

CONCEPTUALIZATION OF FINANCIAL RESOURCES OF LOCAL AUTHORITIES

Anna BRIAZKALO¹

Department of Finance and Credit, Yuriy Fedkovych Chernivtsi National University, Ukraine

Abstract. *Aim of the article* is to study and generalize scientific approaches to the determination of essence, content and components of financial resources of local authorities. *The methodology* is the use of various general scientific and special methods of research. So, during the study the following methods were used: dialectic method, with the help of which the essence of financial resources of local authorities was determined; methods of comparative analysis of scientific thoughts about the category "financial resources", "financial resources of local authorities"; systematization of main characteristics of financial resources at the level of state and local authorities; structural-functional method in order to classify financial resources. *Study results* are represented by determination of economic essence of financial resources, their main features, and it is proposed an improvement of the concept "financial resources", "financial resources of local authorities". Financial resources are an aggregate of resources (monetary and non-monetary), which are creating and forming owning to distribution and redistribution of gross domestic product by economic entities, households, state and local authorities and are in fund and non-fund form with the aim to ensure their purposeful productive use for the benefit of natural and legal persons as well as society in general. Thus, the financial resources of local authorities – are an aggregate of monetary resources created as a result of the distribution and redistribution of the gross domestic product (some of which are in the appropriate funds), required by local authorities to perform their functions and tasks in order to ensure economic and socio-cultural development of the local community. Taking into attention the features of functioning of the main subjects of local finance for thorough study of the essence of local authorities' financial resources, their main components are considered, namely: revenues of local budgets, financial resources, municipal enterprises, local loans and charitable, sponsorship contributions, donations. *Practical importance* of the study lies in the fact that in terms of deficit of financial resources of local authorities and instability of their revenue sources, special importance is acquired by a thorough study of the financial resources essence, their classification, structure, possible sources and methods of resources attracting that will allow building of an effective system of local community's financial security. *Value/originality.* Presented research has detailed and systematic character, which helps to clarify the concepts of financial resources and financial resources of local authorities. Main components of financial resources of local authorities, which will promote their further research, are distinguished.

Key words: resources, financial resources, financial resources of local authorities, monetary resources, local authority.

JEL Classification: H70, H72, B26

1. Introduction

One of the most urgent problems in Ukraine, which necessity is declared by all levels of government, is the search for financial resources to ensure vital activity and development of regions and separate local communities as well as society in general.

The impact of local government on the formation of new social relations is possible only if it will have at its disposal a sufficient amount of financial resources. The main feature of financial autonomy is the possession and effective management of financial resources, which correspond to the functions and powers of local authorities.

In terms of deficit of financial resources of local authorities and instability of their revenue sources, special importance is acquired by a thorough study of the financial resources essence, their classification, structure, possible sources and methods of resources attracting that will allow building of an effective system of local community's financial security.

Economic nature and essence of the financial resources of local authorities are investigated in the works of local and foreign economists: O. Vasylyk, S. Varha, O. Kyrylenko, O. Danilov, D. Serebrianskyi, P. Stetsiuk, P. Bechko, O. Rolinskyi, N. Chuiko, I. Petrovska, O. Romanenko,

Corresponding author:

¹ Department of Finance and Credit, Yuriy Fedkovych Chernivtsi National University.

E-mail: anna2227@ukr.net

I. Chunytska, A. Smith, D. Ricardo, J. B. Say, J. M. Keynes, O. Bierman, P. Vakhryn, A. Neshytoi, S. Khachaturian, H. Poliak.

Aim of the article is to study and generalize scientific approaches to the determination of essence, content and components of financial resources of local authorities, which is necessary in terms of search for additional financial resources to ensure the independence of local communities.

Achieving of the aim involves the following tasks: determine the economic essence of the terms “resources”, “financial resources”, “financial resources of local authorities”; distinguish features of fund and non-fund theories about the nature of research of financial resources; identify main features of financial resources; propose a definition to “financial resources”, “financial resources of local authorities”; identify main components of the financial resources of local governments that will further their research.

