level of regions, aimed at increasing the volume of this potential, which will contribute to ensuring the growing dynamics of regional development.

Keywords: financial potential of the region, financial resources, strategic directions.

1. Introduction

The deepening of Ukraine's integration into the European Union should contribute to ensuring dynamic civilizational development. This requires not only the adaptation of the domestic model of social order to European practice, but also, first of all, the achievement of the Central European level of socio-economic development of Ukraine as a whole and the parity of its regions (Vozniuk 2011, Fedosov, Yuriy 2010).

To achieve this goal, it is necessary to purposefully increase the financial potential of the regions of the country, which causes the acceleration of the pace of expanded reproduction of national functional regional socio-economic systems, which are able to harmonize with the priorities of the state strategy of regional development, financial policy to achieve maximum financial potential. The relevance of the study of the formation of the financial potential of the regions is determined by the need to ensure the economic development of the regions, which is the basis for improving the standard of living of the population.

The practical component of the formation of the financial mechanism of the region and its local territorial economic systems is reflected in the publications of J. Buchanan, G. Tallok, J. Stiglitz and others.

Significant contribution to solving the problem under investigation was made by Ukrainian scientists: V. Boronos, I. Kalinsky, M. Kozoriz, V. Melnik and others.

In the works of V. Boronos, M. Kozoriz, S. Shumskaya the content of financial potential as a socio-economic category is revealed, which has important components which, if used effectively, ensure the stable development of the region (Boronos 2011; Kozoriz and Storonyanska 2011). In the works of V. Melnyk the issue of the influence of fiscal policy on the formation and utilization of the financial potential of the region is discussed (Melnyk 2012).

However, there are a number of unresolved issues in this area. In the works of scientists did not find sufficient coverage of the issue of quantitative and qualitative assessment of financial self-sufficiency, capacity and sustainability of the region, which makes the relevance and need for further scientific research.

2. Materials and Methods

The theoretical and methodological basis of this article is the general scientific, special methods and approaches of research, in particular: a systematic approach - to identify the peculiarities of formation of financial potential; method of scientific abstraction, methods of logical generalization, comparison and systematization, induction and deduction - in assessing the volume of financial potential and its effectiveness; statistical analysis and grouping.

*Corresponding author Email address: davidenk@ukr.net

3. Results and Discussion

An objective condition for socio-economic development, a natural desire for which is inherent in all economic entities without exception, is their real ability to successfully finance the said process (Svirsky V. 2009). That is why the strategy of regional development is based first and foremost on the highly productive functioning of their territorial socio-economic systems in general, and of all structural elements in particular, as well as economic complexes of districts and territorial communities.

Generation of financial potential of a region is aimed not only at the uninterrupted resource supply of its needs, but also determines the corresponding consumer level of goods within its limits, which motivate the necessity to intensify this process. The ability of regions to generate financial potential depends on a number of circumstances (Reutov V., Golovchenko N. 2010). The influence of these circumstances is determined by the parameters of the objective and subjective factors of the functioning of the regional economy. On the one hand, they reflect the general characteristics of the economic space of the region (spatial coordinates, area, population, natural resources, etc.), and on the other hand - the social, economic development: volumes of sources of formation of financial resources of the region (Perevozova I. et al., 2019; Babenko V. et al., 2019).

Thus, the generation of financial potential of a region occurs in close interconnection and interaction of objective factors that form a group of general characteristics of a territory, and the second group of parameters of this territory, related to the qualification, intellectual and creative level of economic activity of economic entities. that directly carry out the process of economic reproduction with a certain degree of its effectiveness (Gontareva et al., 2020).

Conditionally the financial potential of the region and its main components can be represented as in Fig. 1.

