

DOI: <https://doi.org/10.32782/2524-0072/2024-68-129>

UDC 351.72

## ANALYSIS OF THE EFFICIENCY OF BUDGET EXECUTION OF TERRITORIAL COMMUNITIES UNDER THE CONDITIONS OF MARITAL STATE

## АНАЛІЗ ЕФЕКТИВНОСТІ ВИКОНАННЯ БЮДЖЕТІВ ТЕРИТОРІАЛЬНИХ ГРОМАД В УМОВАХ ВОЄННОГО СТАНУ

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The article examines the effectiveness of the implementation of the local budget during the period of martial law. The dynamics of the formation of budget revenues analyzed. The results of the analysis of the implementation of the budget of the territorial community showed that the main source of filling the revenue part of the budget is tax revenue, in particular the tax on the income of individuals. The dynamics and structure of budget expenditures of the Truskavet territorial community studied. Revealed that budget expenditures are growing significantly, especially expenditures on financing education, statewide functions, and housing and communal services. Found that the effective formation and implementation of local budgets depends on the state of hostilities in one or another region. Established that despite the growing need for spending, the budget of the Truskavet Territorial Community is being implemented with a surplus. Despite the problems caused by the martial law, the territorial community is able to effectively form and use budget funds. Proven that the sustainable socio-economic development of the community depends on the balance of the budget, i.e. the effectiveness of its implementation. The effectiveness of local budget execution can be assessed by various indicators, such as the coefficient of stability and independence of the budget, the coefficient of budget effectiveness, budget deficit/surplus. These indicators help to assess how effectively local authorities manage budget funds and fulfill their responsibilities to the community. It was found out that the coefficients of budget efficiency in terms of general budget revenues and tax revenues increased during the studied period. It is substantiated that the Truskavets territorial community is dependent on transfers. This is confirmed by the decrease in the indicator of budget performance based on income without transfers. In today's difficult conditions, the local government should use all opportunities for financial support of the community through interaction with business, enterprises, and organizations. We suggest to the Truskavets territorial community to focus on the development of tourism and a sanatorium-hotel resort.

**Keywords:** budget, revenues, expenses, territorial community, effectiveness of budget implementation.

У статті досліджено ефективність виконання місцевого бюджету в період воєнного стану. Проаналізовано динаміку формування доходів бюджету. Результати аналізу виконання бюджету територіальної громади показали, що основним джерелом наповнення дохідної частини бюджету є податкові надходження, зокрема податок на доходи фізичних осіб. Досліджено динаміку та структуру видатків бюджету Трускавецької територіальної громади. Виявлено, що витрати бюджету значно зростають, особливо, видатки на фінансування освіти, загальнодержавних функцій та житлово-комунального господарства. З'ясовано, що ефективне формування та виконання місцевих бюджетів залежить від стану ведення бойових дій у тому чи іншому регіоні. Встановлено, що попри зростання потреби в обсягах видатків, бюджет Трускавецької територіальної громади виконується із профіцитом. Незважаючи на проблеми, які викликані воєнним станом, територіальна громада здатна ефективно формувати та використовувати бюджетні кошти. Доведено, що сталий соціально-еконо-



мічний розвиток громади залежить від збалансованості бюджету, тобто ефективності його виконання. Ефективність виконання місцевого бюджету можна оцінити за різними показниками, такими як коефіцієнт стійкості та самостійності бюджету, коефіцієнт бюджетної результативності, дефіцит/профіцит бюджету. Ці показники допомагають оцінити, наскільки ефективно місцева влада управляє бюджетними коштами та виконує свої обов'язки перед громадою. З'ясовано, що коефіцієнти бюджетної результативності за загальними доходами бюджету та за податковими надходженнями зростали протягом досліджуваного періоду. Обґрунтовано, що Трускавецька територіальна громада є залежною від трансфертів. Це підтверджується зниженням показника бюджетної результативності за доходами без трансфертів. В складних умовах сьогодення, місцева влада повинна використати всі можливості для фінансового забезпечення громади через взаємодію з бізнесом, підприємствами, організаціями. Трускавецькій територіальній громаді пропонуємо зосередити увагу на розвиток туризму та санаторно-готельного курорту.

**Ключові слова:** бюджет, доходи, видатки, територіальна громада, ефективність виконання бюджету.

**Problem statement.** Ensuring the economic development of territorial communities during martial law is possible through effective formation and use of budget funds. The main task of local government is to ensure a decent standard of living for citizens. However, in conditions of limited financial resources, it is extremely difficult to perform this task. Local government must use all opportunities to fill the budget and effectively implement it. Therefore, the issue of analyzing the effectiveness of the implementation of the budgets of territorial communities is becoming more and more relevant.