To solve the problems posed in the work, various general scientific and special methods are used. So, with the help of dialectical method of cognition, which gives the opportunity to study economic phenomena in the process of development and interconnection, the essence of the financial resources of local governments was determined.

Also in the study are used: comparative analysis of scientific views on the category of “financial resources”, “financial resources of local authorities”; systematization of the main features of financial resources at the level of the state and local governments; structural and functional method in order to make a classification of financial resources. Using the methods of analysis and synthesis made it possible to analyze not only financial resources, place of them as a part of resources of local authorities, but the main components of financial resources of local authorities.

2. Theoretical foundations of local government resources

To study the essence of the concept of “financial resources of local authorities”, it is advisable first of all to explore the meaning of “resources of local authorities.”

The rapid development of civil society and promoting democratic governance are necessary and possible on the condition of existence of independent local governments, because it is through them in the first place is the attraction of citizens to solving social problems.

To ensure the independence of local governments it is necessary to work actively towards identifying and attracting additional sources and reserves of resource potential of local budgets.

It should be noted that today there is no clearly defined approach to the interpretation of the term “resource”. Most of scientists understand resource as the available tools or supplies that can be used to obtain a specific result (Genov, 2013).

Category of “resources” includes means of production, monetary funds, objects of labour, labour force, information arrays, and anything that can be used to produce or obtain benefits.

According to the financial and economic dictionary “resources” (from the French – aid) – are cash, reserves, opportunities, sources of something (e.g., financial, economic, material, natural, raw materials, labour (human), etc.) (Zahorodnii, 2007).

In the same direction it is possible to clarify resources of local government as material, natural, financial, human, legal, information and intellectual (Fig. 1).

Resources of local government should be divided into the resources of functioning and the resources of local government’s development.

Local government resources can be understood as a set of resources (material and natural), located on the territory of powers of local governments, which are used in

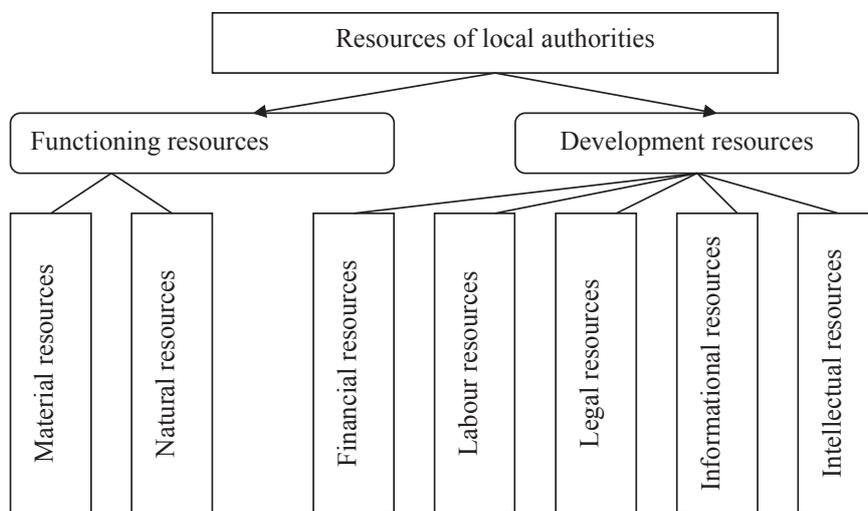


Fig. 1. Classification of Resources of local authorities

the process of social production to meet the material and cultural needs of the local community.

Resources of local government development are territorially permissible and at legislative level assigned to local authorities resources, which are used in the organizational and economic activity in a specific area and lead to the improvement of economic and social status of the territory (Genov, 2013).

It is resources of the local government development that owns the decisive role, namely financial, labour, legal, informational and intellectual, because just they determine the efficiency of local government as an institution of government by assessing the level of socio-economic development of the territory covered by its powers.