The financial potential of a region is largely interpreted as the aggregate of all types of financial resources in a

certain region. Scientist Boronos V.G. states: "Financial resources, in principle, cannot take into account a number of features of financial potential, such as the ability to realize hidden reserves, the ability to increase financial resources, the likelihood of obtaining additional resources, etc." (Boronos, 2011), which means that when it comes to financial potential or its component should be considered in this category as a combination of two characteristics - the financial resources of the territory and the financial capacity of the territory to accumulate and generate these financial resources (Babenko D. et al., 2020).

In calculating the financial potential, in our opinion, it is advisable to take into account those funds of financial resources that are formed within certain territories, but are accumulated and distributed exclusively at the national level. It is about the foreign exchange reserves of the National Bank of Ukraine, revenues of the state budget of Ukraine, loans attracted by the state, debt securities issued by it. We will use population size as the basis for their distribution by region, as this value changes from year to year, insignificantly, unlike any indicators of economic development, which may fluctuate in case of different factors of influence.

The calculation of the national component of the financial potential of the regions of Ukraine was calculated by the formula:

$$FPNC = GFERR + SBR - SLR - GISR \quad (1)$$

where *FPNC* – the national component of the financial potential of the region;

GFERR – volume of gold and foreign exchange reserves in accordance with the population of the region;

SBR – revenues of the state budget in accordance with the population of the region;

SLR – the volume of loans attracted by the state in accordance with the region's population;

GISR – volume of government-issued securities in accordance with the population of the region.

The results of the calculation of the national component of the financial potential of the regions of Ukraine are given in table 1.

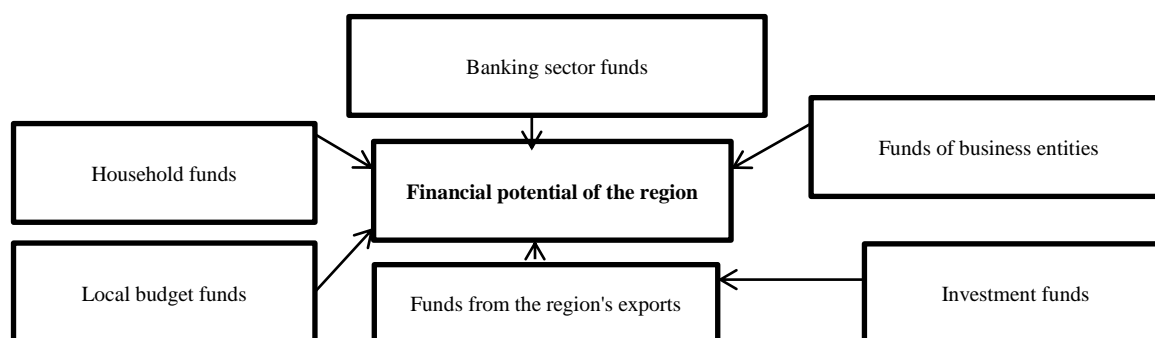


Fig. 1. Components of the financial potential of the region * compiled by the authors

Table 1

National component of financial potential regions of Ukraine for 2005-2017, million UAH *

