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Financial Analysis of the Zaporizhia Oblast

Abstract: The relevance of this topic lies in the fact that, under current conditions, regional authorities are playing an increasingly significant role in ensuring the comprehensive development of regions, as well as the balanced development of both the production and non-production sectors within their jurisdictions. For the economic development of any constituent entity, it is essential to accurately calculate the level of planned revenues and expenditures. In this regard, the regional administration, while analysing the socio-economic situation in the region and considering the performance of the consolidated and regional budgets, develops a forecast of the region's economic and social development, along with targeted programmes. The novelty of the study lies in the fact that it presents the first financial analysis of the entities of Zaporizhzhia Oblast within the context of their presence in the Russian legal framework. This work does not reflect the political aspects of the situation but focuses purely on the economic indicators of the region's development. The author concludes that the budget of Zaporizhzhia Oblast has been in surplus for two consecutive years. These results have been achieved through intensive investment in industry and agriculture in those districts under Russian jurisdiction, alongside the ongoing development of the territories still under Ukrainian control. As a result, it is possible to observe economic growth in Zaporizhzhia Oblast despite the fact that it remains a zone of military conflict.

Keywords: budget of Zaporizhzhia Oblast, socio-economic development of Zaporizhzhia Oblast, expenditure part of the budget, revenue part of the budget.

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Финансовый анализ Запорожской области

Аннотация: Актуальность данной темы обусловлена тем, что в современных условиях региональные органы власти играют все более важную роль в обеспечении комплексного развития регионов, пропорционального развития производственной и непроизводственной сфер на подведомственных территориях. Для экономического развития любого субъекта важно точно рассчитать уровень планируемых доходов и расходов. В связи с этим, администрация области,

анализируя социально-экономическую ситуацию в регионе и учитывая данные об исполнении консолидированного и областного бюджетов, разрабатывает прогноз экономического и социального развития области, а также целевые программы. Новизна данного исследования заключается в том, что производится первый финансовый анализ субъектов Запорожской области в разрезе присутствия в российском правовом поле. Данная работа отображает не политические аспекты ситуации, а сугубо экономические показатели развития территории. Автор приходит к заключению, что бюджет Запорожской области два года подряд был профицитным. Данные показатели достигнуты за счет интенсивного инвестирования в промышленность и сельское хозяйство тех районов, которые находятся под российской юрисдикцией, а также продолжается развитие тех территорий, которые находятся под контролем Украины. Благодаря этому, мы можем наблюдать экономический рост Запорожской области несмотря на то, что она является территорией военных действий.

Ключевые слова: бюджет Запорожской области, социально-экономическое развитие Запорожской области, расходная часть бюджета, доходная часть бюджета.

Introduction

The relevance of this topic stems from the fact that, under modern conditions, regional authorities play an increasingly important role in ensuring the comprehensive development of regions, as well as the balanced development of the production and non-production sectors within their territories. Their coordinating function in the economic and social development of these territories is becoming significantly more prominent.

Through regional budgets, the state actively implements its economic and social policy by providing regional authorities with funds to increase their budgets. These funds are allocated for the direct financing of the social sphere, agriculture, industry, construction, environmental protection and other areas. The primary role of the budget lies in forming the financial base for fulfilling the tasks set by the budgets of the subjects of the Russian Federation (*Budget Code, 1998*). It is important to note that the budget can be viewed differently from economic and legal perspectives.

For the economic development of any constituent entity, it is crucial to accurately calculate the planned level of revenues and expenditures. Therefore, the regional administration, analysing the socio-economic situation in the region and taking into account the data on the execution of the consolidated and regional budgets, prepares a forecast for the economic and social development of the oblast, as well as target programmes.

Enterprises, organisations and institutions of all forms of ownership located in the oblast, including financial authorities, tax services and statistical agencies, are obliged under the law to provide the data necessary for preparing the forecast of the economic and social development of the oblast, the consolidated financial balance and target programmes.

The oblast's budgetary and financial policy is coordinated with federal authorities and local self-government bodies. The oblast administration prepares the draft regional budget, which is then reviewed by the Legislative Assembly, which in turn prepares conclusions including comments and proposals.

When adopting the law "On the Oblast Budget for 2024" (*2023*), the Legislative Assembly may introduce amendments, provided these are agreed upon with the oblast administration. The adopted law then serves as the basis for allocating funds from the regional budget.