We are inclined to the idea that the most important for the development of local governments are financial, human and legal resources. It is parallel reflected in the basic principles of self-administration – financial, organizational and legal autonomy.

Financial autonomy of local authorities means that these authorities have the right to collect and distribute their own financial resources. These resources must be sufficient to enable them to efficiently perform their functions and powers at the local level.

The principle of organizational autonomy means that high-quality public services and administration of the territory are necessary to determine its own structure and availability of highly qualified workers.

The principle of legal autonomy means that the local authorities should have their own, but peculiar only to them, powers that are determined by the Constitution and relevant laws.

Most modern authors who study the state of local authorities in Ukraine, namely, O. Vasylyk, O. Kyrylenko, V. Kravchenko, I. Lunina, Ts. Ohon, K. Pavliuk, S. Slukhai, D. Klynovskyi, P. Bechko, O. Rolinskyi, O. Chuiko, O. Rohalskyi state that the effectiveness of local government is determined primarily by material and financial resources, which are in local community's power and which together constitute the material and financial basis of local authority.

3. Financial resources of local authorities

The value of each kind of resources to ensure effective operation of local authorities is significant, but the most important and difficult, in our opinion, are financial resources.

Interesting is the fact that up to the present day in financial science there is no universally accepted definition of the essence of the local authorities' financial resources. This definition is missing in the legislation of the country too.

For the scientifically-based definition of the financial resources of local authorities such criteria should be clearly defined, as forms of identification, creation source and the purpose, to which it must respond. Ambiguous interpretation of the term "financial resources" is mainly

caused by different points of view on identifying forms and their creation sources.

In the study of the works of local and foreign economists it is observed that financial resources among some researchers are understood as funds of monetary resources, others – monetary resources, cash accumulation and income, and the third group of scientists argues that it is cash operating in fund non-fund forms.

In determining the essence of financial resources, according to Ukrainian scientist O.D. Vasylyk, they cannot be equated with monetary resources, as the concept of "monetary resources" is much wider, though financial resources are always in monetary form. Monetary resources are financial resources when they are concentrated in the relevant funds, for which procedure of creation and use is established, with what we have to agree. An important feature of financial resources is that they in spite of cash express not changing the form of value, but the financial result of the reproduction process. At the same time they show the opportunities for economic and social development.

Economic encyclopedia describes the financial resources as "monetary funds, established in the process of distribution, redistribution and use of gross domestic product." I.e. financial resources are considered from the standpoint of funds, which are the objective prerequisite of the process of expanded reproduction; and the source of funds is the gross domestic product.

With regard to the financial resources of local authorities, the O.P. Kyrylenko defines them as "a set of funds of monetary funds, which according to current legislation place at the disposal of local authorities for the performance of tasks and functions of these authorities" (Kyrylenko, 2006).

I.O. Petrovska and V.D. Klynovyi characterize financial resources of local authorities as "funds of monetary resources, which are created and used by local authorities in the process of realization of functions imposed on them by law." Scientists have similar views on data interpretation and emphasize the legality of financial resources use by local authorities for the performance of functions and tasks by these bodies.

The majority of scientists, including K.M. Vladymyrov, O.F. Rohalskyi and N.H. Chuiko characterize the financial resources of local authorities as "a set of funds formed in the process of distribution of gross domestic product and sent to the economic and social development of administrative and territorial units" and point to the location of the previous establishment and purpose of local financial resources, but do not noted legality of their formation (Yurii, 2008).

Thus, in accordance with this theory, financial resources are monetary funds, which are created in the process of cost allocation and redistribution of gross domestic product and designed to meet the public interests and needs.