Region	the value of the indicator by years						2017 to 2005.(+/-)
	2005	2009	2010	2015	2016	2017	
Vinnitsia	9744,5	23138,9	30110,8	33635,1	42694,2	49717,4	39972,9
Volyn	5918,9	14443,7	18911,9	21889,6	27945,6	32542,7	26623,8
Dnepropetrovsk	19692,9	47033,3	61212,2	68330,7	86719,9	100985,3	81292,4
Donetsk	26466,6	62733	81483,1	89538	113929,9	132671,4	106204,8
Zhytomyr	7621,2	18040	23456	26189	33301,1	38779,1	31157,9
Transcarpathian	7072,8	17331,9	22708,1	26434,6	33792,4	39351,2	32278,4
Zaporozhye	10634,5	25387,3	33049,7	36813,6	46696,8	54378,4	43743,9
Ivano-Frankivsk	7894,8	19251,3	25187,2	29018,9	37043,3	43136,9	35242,1
Kyiv	25182,9	62634	82216,5	97383,2	125105,5	145685,4	120502,5
Kirovohrad	6140,4	14315,5	18567,1	20428,5	25926,8	30191,8	24051,4
Lugansk	13824,4	32503,2	42169	46298,4	58932,7	68627,1	54802,7
Lviv	14661,2	35585,2	46510,7	53200,9	68025,1	79215,2	64554,0
Nikolaev	6965,2	16668,4	21699,3	24314,3	30874,4	35953,2	28988,0
Odessa	13685,1	33345,1	43617,5	50180	64065,5	74604,3	60919,2
Poltava	8908,3	21067,6	27356,2	30207,1	38302,4	44603,1	35694,8
Rivne	6575,4	16043,9	21007,9	24389,9	31212,6	36347,1	29771,7
Sumy	7046,8	16503,9	21385,5	23371,7	29650,2	34527,7	27480,9
Terнопil	6342,6	15239,6	19864,1	22372,4	28434,2	33111,6	26769,0
Kharkiv	16136,4	38784,2	50514,9	57072,1	72513,6	84442,1	68305,7
Kherson	6448	15321,9	19946,2	22303,2	28337,5	32999	26551,0
Khmelnitsky	7863,1	18697,9	24335,2	27173,6	34503,8	40179,7	32316,6
Cherkasy	7688,1	18179,4	23627,5	26094,5	33051,5	38488,5	30800,4
Chernivtsi	5163,7	12602,4	16498,4	19101,7	24377,9	28388,1	23224,4
Chernihiv	6728,4	15629,9	20243,5	21937,9	27741,6	32305,1	25576,7

Note. * Calculated by the authors according to the reports of the State Statistics Service of Ukraine <http://ukrstat.gov.ua>, and of the National Bank of Ukraine <https://www.bank.gov.ua>.

It is clear that the larger the population of a region, the greater the share of nationwide financial potential it will accumulate. It is also evident that the distribution of this component of financial capacity per person will be the same for all regions.

As for the distribution of national potential per employee, the leaders of 2005 - 2017 are Dnipropetrovsk, Donetsk, Kyiv and Kharkiv regions. This is explained by the increased efficiency of these regions in terms of generating financial capacity per employee, the increased number of jobs in the regions and the introduction of innovation in production.

The share of the national component is directly proportional to the population of the region. The total

expression of the volume of financial potential is calculated by the author and is given in table 2.

The data of Table 2 shows that the highest growth rate of financial potential in the Kyiv region (including the Kyiv metropolitan area) - 8.3 times, the Transcarpathian region - 7.7 times Chernivtsi - 7.6 times and Odessa - 7.4 times, the lowest growth rate in Lugansk and Donetsk regions, 2.3 and 2.5 times, respectively. The average growth rate is 5.8 times.

Taking into account the weighted average indicators for the analytical period (2005-2017), we calculate the percentage share of each component in the overall structure of the financial potential of the region (table 3).

Table 2

Dynamics of financial potential of regions Ukraine for the years 2005-2017, million UAH *

Region	The value of the indicator by years						2017 to 2005 times
	2005**	2009	2010	2015	2016	2017	
Vinnitsia	41019,4	100568,8	116441,6	249431,6	276883,8	335007,3	8,2
Volyn	25457,5	62641,4	73401,6	146116,1	144485,3	172015,7	6,8
Dnepropetrovsk	189980,6	459529,2	583015,9	1108438,9	1007900	2911915,0	15,3
Donetsk	241233	520579,1	662999,3	580605,2	602039,6	655893,6	2,7
Zhytomyr	30958,4	75209	87381,7	181301,2	197259,2	235081,5	7,6
Transcarpathian	25244,7	69410,6	75391,4	175860,8	195536,8	231513,0	9,2
Zaporozhye	85913	184383,1	216002,3	387392,6	397544,2	1320095,0	15,4
Ivano-Frankivsk	35302,2	88960,8	100550	204970	228320,2	268128,3	7,6
Kyiv	285422	1036297,8	1172114,5	3218610,9	2376547,7	3143893,0	11,0
Kirovohrad	35996,7	63410,8	74578,4	147012,7	157161,4	189718,6	5,3
Lugansk	89215,4	193508,2	241474,1	200622,6	201365,8	236122,7	2,6
Lviv	69735,2	179532,1	209017,4	435178,3	466217,4	532440,2	7,6
Nikolaev	39326,8	102544,5	114172,9	222308,1	245415,8	289051,8	7,3
Odessa	79924,4	216668,5	246414	557513	591767,4	676818,3	8,5