The oblast administration organises the execution of the regional budget, ensures revenue collection and monitors the correct use of allocations provided from the regional budget to enterprises, institutions and organisations.

The study aims is to analyse the budgetary process, as well as the revenue and expenditure parts of the budget at the level of the subjects of the Russian Federation, using the example of Zaporizhzhia Oblast for the years 2023–2024.

Based on this objective, the following tasks were undertaken:

- provide an overview of Zaporizhzhia Oblast;
- conduct a financial analysis of the revenue part of tZaporizhzhia Oblast budget for 2023–2024;
- conduct a financial analysis of the expenditure part of Zaporizhzhia Oblast budget for 2023–2024;
- draw conclusions on the economic development of Zaporizhzhia in 2023 and 2024.

Results

The Main Characteristics of the Zaporozhye Oblast

Regulatory Framework

In the sphere of the budgetary process, legislation is represented by federal, regional and municipal legal acts. The fundamental laws of each country generally establish the legal foundations of governance and define the participants in the budgetary process, such as the parliament, the president, the government and the ministry of finance, as well as their main powers. In the Russian Federation, this role is performed by the Constitution.

In addition to these fundamental laws, there are special legislative and regulatory acts that govern the administration of the budgetary process.

In Russia, such documents include:

- The Budget Code of the Russian Federation;
- The Tax Code of the Russian Federation;
- Federal laws on the federal budget and on the budgets of state extra-budgetary funds of the Russian Federation;
- Laws of the constituent entities of the Russian Federation on the budgets of these entities and the budgets of territorial state extra-budgetary funds;
- Municipal legal acts of representative bodies of municipal entities on local budgets;
- Other federal laws, laws of the constituent entities of the Russian Federation and municipal legal acts of representative bodies of municipal entities regulating budgetary legal relations.

According to the Budget Code of the Russian Federation (*1998*), the rights and duties of the participants in the budgetary process are defined, as well as the legal mechanisms for imposing sanctions for failure to comply with budgetary rules.

Among other federal laws, the following can be noted:

- Federal Law No. 184-FZ “On the General Principles of Organisation of Legislative (Representative) and Executive Bodies of State Power of the Constituent Entities of the Russian Federation” (1999);
- Federal Law No. 131-FZ “On the General Principles of Organisation of Local Self-Government in the Russian Federation” (2003).

In the context of the legislation of Zaporizhzhia Oblast in particular, mention is worth making of the Law of Zaporizhzhia Oblast “On the Oblast Budget for 2024” (2023). On the basis of this law, the budget of the constituent entity of the Russian Federation is formed, approved, executed and its execution is monitored. This is performed by the public authorities in accordance with the requirements established by the Budget Code of the Russian Federation and by the laws of the constituent entity of the Russian Federation adopted in accordance with it. This enables the effective allocation of financial resources for the implementation of the President’s strategic instructions, the achievement of national goals, the further development of the region and the fulfilment of social commitments.

The Law of Zaporizhzhia Oblast “On Interbudgetary Relations in Zaporizhzhia Oblast” (2023) defines the principles of interaction between the public authorities of Zaporizhzhia Oblast and the local self-government bodies of municipal entities.

In addition, it grants the local self-government bodies of the municipal districts of Zaporizhzhia Oblast certain state powers for the calculation and provision of equalisation grants to ensure balanced budgetary sufficiency of settlements. These grants are allocated to the budgets of urban and rural settlements that form part of municipal districts.

The Law of Zaporizhzhia Oblast “On Establishing the Norms for Allocations to Local Budgets from Tax and Non-Tax Revenues Payable to the Budget of Zaporizhzhia Oblast” (2023) regulates the obligation to establish unified and/or additional norms for allocations to local budgets from personal income tax, ensuring that at least 15% of the tax revenues of the consolidated budget of the constituent entity of the Russian Federation from this tax are allocated to local budgets. It also establishes differentiated norms for allocations to local budgets from excise duties on motor petrol and straight-run gasoline, diesel fuel, and motor oils for diesel and/or carburettor (injection) engines produced on the territory of the Russian Federation, ensuring that at least 10% of the tax revenues of the consolidated budget of the constituent entity of the Russian Federation from this tax are allocated to local budgets.