Representatives of non-fund theory, native scientists V.I. Ospishchev, L.I. Lachkova, O.P. Blyzniuk, give an extended definition of the essence of financial resources

as “an aggregate of funds that are at the disposal of the state and entities, characterize financial state of economy and at the same time are a source for their development; formed by different types of financial income, earnings, payments, and used for expanded reproduction, material incentives, satisfaction of social and other needs of society” (Kosarina, 2010). This definition reveals the essence of financial resources according to such criteria as forms of identification, sources for creation of financial resources, their managers and goal destination.

So, S.I. Varha determined the nature of the financial resources of local authorities as an aggregate of all funds that can be used for the needs of self-governing local community. The author takes into account existing as well as potential volumes by means of resources of enterprises of all sectors of the local economy, household income and other financial resources that are in local economic circulation. In our view, this definition is more abstract and does not reflect the real capacity of territorial communities to solve issues of local importance.

The essence of the financial resources of local authorities according to the fund and non-fund theories is investigated by O.R. Romanenko, O.V. Tymoshenko. Scientists say that the financial resources of local authorities that they mobilize, distribute and use are formed in fund and non-fund forms, and are the material basis of local finance; noted that “major financial funds of local government are: local budgets, reserve and trust funds, funds of monetary resources of municipal enterprises. The resources used by local authorities in the form of bank loans, local loans and others usually are not in fund form” (Romanenko, 2009).

Yurii S.I. noted that the financial resources – are monetary funds that are established in the process of distribution and use of gross domestic product in a specific time period (macrolevel). He also identifies the financial resources as accumulated from different sources money coming in its circulation and intended to cover needs of the enterprise (microlevel) (Kyrylenko, 2006).

Entities use resources not only in the form of fund. Thus, the use by entities monetary funds for performance of financial obligations to the budget and off-budget funds, banks, and insurance companies is carried out not in fund form. In non-fund form entities also receive grants and subsidies, sponsorship contributions. Thus, we see that the financial resources of the entity are both in fund and non-fund form, while actually being funds of an enterprise, which have no goal destination.

Therefore, in the functioning of the category “financial resources of local government” a movement of two financial categories is embodied – “local budget revenues” – macrolevel and “financial resources of institutions, organizations and municipal enterprises” – microlevel. The study showed that fund form of financial resources is peculiar only to local budget revenues, i.e. to “macrolevel”; at the “micro level” budget organizations, enterprises and organizations of municipal ownership form and use financial resources of both fund and non-fund form.

4. Main features of financial resources

Financial resources of local authorities is the object and the real expression of local finance, and subjects of economic relations, during which they are formed, distributed and used, are local community and local authorities, which acting on its behalf and interests, state authorities, legal entities and individuals.

For the definition of concepts of “financial resources”, “financial resources of local authority” scientists proposed various characteristics that can be systematized as follows:

1) Sources for creation and formation of financial resources. The basis for the creation and formation of financial resources in the socio-economic system of the state is the value of GDP. Secondary financial distribution or redistribution of already created financial resources allows forming of financial resources at the level of the state and its regions, local and territorial communities.

2) Forms of financial resources. As we already mentioned financial resources can be both in fund and non-fund form. Households often form and use financial resources without creating appropriate funds. Entities for the purpose of quality management form the financial resources in fund and non-fund forms. For state institutions it is dominated a fund character of formation and use of financial resources (budgets, trust centralized funds of financial resources) in order to ensure timely planning, distribution, use and control the circulation of financial resources at the level of the state, regions and local authorities.

3) Purposive character of financial resources. Financial resources for their productive use should encourage the formation of new capital and to provide a basis for its effective use in the future. Households formed financial resources for their future use in order to increase the value of entrepreneurial skills, labour force, i.e. focus on investing in the development of both the individual person and the group of people united in the household. Financial resources of the state are formed and used to perform more significant functions for the whole society: socio-economic development, defence support and law enforcement, execution of uniform laws and norms in society and interaction with other states and international institutions. Regional and local authorities form and use financial resources to perform most of the social functions that is caused by the proximity of local government to the individual.

