

МЕНЕДЖМЕНТ

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FINANCIAL MANAGEMENT OF INDIVIDUAL DEVELOPMENT
OF TERRITORIAL COMMUNITIES

The article examines the key financial concepts and challenges for the development of territorial communities. The key financial concepts and instruments of territorial community development are analyzed. It is found that the economic development of territorial communities is a priority task of the public administration reform and the strategy of regional development of Ukraine. The main stages of financial management of individual development projects are substantiated – from the generation and selection of project ideas to the evaluation of their effectiveness, proposals for financing and further implementation. It is proved that the improvement of local self-government institutions should be based on three strategic principles of building an open society, as well as effective and fair public administration. The role of stakeholders and features of financial planning in the development of territorial communities; financial instruments and reporting mechanisms are analyzed. The role of stakeholders in financial management and the peculiarities of financial flows in the development of territorial communities are clarified. The distribution of powers in financial management in territorial communities is presented.

Keywords: territorial community, financial management, budgeting, financial resources, development.

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ФІНАНСОВИЙ МЕНЕДЖМЕНТ ІНДИВІДУАЛЬНОГО РОЗВИТКУ
ТЕРИТОРІАЛЬНИХ ГРОМАД

У статті досліджено ключові фінансові концепції та виклики щодо розвитку територіальних громад. Проаналізовано ключові фінансові концепції та інструменти розвитку територіальної громади. При цьому з'ясовано, що економічний розвиток територіальних громад є пріоритетним завданням реформи державного управління та стратегії регіонального розвитку України. Обґрунтовано основні етапи фінансового менеджменту окремих проектів розвитку – від генерації та відбору проектних ідей до оцінки їх ефективності, пропозиції щодо фінансування та подальшої реалізації. Доведено, що удосконалення інститутів місцевого самоврядування має ґрунтуватися на трьох стратегічних засадах побудови відкритого суспільства, а також ефективного та справедливого державного управління. Проаналізовано роль зацікавлених сторін та особливості фінансового планування у розвитку територіальних громад; фінансові інструменти та механізми звітності. З'ясовано роль зацікавлених сторін у фінансовому менеджменті та особливості фінансових потоків у розвитку територіальних громад. Проаналізовано співвідношення відповідальності між різними зацікавленими сторонами (державними органами, органами місцевого самоврядування, неприбутковими організаціями, бізнесом та громадянами) в управлінні фінансами територіальних громад. Наведено розподіл повноважень з управління фінансами в територіальних громадах. Проведене дослідження дозволило визначити, що формування фінансового механізму індивідуального розвитку діяльності укрупнених територіальних громад сприяє підвищенню ефективності організаційно-економічних заходів, спрямованих на придбання, утримання та їх збільшення. Фінансове управління формуванням територіальної громади дозволяє визначати обсяги коштів, вирішувати завдання щодо введення в експлуатацію капітальних вкладень, призупиняти знос активів, закуповувати транспорт, ремонтувати та облаштовувати комунальну інфраструктуру, реалізовувати потреби населення територіальної громади.

Ключові слова: територіальна громада, фінансове управління, бюджетування, фінансові ресурси, розвиток.

Statement of the problem. The reform of local government management in Ukraine is an integral part of the process of creating a democratic and effective state. After the mechanism of financial decentralization was initiated in Ukraine, a number of laws and regulations governing the rules for calculating, distributing, and ensuring the stable development of local budgets were adopted. Adopted standards and regulations governing planning, budgeting, and budget allocation have made it possible to regulate the process of allocating budget units and determining the territorial communities that form part of the mechanism for the redistribution of financial resources. However, despite a sufficiently large number of

legislative acts governing the tax system, borrowing, and regulation of the distribution of financial resources, the issue of financial management of territorial communities at the project level remains open [1–3].

At the same time, the analysis shows that the effectiveness of budget spending at the local level is an important issue. The main factor is that the cost of public goods and services at the local level is financed mainly through local budgets, while the society on which they depend usually shows great interest in improving the efficiency of expenditures. Indeed, in recent years, many countries are faced with the problems of local government debt with great intensity, especially if the local budget is

not managed on the basis of proper budget funding. There is evidence that local government transfers that depend on unfairly regulated tasks can lead to unproductive budget spending. The situation is aggravated if the central authorities receive their own share of local budget operations. In many countries of the world, the financial power of territorial communities depends mainly on the central authorities and it seems that the taxes are not shared with them [4–6].

Analysis of recent research and publications.