Historical Information about the Zaporozhye Oblast

The historical territory of Zaporizhzhia (now Zaporizhzhia Oblast) covers over 27,000 square kilometres. In terms of size, it is comparable to countries such as Belgium and Albania, and in terms of the richness of its historical events and significance, it could easily rival many European nations.

For a long time, the founding year of Zaporizhzhia was considered to be 1770—the year the Alexandrovsk Fortress was established. However, in 2014, the city council deputies approved the year 952 as the official founding year of Zaporizhzhia. This date corresponds to the completion of the treatise *De Administrando Imperio* by the Byzantine Emperor Constantine VII Porphyrogenetos, regarded as “the first written mention of settlements on both banks of the Dnipro and on Khortytsia Island” (*On Clarifying..., 2014*). In reality, the treatise does not

mention the settlements themselves, but it does refer to the Kraria crossing (identified with the Kichkas crossing) and the island of St. Gregory (Khortytsia Island) (*Litavrin & Novoseltsev, 1991*).

The history of modern Zaporizhzhia can be traced back to the reign of Catherine the Great, specifically during the Russo-Turkish wars of the 18th century and the liquidation of the Crimean Khanate. During this period, the territories of present-day Zaporizhzhia Oblast were incorporated into the Novorossiia Governorate, and later into the Yekaterinoslav and Taurida Governorates. The city itself was named Alexandrovsk in honour of the Alexandrovsk Fortress—the main defensive symbol of the southern borders of the state.

The industrial development of the region only began in the first half of the 19th century, when manufactories for processing agricultural raw materials were established here.

During the Civil War of 1917–1921, the territory of what is now Zaporizhzhia Oblast came under the control, at various times, of the Bolsheviks, the Central Rada (installed with the support of Austro-German forces), Hetman Pavlo Skoropadskyi, the Directorate, the White Army, the Makhnovists, and finally, the victorious Bolsheviks. On January 10, 1939, Zaporizhzhia Oblast was formed out of the south-eastern districts of Dnipropetrovsk Oblast; however, the final establishment of the present-day borders of Zaporizhzhia Oblast occurred in 1949.

Characteristics of the Social and Economic Development of the Zaporizhzhia Oblast

The authorities of the Zaporizhzhia region have set themselves the goal, for the next ten years, of reviving the region's economy through public–private partnership and attracting investment. Drawing on the best practices of the Soviet Union, they plan to build new production facilities, establish logistics links and enter the markets of friendly countries, according to the regional development programme. At present, the region operates as a free economic zone, which helps to improve the investment climate.

At the heart of this programme lies public–private partnership: a balance between individual interest and a decent life for all, as the head of the region notes. As a reference point, they look to the experience of the Soviet Union. In practice, the state will directly control, coordinate and steer key sectors of the economy and, through state-owned companies, launch major projects—acting at the same time as a shareholder under the “25% plus one share (vote)” formula.

The authorities of Zaporizhzhia region intend to revive abandoned or once-plundered production facilities, including those in the agro-industrial sector. Although the economy of the region will be regulated by the state, there are already numerous opportunities open for business development. Budget revenues will be formed through the profits of enterprises with state participation.

A key task facing Zaporizhzhia region is to establish interregional integration with other southern regions of Russia. In this context, over the next ten years, plans include bringing up to 100% of the road network to regulatory standards and increasing the cargo turnover of Berdiansk port to 3.5 million tonnes per year. There are also plans to fully modernise the region's energy complex and ensure quality gas supply to 100% of the region's population.

The agro-industrial complex (AIC) is the key sector of Zaporizhzhia region's economy. Today, the demand for personnel exceeds 35,500 people. The regional authorities believe that only through state regulation is it possible to develop this sector, with plans to increase crop

yields. The programme includes modernisation of the irrigation infrastructure, and the region will develop crop production, livestock breeding and aquaculture. Major investment projects for deep processing of agricultural products are planned, again on the basis of public–private partnership. In particular, this involves building flour mills and bakeries, dairy factories, launching feed production, as well as establishing agricultural machinery and fish processing plants. Furthermore, the regional authorities intend to develop the unmanned aviation sector: in future, the region is to see the creation of a design bureau, an aviation training centre and a technology park.

The development programme for Zaporizhzhia region will also be closely linked with national projects. Work on restoring and developing the region's economy is already under way. At present, there are 173 schools in the region, attended by 38,000 children; over 8,000 children also attend kindergartens. Hot meals are provided everywhere, and educational institutions are supplied with all necessary teaching materials. The region has received 110 buses for educational institutions, and 300 computer classrooms have been equipped.