Poltava	67956,7	140749,6	179723,2	269907,4	286903,5	341377,2	5,0
Rivne	27239,3	69754,2	82368,3	155508,7	167209	199928,4	7,3
Sumy	34341,5	82042,4	95116,3	170453,8	180714,2	217304,3	6,3
Ternopil	22820,5	59200,4	65396	133582,5	146537,8	174342,1	7,6
Kharkiv	86652,9	228512,6	270667,7	523764	546490,6	619958,0	7,2
Kherson	28618,5	71267	82473,5	174998,3	188342,2	221230,1	7,7
Khmelnysky	31543,5	81671	91223,6	189322,6	200701	247451,5	7,8
Cherkasy	36312,8	96769,5	117839,6	185876,2	200287,1	244780,6	6,7
Chernivtsi	17554,9	48638,6	54547,4	120886,2	132995,1	159427,4	9,1
Chernihiv	30377,6	72162,4	80336	149671,1	156704,6	207292,0	6,8
Ukraine	1658147,5	4304011,6	5092646,7	9889332,8	9295329,7	13830785,6	8,3

Note. * Calculated by the authors according to the reports of the State Treasury of Ukraine <http://www.treasury.gov.ua>, National Bank of Ukraine <https://www.bank.gov.ua> with analytical data of the banking portal of Ukraine <https://banker.ua>, and data reports of the State Statistics Service of Ukraine <http://ukrstat.gov.ua>;

** excluding local budgets.

Table 3

Structure of the components of the financial potential of the region (2005-2017 average) *

Region	Components of the financial potential of the region (%)						
	Households	Business entities	Banking sector	Local budgets	Investment component	Export component	National component
Vinnitsia	37,7	27,6	8,8	2,3	1,5	4,7	17,4
Volyn	39,4	29,3	11,1	2,3	3,9	-5,6	19,5
Dnepropetrovsk	22,0	44,5	13,9	1,4	7,3	4,4	6,5
Donetsk	27,1	31,8	10,8	1,6	3,9	10,8	14,0
Zhytomyr	39,4	25,8	9,8	2,4	2,6	1,4	18,7
Transcarpathian	37,1	26,9	10,1	1,9	4,0	0,4	19,5
Zaporozhye	23,8	48,8	8,4	1,5	3,1	5,9	8,4
Ivano-Frankivsk	34,9	27,0	10,3	1,9	7,4	1,0	17,6
Kyiv	32,3	34,0	21,6	1,7	15,1	-9,6	4,8
Kirovohrad	37,8	26,8	11,3	2,4	0,9	3,2	17,7
Lugansk	29,9	31,0	9,6	1,5	3,3	4,9	19,8
Lviv	38,4	25,9	14,8	2,4	5,2	-2,6	16,0
Nikolaev	33,9	24,5	13,7	2,0	1,8	10,4	13,7
Odessa	38,2	26,0	15,6	2,2	4,8	1,0	12,1
Poltava	31,5	30,9	11,5	2,3	5,8	5,0	12,9
Rivne	38,9	26,2	9,6	2,2	2,7	1,1	19,4
Sumy	37,2	27,2	11,8	2,3	2,4	2,0	17,1
Ternopil	37,2	26,9	11,8	2,0	0,8	0,2	21,1
Kharkiv	38,9	27,1	13,4	2,3	5,7	-1,7	14,2
Kherson	40,8	25,4	11,4	2,0	2,5	1,2	16,7
Khmelnysky	40,3	25,7	10,9	2,3	1,8	0,6	18,4
Cherkasy	34,4	28,7	12,5	2,4	3,1	2,3	16,7
Chernivtsi	38,7	26,6	10,8	2,1	1,0	0,5	20,3
Chernihiv	37,2	28,1	10,7	2,3	2,3	1,3	18,1
Ukraine	35,3	29,3	11,8	2,1	3,9	1,8	15,9