Scientists have been considering the development of effective financial management in territorial communities for a long time. The peculiarities of financial decentralization in Ukraine in the context of European trends, its impact on the sustainable development of newly created united territorial communities have been studied: Tolkmitt F. [1], Volokhova I. [1], Ignatenko R. [1], Halhash R. [2], Semenenko I. [2], Bilous Y. [2], Burko I. [2], Kravchenko V.I. [3], Bondareva L.V. [3], Bykov R.Y. [3], Danilova L.V. [3], Myrna, O.V. [3], Osaulenko O.H. [4], Bondaruk T. [4], Momotiuk L. [4], Vasylytsi T. [5], Biletska I. [5], Mulska O. [5] and others. The peculiarities of financial control in the system of budget security of the state and regions in the context of decentralization in Ukraine, the formation of organizational and financial tools for decentralization and development of united territorial communities were the focus of their research: Kosova T. [7], Voronkova O. [7], Klyuchka O. [7], Kostynets Y. [7], Gavkalova N. [9], Akimova L. [9], Zilinska A. [9], Avedyan L. [9], Akimov O. [9], Kirichenko Y. [9], Sutjatmo B.P. [12] and others.

Formation of the objectives of the article (task statement). The purpose of the article is to analyze the peculiarities of financial management of individual development of territorial communities in the context of financial decentralization, taking into account the experience of the European Union countries.

Summary of the main research material. Territorial communities and local self-government are the foundation of Ukraine's representative democracy. They are the main exposed cell for ensuring the protection of citizens' rights, creating favorable living conditions, and ensuring their quality. The team worked with the strengthening professional leadership and capacity building of local self-government bodies. In order to create the best possible conditions for the development and competence of territorial communities, the creation of the management system should be considered in a complex and consistent manner [7; 8].

One of the most powerful tools for the implementation of the powers and functions held by the territorial community by the authorities is the financial mechanism. In the process of initiating the needs of the territorial community, as well as the interests of the territorial community, the implementation of which is based on the development of specific areas in the sphere of ensuring the interests. That on and below the territorial community, that is, taking appropriate measures to the territorial community. Availability of finances in our complex, and special role in financial management. For the creation of administrative structures, they will not be required by the territorial community, and for the defined resources, as well as for the despite this, the territorial community of the territorial community. The most important of which are evaluated in the above aspects. Their installation is due to the need for a larger size of resources – the territorial community energy. In the system of established management, it is determined assessment of the use of resources and provision of transparency, which are defined by the steep trajectory of the trajectory (Table 1).

The sequence of the repair of the management tasks is summarized in the form of a complex process that defines the essence of financial management of the territorial community. In this context, the management of finances emerged not only as a function but also played the role of the most important structuring of the activities of the territorial community of workers [9].

Economic development of territorial communities is a priority task of the public administration reform and regional development strategy of Ukraine. Accordingly, to achieve the community's economic development, it should combine the principles of financial management that meet the main requirements placed on the financial system. Our research declares the requirements and principles of the finance management of the territorial community development in line with the future strategy of professional realization of youth. We consider the provision of effective financial planning, ensuring more effective use of resources, and enabling a wider range of public services for an increase in the welfare of the region. The paper emphasizes aspects of resource management, operating responsibilities, and increasing revenues, as most local officials often focus on increasing the region's revenues. Balancing incomes and expenses is crucial for any business. Poverty is the situation of mixed resources at the disposal of the family, as well as a severe reduction in economic resources compared to the average – at the level of some specific indicators, the cost structure [10].

Table 1

Key Financial Concepts and Challenges in Territorial Community Development

S/N	Concept	Description	Challenges
1	Financial Decentralization	Transfer of financial powers from central to local governments	Lack of experience in financial planning and management at the local level
2	Budgeting Techniques	Methods used to allocate funds within territorial communities.	Inefficient allocation of funds due to poor budget planning
3	Resource Management	Effective use of financial resources to meet local needs.	Limited resources and ineffective resource allocation
4	Public Goods Financing	Using local budgets to finance public goods and services.	High cost of goods/services coupled with limited local government revenues
5	Central vs Local Government Power	The influence of central government on local financial autonomy.	Heavy dependence on central government funding, leading to limited financial independence

Source: author's presentation

This paper also reveals a special re-interpretation of the financial concept and how it may influence the youth professional calls. A significant goal now is to meet the needs and provide opportunities for communities to be stable, united, and have facilities and institutions that are attractive for business and interest the new generation (young people). In addition, they should also create competitive and successful conditions for work, education, mark innovation, and facilitate a decent living with a high emotional-cognitive level. Prosperity is the satisfaction of increasing the economic and social needs of the family or improving the skills to be better adapted to modern society. Prosperity is a manifestation of the objective subjective well-being of the family member, which can flourish through more or less permanent stable incomes and is significantly less than the typical income of the community (Table 2).