Systematic work is also being carried out to restore the healthcare system. To date, 21 medical institutions have been repaired. In addition, considerable attention in Zaporizhzhia region is given to organising social payments: 175,000 people receive pensions, and another 90,000 receive other regional benefits. The employment and pension rights of 400 people have been reinstated. The region has also restored the work of 332 cultural institutions.

Products from enterprises of Zaporizhzhia region are supplied to other regions of Russia and to around twenty other countries. Many local companies have been registered in the “Chestny Znak” (Honest Sign) system and have started supplying food and other goods to various parts of the country. The creation of a regional export centre will help develop the region's export potential. Its main tasks include assisting in organising deliveries, generating demand for products made in Zaporizhzhia region both within the country and abroad, finding potential buyers, and supporting local enterprises in taking part in international exhibitions and business missions. Mechanisms have also been set up to support small and medium-sized businesses—the “My Business” centre and the “Microfinance and Guarantee Fund”. Businesses need borrowed funds, yet enterprises often do not yet have registered assets that could be used as bank collateral. In such cases, the Fund will act as a guarantor for the return of funds.

Analysis of the Budget of the Zaporozhye Oblast

Revenue Part of Zaporizhzhia Oblast Budget for 2023–2024

Since 2023, all federal taxes have started to be collected in the new regions. By August, their own revenues had exceeded 40 billion roubles. At the same time, the new regions received 410.7 billion roubles in grants. Most of these grants are non-earmarked—each region decides independently how to allocate the funds. The grant dependency level of Zaporizhzhia Oblast was almost 94%. Of the four new regions, only the budget of Zaporizhzhia Oblast showed a surplus in 2023—revenues exceeded expenditures by 1.8 billion roubles.

The approval and execution of budget drafts in the territories of the new regions in 2023–2025 will take place with a number of specific features. Budget legislation imposes rather strict limits on regions with a high level of grant dependency, where grants exceed 40% of revenues.

Such regions are required to coordinate the draft budget and any amendments with the Accounts Chamber; their expenditure on public servants' salaries is restricted. The budget planning period for them will be reduced threefold, regional and municipal budgets will be consolidated, and the issue of cash will be organised via field branches of the Central Bank. Draft budgets and socio-economic development forecasts for the new regions will be drawn up and approved for a one-year period only. Local government expenditures will become part of regional budgets, and local budget revenues will be transferred to the regional treasury. Since January 1, 2023, they have been receiving cash through the field branches of the Central Bank and Promsvyazbank.

These special features of the budget process are intended to establish maximum control over this area in the new regions, which is sensible during the transitional period. While hostilities continue, and the precise borders of the territories that have returned to Russia, their population size and industrial condition remain unclear, it is impossible to develop a fully-fledged budget.

As for the budget of Zaporizhzhia Oblast at the beginning of 2023, the planned revenues were as follows—90,246,743.2 thousand roubles, including:

1. Tax and non-tax revenues are 5,586,507.5 thousand roubles, of which:
 - Profit and income tax are 1,434,097.37 thousand roubles,
 - Taxes on goods, works and services are 1,007,114.2 thousand roubles,
 - Taxes on aggregate income are 245,384.0 thousand roubles,
 - Taxes, duties and payments for natural resources are 25,376.0 thousand roubles,
 - State duty is 102.0 thousand roubles.
2. Gratuitous receipts are 84,660,235.7 thousand roubles, including:
 - (a) Grants to the budgets of the budgetary system of the Russian Federation are 75,697,904.4 thousand roubles
 - (b) Subsidies to the budgets of the budgetary system of the Russian Federation (interbudgetary subsidies) are 812,062.7 thousand roubles
 - (c) Subventions to the budgets of the budgetary system of the Russian Federation are 204,939.6 thousand roubles
 - (d) Other interbudgetary transfers are 7,945,329.0 thousand roubles

The region's own revenues in 2023 amounted to about 10 billion roubles. It was also added that the authorities plan to achieve self-sufficiency for Zaporizhzhia in the coming years.