4) Subjects of creation, development, ownership, disposal and use of financial resources. Subjects of formation of financial resources can be any entities that provide the establishment of value of gross domestic product or national product, i.e. business entities and households. Formation, disposal and use of financial resources are the prerogative of businesses, households, state, regional and local authorities. Subjects of possession of the absolute majority of financial resources are business entities, individuals or households and the state, its machinery

of government, on the basis of country's financial and economic legislation in force (Vorobiov, 2009).

5) Methods of financial resources formation. Methods of financial resources formation depend on the subjects and the level of financial resources formation. For business entities and households the methods of financial resources are the primary financial allocation of newly created value, due to which their own financial resources are formed. For the state, regions and local authorities basic methods of financial resources are their redistribution through the use of tax and non-tax methods that are the basis for a redistribution of funds among business entities and households on the one hand and the state on the other. The use of financial redistribution in socio-economic system of the state is a common approach to ensure the movement of financial resources, as a result of which they are made available to all economic subjects through operating in the country and the global economy system of formation of funds necessary for extended reproduction.

6) Priority of formation and use of financial resources. Financial resources are formed and used at all levels, all branches and links of financial system. The highest priority level in the formation and use of financial resources has a microlevel, i.e. entities and households, as the lack of financial resources at this level shall not give an opportunity to provide extended reproduction that in the future will negatively affect the development of all areas and links of the financial system, including public finances. Thus, the increase in financial resources at the micro level leads to increased financial resources at the macro level.

7) The inner part of financial resources. Theoretical analysis allows asserting that financial resources have a monetary nature, i.e. basically have the form of cash. However, at the level of enterprise financial resources can take not the money, but material form, which is related to the fact that in practice it is not always possible to use money to create financial resources. Also, as a result of the use of various securities as instruments of cash flow, financial resources have the opportunity to be in the form of securities (stocks, bonds). So the material form of existence of financial resources has a right to be and occupies a small share of all of financial resources operating in the socio-economic system of the state.

For the convenience of studying financial resources are expedient to classify conventionally according to the following criteria: the place of creation, sources of formation, ownership, accumulation methods, service sector, management level and application areas.

Depending on the formation of financial resources, they can be divided into: own financial resources, resources formed in the territory of local government during creation of value added; financial resources created in other areas of the country, which through redistributive processes directed to local governments in case of the lack of own funds (Kyrylenko, 2006).

According to sources of formation – into created based on the net income, from the fund of consumption or charges included in the cost of production.

By form of ownership – into the public, private, collective (joint-stock, mixed) and resources of foreign countries.

By methods of accumulation – into those that are created by fiscal methods, and voluntarily formed on a charitable basis.

For the service sector – the financial resources that serve the state budget, endowment funds, public credit, finances of public sector of economy, finances of non-state business entities, international finances, financial market.

By the management level – into public financial resources (national, local government, public endowment funds), resources of enterprises, and individual (public).

For directions use – into such that aimed at replenishment of fixed and working capital (capital repairs, donations to planned unprofitable business structures, replenishment of shortage of working capital), the formation of the consumption fund (payments from the fund of social protection, expenditure on socio-cultural events, satisfaction of social needs of employees of the production sector, social support for certain sectors of the population, defence and management expenditures), the formation of the fund of accumulation (investments, purchase of equipment and inventory in budgetary institutions, increase in normal standards of current assets, loss on foreign economic relations, reserves creation).

Thus, taking into account these characteristics and determination of the nature of financial resources from a practical point of view, stated by Professor Y. Vorobiov (Vorobiov, 2009), we formulated the following definition of the essence of financial resources.

Financial resources – an aggregate of resources (monetary and non-monetary), which are created and formed as a result of distribution and redistribution of gross domestic product by economic entities, households, state and local authorities and are in fund and non-fund form in order to ensure their targeted productive use for the benefit of natural and legal persons as well as society in general.