The main stages of financial management of individual development projects are described – from generation and selection of project ideas to assessment of their effectiveness, proposal of financing and subsequent implementation. Mechanisms for regulating the interaction of the institute of local self-government with other subjects of financial relations in the mechanisms of developing and financing projects are determined and substantiated. The main attention is paid to the formation and use of the resources of the territorial community as development projects as a key link in the transition to sustainable development. The role of borrowing and inter-budget relations should not be as an absolute determinant of the development of territorial communities, but as a tool. In its development, it is not the instruction of creditors that should prevail, but the community's financial policy and planning skills, which derive mainly from meaningful and effective project management using available resources and the ability to use additional financial resources effectively.

One of the principles of a functional project economy is its territory. It is the current and future state of the territories that determine the needs for services for the sustainable development of the state, which create an additional value for a particular country. In the long run, the economy is a life through a project. It plays a special role in the financial determination of the project view of the economy. The modern scientific approach to this issue is found in the term "local service society" – a sector of institutional services that meets the needs of the population that requires a centered approach to the organizational and financial mechanism for its provision. The social status of individual

territories in this sector depends on the organizational and financial capabilities of the territorial community.

Trends and challenges reveal transparency as an element of the entire public sector policy. This aspect becomes especially important at the level of local government, which requires transparency of local government. Thus, the improvement of local government institutions should be based on three strategic principles of building an open society, as well as an efficient and fair public governance. The responsible understanding of people primarily involves respect and understanding of the public power actions with precise information about its decisions and their implementation. Transparent activities, public awareness through standard communication channels, and public participation in local government decision-making processes become important attributes of modern public management trends. The transparent activities of local authorities form the reputation and authority of local authorities. Although the overview of local governments' desire for transparency indicates that every municipality tries to use financial resources as efficiently as possible, the transparency area within this research has been only limited to the area of financial activities.

Interest in the transparency of publicly traded entities and the need for transparent activities of commercial entities emerge in the public, as well as in the public sector. The latter within its activities may arise at the discretion of the community, the realization of local residents' public interests, the entity disclosure of the activities of the accounting, financial, and other information. The subject of the disclosure of accounting, financial, and other information is called an entity that provides the community with public services, he is involved in public activities, and provides accounting, financial, and other information, their external users, incl. by the Community, other available sources, as well as information about the activities and results of the entity. For these reasons, the concept of financial transparency, which includes not only the concept of accountability and the related concepts of integrity, openness, but also the right of community information, is relevant and important. Therefore, a transparent organization, representing the community, is a broader concept of economic, financial, and social responsibility for the actions and decisions made, as well as the use of personal resources (Table 3) [11; 12].

Stakeholders' financial management is based on four important financial areas: investment, financing, controlling, and dividends. Therefore, the interference of

Table 2

Financial Tools and Reporting Mechanisms

S/N	Financial Tool/Concept	Description	Role in Community Development
1	Borrowing and Inter-Budget Relations	Mechanisms for borrowing funds and managing financial relations with central government	Helps to supplement local revenue but risks debt dependency
2	Financial Transparency	Open and clear communication about financial activities	Enhances public trust and enables better governance at the local level
3	Stakeholder Engagement	Involvement of different groups (e.g., citizens, nonprofits) in financial decisions	Strengthens decision-making processes and ensures equitable resource allocation
4	Budget Forecasting	Planning for future financial needs and revenues	Ensures long-term sustainability of community development projects
5	Financial Reporting	Documenting and communicating financial status and activities	Facilitates accountability and the efficient management of local finances

Source: author's presentation

Table 3

Stakeholder Roles and Financial Planning in Territorial Community Development

S/N	Stakeholder	Role in Financial Management	Contribution to Development
1	Government Agencies	Regulate financial policies, provide funds, and oversee budget allocation	Ensure the efficient use of resources, prevent mismanagement, and balance local and national interests
2	Nonprofit Organizations	Provide services and support financial planning at the community level	Facilitate the delivery of social services and contribute to local economic stability
3	Citizens	Participate in decision-making processes, influencing financial policies	Ensure transparency and hold local governments accountable for financial decisions
4	Businesses	Invest in community projects and generate local revenue	Enhance the local economy and increase the community's self-sufficiency
5	Local Governments	Execute financial strategies and allocate resources based on community needs	Drive community development through proper financial planning and management