As for the revenue part of the budget at the beginning of 2024, the figures were 55,924,718.9 thousand roubles, including:

1. Tax and non-tax revenues are 15,618,949.9 thousand roubles, of which:
 - Profit and income tax are 14,340,973.7 thousand roubles,
 - Taxes on goods, works and services are 1,007,114.2 thousand roubles,
 - Taxes on aggregate income are 245,384.0 thousand roubles,
 - Taxes, duties and payments for natural resources are 25,376.0 thousand roubles,
 - State duty are 102.0 thousand roubles.
2. Gratuitous receipts – 40,305,769.0 thousand roubles, including:
 - (a) Grants to the budgets of the budgetary system of the Russian Federation are 23,383,643.3 thousand roubles,

- (b) Subsidies to the budgets of the budgetary system of the Russian Federation (interbudgetary subsidies) are 14,623,430.6 thousand roubles,
- (c) Subventions to the budgets of the budgetary system of the Russian Federation are 2,031,812.6 thousand roubles,
- (d) Other interbudgetary transfers are 266,882.5 thousand roubles.

Zaporizhzhia Oblast exceeded its target for own revenues in the current year of 2024. This was reported by Dmitry Vorona, Deputy Chairman of the Federation Council Committee on Economic Policy. Initially, the budget totalled about 55 billion roubles, and the volume of own revenues was planned at 7.5 billion roubles. The actual figures were more than doubled. Officials also noted that in 2024 there is still potential to generate even more income, as December lies ahead—leaving time for new financial records.

Expenditure Part of Zaporizhzhia Oblast Budget for 2023–2024

The planned expenditure side of the budget of Zaporizhzhia Oblast for 2023 is 93,768,160.7 thousand roubles. General public services are 5,803,997.0 thousand roubles.

1. National security and law enforcement are 3,824,716.2 thousand roubles.
2. National economy is 16,881,878.8 thousand roubles.
3. Housing and utilities are 4,839,397.7 thousand roubles.
4. Environmental protection is 114,265.1 thousand roubles.
5. Education is 17,548,783.5 thousand roubles.
6. Culture and cinematography are 1,401,100.1 thousand roubles.
7. Healthcare is 16,901,589.9 thousand roubles.
8. Social policy is 25,195,177.9 thousand roubles.
9. Physical culture and sport are 378,809.6 thousand roubles.
10. Mass media is 845,271.4 thousand roubles.
11. Servicing of public debt is 33,173.5 thousand roubles.
12. Interbudgetary transfers are 89,106.9 thousand roubles.

The planned expenditure side of the budget of Zaporizhzhia Oblast for 2024 is 93,768,160.7 thousand roubles, including:

1. General public services are 1,685,831.5 thousand roubles.
2. National security and law enforcement are 121,790.4 thousand roubles.
3. National economy is 13,804,369.0 thousand roubles.
4. Housing and utilities are 4,168,568.0 thousand roubles.
5. Environmental protection is 112,886.7 thousand roubles.
6. Education is 14,275,006.6 thousand roubles.
7. Culture and cinematography are 673,201.5 thousand roubles.
8. Healthcare is 8,561,663.3 thousand roubles.
9. Social policy is 13,653,454.9 thousand roubles.
10. Physical culture and sport are 203,471.5 thousand roubles.
11. Mass media is 356,800.9 thousand roubles.
12. Servicing of public (municipal) debt is 139,176.0 thousand roubles.
13. General interbudgetary transfers are 2,409,916.7 thousand roubles.

The public debt in 2023 amounted to 33.173 thousand rubles; in 2024, it increased to 139.176 thousand rubles.

Given the special conditions in which the region exists, as well as the ongoing hostilities, there is nothing surprising in the increase in public debt. Social obligations have grown due to the expansion of liberated territories, the return of residents to these areas, and other measures provided for by social policy.

Another reason could be that non-repayable receipts (grants) were cut by more than half. Moreover, businesses in the region operate in a zone of increased risk, where the likelihood of damage or destruction of property that forms part of state revenue is high.

Conclusion

Thus, the budget of the Zaporizhzhia region has shown a surplus for two consecutive years. In 2023, it exceeded the forecast set at the beginning of the year by 1.8 billion roubles. In 2024, it was surpassed by almost 6 billion compared to the initial forecast.

These results were achieved thanks to intensive investment in industry and agriculture in those districts under Russian jurisdiction. It should also be noted that development continues in those areas that remain under Ukrainian control. As a result, we can observe economic growth in the Zaporizhzhia region despite it being an area affected by military conflict.

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