Note. * Designed by the authors.

The distribution of the components of the financial potential of the region is rather uneven. Thus, the largest share of the financial potential of the region is the financial potential of economic entities - 31.2%. The share of financial potential of the region's households is 27.9%. The national component occupies an average of 17.9% of the financial potential of the region, the largest in the Transcarpathian region - 23.9%, the smallest in the Kiev region - only 4.4%. In turn, the investment component of the financial potential of the region is only 3.8%, the export component - 1.8%, and the least - the financial capacity of local authorities - 1.6%.

Although the financial capacity of local authorities is only 1.6%, it is a major factor influencing the process of shaping the financial capacity of regions. This component includes the following important aspects: the degree of centralization-decentralization of power and financial resources of a consolidated, consolidated budget; policy

of financing national objects of national importance on the ground, subsidiary policy, etc.

One of the reasons for the established significant differentiation of the financial potential of the region in Ukraine is the uneven level of their industrialization. It is the diversity of the location and size of industrial productivity that is decisive for the level of regional development deficits, and the formation of the financial self-sufficiency of their budgets and the macroeconomic instability of the national economy as a whole.

4. Conclusion

As a result of the analysis of the dynamics of the volumes of financial potential of the regions during the analyzed period, significant asymmetries were revealed, which is caused by the influence of factors of the external and internal environment, both positive and negative content, as well as different levels of economic development of the regions.

The identified disparities in the development of the regions of Ukraine require the formulation of proposals that would facilitate the creation of conditions for inter-regional alignment. While it is almost impossible even in the medium term to achieve significant results in this respect, the need for long-term development programs is clear. Greater autonomy in decision-making at the regional level should also be an important element, especially as regards the management of available financial resources and the pursuit of an independent policy to increase the attractiveness of regions to external investors.

Thus, the main factors of significant increase of the financial capacity of the regions of reforming the current financial system of Ukraine in the part of the strategy of regional development, uniting into a single system of state and local budgets as relatively independent, should create the National Budget of Ukraine with clearly defined and differentiated competencies of their authorities budget revenues.

5. Acknowledgment

This study was conducted at the Faculty of Economics, National University of Life and Environmental Sciences of Ukraine. The authors would like to thank management of the Faculty of Economics for their supports. The work was carried out without any financial grant from any sources.

6. Conflict of Interest

The author declares that there is no conflict of interests regarding the publication of this manuscript. In addition, the ethical issues, including plagiarism, informed consent, misconduct, data fabrication and/or falsification, double publication and/or submission, and redundancy have been completely observed by the authors.

