A. Munko

LOCAL FINANCE:
DEVELOPMENT OF THE THEORETICAL BASE

Problem setting. The active implementation of the reforms of decentralization in regions intensifies scientific updating of existing methods and technology of local government.

The system of local finance differs in many elements, complexity, integrity and interdependence of its components. To enhance its effectiveness in terms of the local government it needs further theoretical and methodological substantiation.

Recent research and publications analysis. Local finance as a separate scientific category was considered by scientists in the XIX. Most studies of this issue were done in economic field (O. Vasilik, V. Bazylevych, P. Yukhimenko, V. Fedosov, O. Suntsova, S. Yurij, O. Crush, V. Kravchenko and others).

Study of local finance in public administration is paid considerably less attention. Their comprehensive analysis as a complex system is missing.

Current conditions of decentralized management require the formation of theoretical and methodological foundations of local finances in order to fully disclose the role and capacity of local governments to develop their own financial resources.

Paper objective is to research the theoretical base of local finance in order to form the foundations of their improvement and development in the context of local government reforming and decentralization.

Paper main body. The origin of the definition of the term of “local finance” in Ukraine and the world is analyzed.

During the last decade in the definition of “local finance” scholars are almost unanimous in that they are the system. The objects of the system are financial resources and subjects are local governments and local communities. The system includes relationship of formation, distribution and usage of financial resources accumulated to implement the functions of local government.

This concept in the papers of scientists was presented as a set of forms and
methods of their creation; as a system of formation, distribution and usage of money and other financial resources; as a system of economic, socio-economic, financial and other relations; as a set of objectives and financial resources, etc.

The analysis shows that the existing definition of "local finance" does not allow to fully disclosing their nature and role in the decentralization. So, author’s interpretation of "local finance" definition is proposed in the article.

The necessity of the local finances theoretical base development is justified from the point of view of the active processes of decentralization. The results of the study of theoretical bases of local finance confirm that the base of formation of economic and social development of the regions is their own financial potential.

The composition of local finances is determined including financial potential, financial resources, financial relations and local budgets.

Formation of relationships in the local finance system is based on a set of normative and legislative acts, principles of partnership and economic discipline. Subject-object structure of relations in the local finances management in Ukraine is presented. It shows specific "vertical" and "horizontal" cooperation mechanisms between different branches of local government, state and local authorities, business, manufacturers and consumers of financial resources and products. The content of the powers of management indicates that their existing equity in the management of local finances significantly limits opportunities for their development.

**Conclusions of the research.** Local government reforming and fiscal decentralization need to identify the theoretical and methodological support of the new tasks of local governments.

Understanding the role and activities of financial decentralization allows concluding that it is necessary to establish local finances management as one of the subsystems of management in local government. So, further investigations will be aimed to create conceptual foundations for development a decentralized system of local finance management with local authorities as the main subject of management.

**Keywords:** local finance, local government, financial decentralization, financial potential, financial resources, financial relations, local budgets.