**Analysis of recent research and publications.** I. Uskov [1], I. Lopushynskiy, O. Kozyr, A. Kuchma [2], I. Dedushev [3], L. Melnyk, V. Lyashenko [4] studied the essence of the concept and directions of development of budget policy at the local level. Evaluation of budget execution was carried out by Pikhotska O. M., Yushchik Y. V. [5], Bordenko T. M. [6]. Peculiarities of the formation of budgets of the united territorial community were studied by Nezdoiminoha O. E. [7], Perepelyukova O. V. [8], etc.

**Formulating the goals of the article (setting the task).** The purpose of the article is to analyze the effectiveness of the implementation of budgets of territorial communities (on the example of Truskavets territorial community).

**Presentation of the main material of the research.** Sustainable development of territorial communities depends on intensifying their socio-economic development both by using available resources and by finding new sources of income, innovative solutions, and applying best practices in budget policy. Effective formation and use of local government budgets, business development, and infrastructure can ensure the financial independence of a territorial community.

We can agree with the opinion of scholars that "a special role in solving the issue of financial support for the development of a separate

territory, in the management of local finances is played by the ability to use the peculiarities of a separate territory, to find various sources of financial resources, to accumulate them, to use and distribute them efficiently, to create conditions for the effective implementation of economic plans and projects, and to solve social programs at the local level" [9].

The budgets of territorial communities generate their revenues from tax revenues, transfers, and additional sources (grants, charitable aid, etc.). Analyzing the revenues of local budgets, we concluded that tax revenues remain the main source of budget revenues [10]. We will study the effective implementation of the territorial community budget on the example of the Truskavets territorial community.

Despite the challenges posed by the war and the economic situation in the country, the budget policy of the Truskavets territorial community aimed at supporting the key social and economic functions of the city. The main indicators of the Truskavets territorial community budget shown in Figure 1.

Under martial law, local budgets are responsible for additional funding and support for territorial defense, assistance to internally displaced persons, etc. Despite the growing need for expenditures, the budget of the Truskavets territorial community executed with a surplus. A study of the main indicators of the Truskavets territorial community budget showed that the level of performance of planned revenues and expenditures depends on the state of hostilities in a particular region. For example, in the Kharkov and Zaporizhzhia regions, where the territory is partially occupied, the budget was fulfilled by 60.44% and 60.47% respectively [5]. In 2021, the budget of the Truskavets community fulfilled by 104.7% of the planned revenues, in 2022 – by 107.5%, and in 2023 – by 106.2%. In 2021–2023, we observed an under-execution of the budget by planned expenditures. Thus, in 2021, the

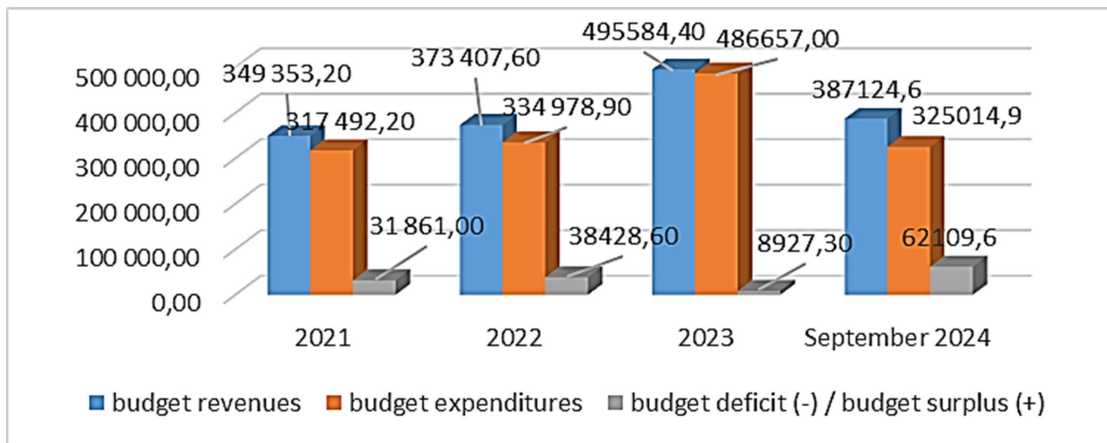


Figure 1. Budget indicators of the Truskavets territorial community for 2021–2024, ths. UAH  
*\*built on the basis of the source [10]*

budget for expenditures was executed by 90.9%, and in 2022–2023 by 90.5%. This budget execution is due to objective reasons: business relocation, internal migration processes, etc. [10].