Thus, the financial resources of local authorities – an aggregate of funds created as a result of the distribution and redistribution of the gross domestic product (some of which are located in the appropriate funds), required by local governments to perform their functions and tasks (according to law) in order to ensure economic, social and cultural development of the local community.

5. Components of financial resources of local authorities

Taking into account the peculiarities of the main subjects of local finance, research of the essence of financial resources of local authorities, in our view, is impossible without a clear understanding and definition of their constituents.

Thus, I.O. Petrovska and D.V. Klynovi consider as components of financial resources of local authorities the following: local budgets, finance and credit resources and financial resources of municipal enterprises.

Another group of researchers, including O.P. Kyrylenko, P.K. Bechko and O.V. Rolinskyi, among the financial resources of local authorities distinguish: revenues of local budgets, funds of the trust funds, charitable and sponsorship contributions, donations, financial resources of municipal enterprises and other resources (Kyrylenko, 2006).

According, K.M. Vladymyrova, N.H. Chuiko and O.F. Rohalskyi, the constituent elements of local financial resources are: local governments and financial resources of enterprises, organizations and institutions of communal ownership (Tymoshenko, 2010).

There is no single point of view regarding this issue among scientists, so we are inclined to believe that the main components of the financial resources of local authorities are: revenues of local budgets, financial resources of municipal enterprises, local loans and charitable, sponsorship contributions, donations.

The inclusion to the financial resources of local authorities of trust funds' monetary resources as an independent component, in our opinion, is inappropriate. Law of Ukraine "On local government in Ukraine" provides the right to formation by local authorities of the trust funds, but it also indicates that they are parts of a special fund of the relevant local government. Consequently, the funds of the trust funds can be considered as a part of the local central budget rather than separate components of the financial resources of local authorities (Briazkalo, 2014).

The leading place in the financial resources of local governments is taken by revenues of local budgets, absolute volumes of which are constantly increasing.

The main sources of revenue base of local budgets are their own incomes and income from fixed under the relevant local budgets in accordance with determined by law order of national taxes, fees and other mandatory payments.

Funds of municipal enterprises as a part of total financial resources of local authorities do not play a significant role. Most communal properties are non-profit enterprises and are financed from the local budgets. Besides envisaged by the legislation taxes and obligatory payments, they usually do not provide for local authorities any other income.

It is our deep conviction the weakest link in the system of financial support of local government is the financial and credit and investment activity of local authorities, although in the context of budget decentralization, local governments intensified in this area and carry out more effective investment policy.

Great importance in this respect has planning to use municipal borrowing as a source of investment resources for the territories development, which in fact is one of the most effective sources of funds to improve the infrastructure of villages, towns and cities in the region.

Considering the favourable conjuncture of Ukrainian financial market, municipal borrowing is one of the most effective tools to attract capital. Compared with other financial instruments, emission of municipal bonds has obvious advantages: lower cost of debt servicing; positive impact on the credit rating; extension of the loan; wide range of potential lenders.

Among the positive trends of recent years should be noted the growth of charitable, sponsorship contributions and donations received by budgets of territory of local government, and particularly institutions financed from local budgets.

An example of charitable aid, which is widely used in the world practice to support social sector (medicine, education, culture), is the use of endowment.

However, the practice of using the endowments potential in Ukraine is not widespread, although the need for the development of this institution as opportunities, in particular, of educational institutions to raise additional funds is provided by social orientations of state development and identified as one of the tools of strategy of civil society development.

Thus, the selection and research of the main components of the financial resources of local authorities contributes search for additional financial resources to ensure the financial independence of local government.

6. Conclusions

Generalization of researches of the essence of local authorities' financial resources gave reason to come to such conclusions:

1. Studied the essence of the concepts of "resources", "local government resources" and determined the place of financial resources in general aggregate of local authorities' resources. Among resources of local authorities distinguished functioning resources and resources of local government development.

2. In the study of the works of domestic and foreign economists it is observed that under the financial resources some researchers understand the funds of monetary means (fund theory), others – monetary means, cash accumulation and income (non-fund theory), and the third group of scientists argues that it is funds operating in fund and non-fund forms.