References

- Babenko, D., Zaitseva, A., & Velychko, K. (2020). Development of integration processes in the globalization conditions: Ukraine and EU-countries. *The Journal of V. N. Karazin Kharkiv National University. Series: International Relations. Economics. Country Studies. Tourism*, (11), 8-14. DOI: <https://doi.org/10.26565/2310-9513-2020-11-01>
- Babenko V., Kulczyk Z., Perevosova I., Syniavska O. and Davydova O. (2019) Factors of the development of international e-commerce under the conditions of globalization. *CEUR Workshop Proceedings*, 2422, 345. DOI: <https://doi.org/10.1051/shsconf/20196504016>
- Boronos V.G. (2011) Methodological principles of management of the financial potential of the territory: a monograph. Sumy: Sumy State University.
- Buchanan, J. (1980). Rent seeking and Profit seeking. Toward a Theory of the Rent-seeking Society. In: J. Buchanan, R. Tollison, and G. Tullock (Eds). College Station: Texas A&M University.
- Fedosov V. M., Yuria S. I. (2010) Theory of Finance. K.: TSUL
- Gontareva, I., Babenko, V., Yevtushenko, V., Voloshko, N., & Oliynyk, Y. (2020). Efficiency of Information Management and Analysis for Industrial Entrepreneurship. *Journal of Information Technology Management*, 12(3), 4-13. DOI: [10.22059/jitm.2020.76288](https://doi.org/10.22059/jitm.2020.76288)
- Hassan, M.K.; Sanchez, B.; Yu, J.S. Financial development and economic growth: New evidence from panel data. *Q. Rev. Econ. Financ.* 2011, 51, 88–104.
- Hrynaschuk I. (2009). Financial potential of the administrative-territorial unit: essence, development and evaluation problems. *Bulletin of Transport Economics and industry*. 26, 66–72.
- Kozoriz, M. A. (2012). The financial potential of the region: mechanisms of formation and usage. Lviv: IRD of NAS of Ukraine.
- Kozoriz M., Storonyanska I. (2011) Conceptual principles of financial potential management in the region. *Economist*. 5, 24 - 27.
- Kozoriz M., Storonyanska I. (2014) Strategic imperatives of financial management of the region. *Regional economy*. 3, 192 – 204.
- Kozoriz M., Klyuchnyk I. (2014). Financial resources of households: problems of formation and use. *Regional economy*. 1, 94 – 102.
- Kyrylenko A.P. (2002) Finance: Theory and domestic. Ternopil : Aston.
- Melnyk V.I. (2012) Financial independence and development of the region. *Business Inform.* 11, 96 - 99.
- Perevozova I., Babenko V., Kondur O., Krykhovetska Z. and Daliak N. (2019) Financial support for the competitiveness of employees in the mining industry. *SHS Web of Conferences* 65, 10-16. DOI: <https://doi.org/10.1051/shsconf/20196501001>
- Ramazanov, S., Antoshkina, L., Babenko, V., Akhmedov, R. (2019) An integrated model of stochastic dynamics for the control of a socio-ecological-oriented innovation economy. *Periodicals of Engineering and Natural Sciences*, 7, 2, 763-773. DOI: <http://dx.doi.org/10.21533/pen.v7i2.557>
- Reutov V., Golovchenko N. (2010). Genesis of theoretical views on the region and regional development. *Economy and state*. 3, 17 – 22.
- Stavnicha M., Tarasenko O. (2010). Interrelation of concepts of financial and budgetary potential of the region in the process of realization of the state regional financial policy. *Economics and region*. 1, 110 - 114.
- Svirsky V. (2009). Problems of structuring the financial potential of the state. *Innovative economy*. 3, 136 – 139.

Vozniuk H. (2011). Financial potential of the region: economic essence and structure. *Economic sciences*. 5, 48–56.

Vozniuk H. (2014). Budget mechanisms of the support of regional development in the conditions of Ukraine's

economy modernization. *Regional economics*. 3, 205-216.

Yermoshkina O. (2012). Financial potential of regions in the conditions of free movement of capital. *Bulletin of the Dnipropetrovsk State Financial Academy*. 6, 120 – 127.

Nadiia, D., Alina, B., Inna, D. & Mykhailo, B. (2021). Assessment of the Components of Financial Potential of the Regions of Ukraine.

Journal of Optimization in Industrial Engineering, Special issue 2021, 39-44.

http://www.qjie.ir/article_677816.html

DOI: 10.22094/joie.2020.677816