Consider the formation of territorial community revenues in 2021-2024 ( Figure 2).

Tax revenues are the main source of Truskavets' budget revenues, with their share in the budget revenues exceeding 60% during the study period. Official transfers from the state budget are also a significant source of budget revenues.

Tax revenues in local budgets intended to finance various programs and services at the local level. Table 1 presents data on tax revenues of the Truskavets community budget.

Taxes on income, profits, and capital gains taxes, including personal income tax, as well as local taxes, including the unified tax, account for the largest share of tax revenues.

The dynamics and structure of expenditures of the Truskavets territorial community for the period of 2021–2023 are shown in Table 2. The amount of expenditures of the territorial

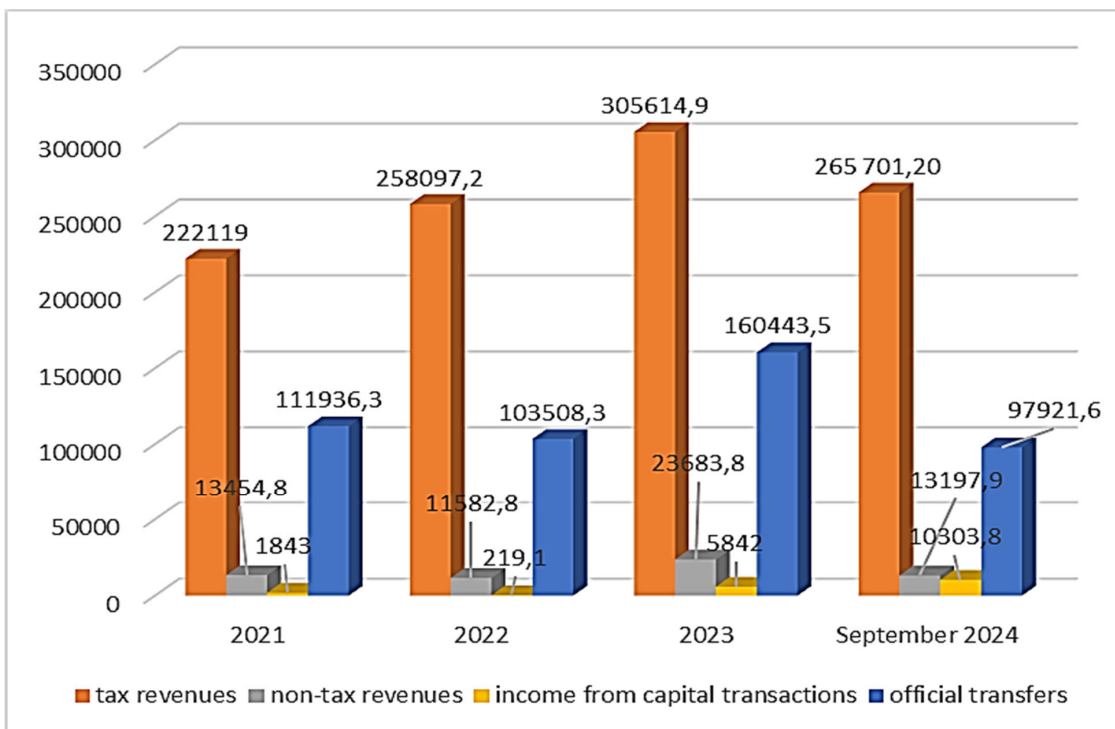


Figure 2. Dynamics of budget revenues of the Truskavets territorial community, ths. UAH  
*\*built on the basis of the source [10]*

Table 1

## Tax revenues to the budget of Truskavets city community

Indicator	2021		2022		2023		Growth rate 2023-2021
	ths. UAH	%	ths. UAH	%	ths. UAH	%	ths. UAH
Income taxes, capital gains taxes	107 453,2	48,4	136 975,7	53,07	151261,5	49,49	43808,3
Rent and fees for the use of other natural resources	2 773,7	1,25	3 629, 9	1,41	3 284,4	1,07	510,6
Domestic taxes on goods and services	14 097,1	6,35	12 243, 3	4,74	27 437,5	8,98	13340,3
Local taxes	97 704,9	44,0	105 201,0	40,76	123503,7	40,41	25798,8
Other taxes	89,9	0,04	47,0	0,02	127, 5	0,04	37,5

\*based on the source [10]