Source: author's presentation

all interested stakeholders is being conducted in reality. Taking into account wide stakeholders' representation at a small territorial community level, complex and regulated social ideals impose it as an integral part of financial management. Normatively, financial management of individual development of territorial communities pursues the achievement of maximum social welfare. Therefore, the context of traditional tasks by demarcating the territory of local finances is being expanded. From a qualitative perspective of the interaction and processes of financial management of individual development, the volume of attention paid to stakeholders influences the realization of theoretical opinions about a socially oriented territorial community. Being theoretical and practical, in reverse, challenges of financial management of stakeholder development of the territorial community are objectively related to the ordaining stakeholder approach of community development management.

Stakeholder Approach of the Territorial Community Financial Structure. Sufficiently representing all the stakeholders and stakeholder groups in terms of financial management is one of the considerable challenges of a stakeholder approach. The structure of the financial investment of the territorial community carries out similar tasks territorially by refining the list of stakeholders to the

most important local criteria. Priority criteria are of interest to key public finance stakeholders, who also form the financial structure. Therefore, traditionally, the role of stakeholders in financial management has been considered in a financial macro context. Analysts frequently micro-oriented are in the work of highlighting stakeholders' relationship with individual territorial government financial investment. Priority criteria and subcriteria equitably apportion public finance expense payments for the use of public goods and services. The number of the top public finance stakeholders on the needs apportioned regionally and hierarchically in accordance with the importance of the priorities. In the final analysis, criteria, the financing problems chosen from the conditions of apportionment influence the budget decisions of the stakeholder financial amount.

Table 4 illustrates the flow of financial resources in territorial communities, from central government allocations to local financial management and the impact on community projects.

Central Government → Local Government → Resource Management → Community Projects → Economic Growth

Table 5 shows the proportion of responsibilities among different stakeholders (government agencies, local governments, nonprofits, businesses, and citizens) in the financial management of territorial communities.

Table 4

Flow of financial resources in territorial communities

S/N	Stage	Flow of Financial Resources
1	Central Government	Allocates funds and sets financial regulations
2	Local Government	Distributes funds for public services and projects.
3	Resource Management	Allocates resources to meet specific community needs
4	Community Projects	Implemented based on financial planning and resources.
5	Economic Growth	Results from successful project implementation

Source: author's presentation

Table 5

Distribution of Financial Management Responsibilities in Territorial Communities

S/N	Stakeholder	Percentage of Responsibility
1	Government Agencies	30%
2	Nonprofit Organizations	25%
3	Citizens	15%
4	Businesses	20%
5	Local Governments	10%

Source: author's presentation

Conclusions. The conducted study has allowed to determine that the formation of the financial mechanism of the individual development of territorial communities of amalgamated hromadas activity contributes to the effectiveness of organizational and economic measures aimed at acquiring, maintaining, and increasing ITC AHs. Financial management of the formation of ITC AHs allows to determine the volume of funds, to solve the tasks associated with the commissioning of capital investments, to stop the deterioration of assets, to purchase transport, repair and equip communal infrastructure, to implement the needs of the AH population. As a result, it creates conditions under which the AH, as a local authority interested in creating a competitive environment and increasing the living standards of residents and its attractive investment climate. Funding the formation of the institutional development of territorial communities of AHs will allow to create institutional requirements for functioning, develop normative legal regulation, improve management system, set up functioning of the management body.

The financial stabilization of the economic development of the region is possible through an effective financial management system based on the principles of strategic management of the formation of ITC amalgamated territorial communities, taking into account the implementation of institutional tasks. In turn, it ensures the formation of financial resources, the use of financial resources, funds, and limits for this and targeted use with verification of the results of the financial mechanism for ITC AHs, which will provide the rationale, increase the efficiency and effectiveness of organizational and administrative activities, as well as solve the tasks of modernizing activity frameworks, stimulating economic growth, and improving the quality of life. The solution to the problems of the financial mechanism for ITC AHs lies in the search for and implementation of priorities for the development of ITC AH, the introduction of financial technology and financial risk management tools, and the inclusion of economic entities in processes that form financial relationships of self-government of the place of residence in AIM with the state and business property structures.

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