3. Scientifically based definition of the essence of financial resources and the financial resources of local government needs to take into account in addition to such criteria as a form of existence, source of creation and targeted use also the following: the methods of formation, the priority of formation and use, the internal component, subjects of formation and use of financial resources.

Considering stated criteria, financial resources – an aggregate of resources (monetary and non-monetary), which are created and formed as a result of distribution and redistribution of gross domestic product by economic entities, households, state and local authorities and are in

fund and non-fund form in order to ensure their targeted productive use for the benefit of natural and legal persons as well as society in general.

Thus, the financial resources of local authorities – an aggregate of funds created as a result of the distribution and redistribution of the gross domestic product (some of which are located in the appropriate funds), required by local governments to perform their functions and tasks (according to law) in order

to ensure economic, social and cultural development of the local community.

4. For a deeper understanding of the nature of financial resources of local authorities, the main components of the financial resources of local authorities are distinguished, namely: revenues of local budgets, financial resources of municipal enterprises, local loans and charitable, sponsorship contributions, donations, which will promote their further investigation.

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Анна БРЯЗКАЛО

КОНЦЕПТУАЛИЗАЦИЯ ФИНАНСОВЫХ РЕСУРСОВ ОРГАНОВ МЕСТНОГО САМОУПРАВЛЕНИЯ

Аннотация. *Целью работы* является исследование и обобщение научных подходов к определению сущности, содержания и составляющих элементов финансовых ресурсов органов местного самоуправления. *Методологической основой работы* является использование различных общенаучных и специальных методов исследования. Так, в ходе исследования использованы: диалектический метод познания с помощью, которого определена сущность финансовых ресурсов органов местного самоуправления. Методы сравнительного анализа научных взглядов на категорию «финансовые ресурсы», «финансовые ресурсы органов местного самоуправления»; систематизация основных признаков финансовых ресурсов на уровне государства и органов местного самоуправления; структурно-функциональный метод – для осуществления классификации финансовых ресурсов. *Результаты исследования* представлены определением экономической сущности финансовых ресурсов, их основных признаков и предложено уточнение понятия «финансовые ресурсы», «финансовые ресурсы органов местного самоуправления». Финансовые ресурсы – это совокупность средств (денежных и не денежных), которые образуются и формируются в результате распределения и перераспределения стоимости валового внутреннего продукта субъектами хозяйствования, домохозяйствами, государством и местными органами власти и находятся в фондовой и не фондовой форме с целью обеспечения их целенаправленного продуктивного использования в интересах как физических, юридических лиц, так и общества в целом. Таким образом, финансовые ресурсы органов местного самоуправления - это совокупность денежных средств созданных в результате распределения и перераспределения валового внутреннего продукта (часть которых находится в соответствующих фондах), необходимые органам местного самоуправления для выполнения возложенных на них функций и задач с целью обеспечения экономического и социально-культурного развития территориальной общины. Учитывая особенности функционирования главных субъектов местных финансов, для основательного исследования сущности финансовых ресурсов органов местного самоуправления рассмотрены основные их составляющие, а именно: доходы местных бюджетов, финансовые ресурсы предприятий коммунальной собственности, местные займы и благотворительные, спонсорские взносы, пожертвования. *Практическое значение* исследования заключается в том, что в условиях дефицита собственных финансовых ресурсов

органов местного самоуправления и нестабильности их доходных источников особое значение приобретает основательное изучение сущности финансовых ресурсов, их классификации, состав, возможных источников и способов привлечения ресурсов, что позволит построить эффективную систему финансового обеспечения территориальной общины. *Значение/оригинальность.* Представленное исследование имеет основательный и систематизированный характер, предложенное уточнение понятия финансовые ресурсы. Выделены основные составляющие финансовых ресурсов органов местного самоуправления, что способствует дальнейшему их исследованию.