Table 2

## Dynamics and structure of community budget expenditures in 2021-2023

Indicator, UAH ths.	Years			Structure, %			+/-
	2021	2022	2023	2021	2022	2023	23-21 pp.
National functions	44 230,50	48 874, 3	64 251,90	13,93	14,59	13,2	20 021,40
Public order, security and the judiciary	782,00	1 122, 1	3 107,50	0,25	0,33	0,64	2 325,50
Economic activity	13 833,50	14 000, 2	53 478,60	4,36	4,18	10,99	39 645,10
Environmental protection	49,90	-	-	0,02	-	-	-49,90
Housing and communal services	34 100, 3	41 887, 3	64 028,80	10,47	12,5	13,16	29928,50
Healthcare	13 154, 5	10 876, 2	24 393,10	4,14	3,25	5,01	11 238,60
Spiritual and physical development	13 819,80	13 504, 6	21 336, 5	4,35	4,03	4,38	7 516,70
Education	184 737, 6	191 535, 6	231 850,50	58,19	57,18	47,64	47 112,90
Social protection and social security	12 783, 7	13 178, 2	24 209,70	4,03	3,93	4,97	11 426,00
overall	317 492,20	334 978,90	486 657,00	100	100	100	169 164,80

\*based on the source [10]

community in 2021–2023 increased by UAH 169164.80 thousand. The budget expenditures of the Truskavets community are aimed at supporting such areas as education, economic activity, and general government functions. In 2021-2023, educational institutions received the most funding. The cost of financing during the study period increased by UAH 47,112.90 thousand and amounted to UAH 231,850.50 thousand in 2023. Healthcare received UAH 24,393.10 thousand in 2023,

which is an increase of UAH 11,238.60 thousand compared to 2021, and housing and communal services amounted to UAH 64,028.80 thousand, which is almost twice as much as in 2021. The budget allocated UAH 24209.70 thousand for social protection and social security in 2023.

Significant funds are also allocated for energy, in particular for medical and educational institutions, which reflects the city's desire to ensure the stable functioning of these institutions in a difficult economic situation.



According to Ihor Onyshchuk, an expert at the Swedish-Ukrainian project “Support to Decentralization in Ukraine” SALAR International, local budgets largely cover education and almost entirely housing and communal services [11].

Evaluating the effectiveness of the Truskavets territorial community's budget execution is an important step to ensure sustainable economic development, improve the quality of life of residents and ensure proper use of budget funds.

To ensure sustainable socio-economic development of the community, it is necessary to form a balanced budget, the revenues of which will be sufficient to implement all budget development programs and thus reflect the effectiveness of budget execution. Performance indicators of Truskavets territorial community (Table 3).

The calculated indicators show an improvement in budget performance in terms of total budget revenues and tax revenues. However, the budgetary efficiency of revenues without transfers is declining, which means that the Truskavets territorial community is dependent on transfers. This is also confirmed by the coefficients of budget sustainability and autonomy. Thus, the local authorities should stimulate economic development, especially pay attention to the development of tourism and the health resort by attracting investment.

Evaluating the effectiveness of the Truskavets territorial community's budget policy should become an important part of its strategic development, allowing communities to make the most efficient use of available resources to ensure sustainable development and improve the quality of life. Therefore, the city authorities need to look for additional sources of funding for budget programs to reduce their dependence on budget transfers and improve the efficiency of budget policy implementation. To do this, it is necessary to involve the public in the formation and implementation of budget policy, analyzing the impact of public initiatives on budget decisions.

**Conclusions.** Under martial law, the country's economy is unstable and negatively affects the efficiency of the formation and use of budget funds of territorial communities. Local governments should look for additional opportunities and reserves to provide financial support for the community and fulfill their responsibilities. This can be achieved through cooperation with business, enterprises, organizations, and the community. However, analyzing the budget execution of the Truskavets community, it should be noted that local self-government is able to adequately withstand any challenges, including those in the financial sector.

Table 3

**Indicators of budget execution efficiency of Truskavets territorial community**

Indicator	Years		
	2022	2023	2024
Budget stability	0,38	0,48	0,33
Budget dependency	0,28	0,32	0,25
Budgetary autonomy	0,72	0,68	0,75
Tax self-sufficiency	0,96	0,91	0,92
Budget efficiency ratio by:			
- total revenues	9483,4	12712,5	12925,2
- by tax revenues	6554,8	7839,5	8563,2
- by revenues without transfers	6854,6	8596,8	12922,9

\*calculated according to the source [10]

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