

Debt Policy of the Russian Regions : Economic and Legal Research

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Abstract

This paper examined the actual problem of regional development – the development of priority directions of the Russian Federation constituent entities' debt policy. The analysis of existing approaches in the definition of debt policy was carried out, and the application of a comprehensive economic and legal approach in conducting this study was argued. Methodological research tools included methods for processing statistical data obtained from official information of the Ministry of Finance of the Russian Federation on the volumes and composition of the public debt of the constituent entities of the Russian Federation. The indicators characterizing the level of the debt burden of the subjects of the Russian Federation – the volume and structure of public debt – were analyzed. The ranking on the volume of public debt was carried out according to indicators of the constituent entities of the Russian Federation included in federal districts. The ranking on the structure of public debt was carried out based on the type of debt obligations. Based on the data obtained, regions with the highest debt load were identified. The legal mechanisms of public debt management, used to reduce the debt burden, were analyzed. The analysis of the debt policy elements showed main problems with strategy, debt management, and control from the regional legislative point of view. Recommendations were proposed for development of determining the debt policy of regions in financial program documents of the constituent entities of the Russian Federation.

Keywords : regional debt policy, public debt management, regional debt obligations, public debt

JEL Classification : G18, H63, K19, K39, R51

Paper Submission Date : January 14, 2020 ; **Paper sent back for Revision :** July 31, 2020 ; **Paper Acceptance Date :** November 18, 2020

Transformation of the state-planned economy into a market economy, which began in Russian Federation in the 1990s, had a different impact on the development of its regions. Some regions successfully adapted to the new conditions, while others faced economic decline or stagnation (Mayorova, Panasenko, Nikishin, Ivanov, & Mayorova, 2018). The analysis of the current situation shows that the imbalance of the budgets of constituent entities of the Russian Federation (hereinafter – RF constituent entities) was significantly affected by the expansion of the list of both their powers and the powers of joint management of Russia and RF constituent entities. At that, the transfer of adequate financial support for these powers to the regional level has not always been carried out.

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DOI : <https://doi.org/10.17010/ijf/2021/v15i1/157012>

According to the Accounts Chamber of the Russian Federation, since 2005, the number of directly delegated powers from the federal to the regional level increased from 11 to 117 (10.6 times), the number of powers on the subjects of co-management – from 46 to 105 (2.2 times). At that, the share of incomes of the consolidated budgets of RF constituent entities in the incomes of RF consolidated budget constantly decreased (Dyatlovskaya, 2016). In its turn, in most cases, RF constituent entities did not pay due attention to the formation of the regional debt policy and perceived it as a set of income and expenditure items, while simultaneously reflecting the volume of debt in the total volume of expenditure.

At that time, RF constituent entities had law-making competence and accordingly had the right to pass the normative legal acts, regulating the relations in the sphere of the public debt. RF constituent entities established the legal bases of the credit relations at the regional level either in the laws, regulating the budgetary legal relations, or pass special laws on the public debt (for example : The Law of Vladimir region “On the Public Debt of Vladimir Region,” approved by the Legislative Assembly of the Vladimir region in 2008). The economic and legal approach is of particular importance in the study of the debt policy of the regions due to the following reasons :

(i) Previously, the debt policy of RF constituent entities was not the object of a comprehensive study. The review of economic and legal literature indicates a sufficiently deep study of the issues of the public debt management of the Russian Federation. However, the issues of the debt policy of the regions and the public debt management of RF constituent entities are considered fragmentary.

(ii) The importance of addressing the issues of the regional debt policy is confirmed, in our opinion, by the fact that, so far, such debt problems of RF constituent entities still manifest, which significantly impair their independence and represent a certain threat to the financial security of the regions as a whole.

(iii) The powers that make up the credit competence of RF constituent entities, as well as the categorical-conceptual apparatus, have an economic content, which requires legal mediation. That's why we offer to analyze regions' debt policy from both economic and legal point of view.

Literature Review

Public debt has always been evaluated ambiguously by science and practice because of its both positive and negative sides. The influence of the public debt on the fiscal policy of the state was assessed differently.

Thus, Smith (1776) in the work, *An Inquiry into the Nature and Causes of the Wealth of Nations* dedicated a separate section to public debt research. In his opinion, public debt, “reduces the wealth of the nation, while exacerbating the tax burden and significantly preventing the capital accumulation” (Smith, 1962, p. 33). Therefore, Smith believed that the state could resort to the use of public debt only when financing extraordinary expenses of the state.

Fr. Nebenius expressed a neutral position, noting that :

No one will assert that public debts are a blessing for the nation and that the state must, therefore, enter into loans and waste the means obtained in order to create a blessing for the people... it will be enough not to take every loan for evil and last resort (as cited in Kolesova & Sorokin, 2011, p. 88).

The French economist Leroy-Beaulieu's theory of public finances was studied by Lebedev (1874). Leroy -

Beaulieu believed that borrowed funds (debt) should not be unequivocally assessed as a negative phenomenon, because the main thing was the productivity of their use. If funds were used inefficiently, for example, for entertainment, the society became poorer. When borrowed funds were used to finance public works, particularly in infrastructure development, there was a collective benefit (Lebedev, 1874).

Hume (1987) researched public debt as an alternative to taxes in the state and concluded that governments could abuse this institution to solve the problem of the budget deficit, avoiding criticism from the society, because the tax burden would not increase. The attitude of Hume (1987) to public debt was negative ; he considered that, “... either the nation must destroy public credit or public credit will destroy the nation” (Hume, 1987, p. 360).

Nowadays, the concept of 'debt policy of regions' also closely correlates with the related notion of 'public debt management.' In science, public debt management is considered in various aspects, and accordingly, the content of debt management is evaluated ambiguously. In a broad sense, under public debt management, one understands the financial and credit policy formation as well as the rationale for the need for credit resources and the definition of credit activity scale ; placement and maintenance of debt obligations ; use of borrowed funds received as a result of credit activity. Golovachev (1998) noted that under public debt management, in the broad sense of the word, there is the formation of one of the directions of the state economic policy, associated with its activities as a borrower. Barulin (2010) considered the policy in the field of state (municipal) borrowings (debt policy) as a relatively independent part of the budget policy and state policy in the field of securities (stock policy), and the content of the debt policy is the policy of the state (municipal) debt management (Barulin, 2010). The influence of regional debt policy on investments, non-performing loans, and economic policy uncertainty on growth and financial soundness of a country would differ for different countries (Aggarwal & Khurana, 2018 ; Faniband, 2020 ; Mathad & Kumar, 2019 ; Syed & Tripathi, 2019) and would differ because of the legislative content of the regional debt policy.

The Budget Code of the Russian Federation (State Duma of the Russian Federation [SDRF], 1998) (hereinafter – the Budget Code) does not answer the question of the content of public and municipal debt management since Art. 101 of the Budget Code defines only the organizational aspects of management. In this case, the public (municipal) debt maintenance article 119 of the Budget Code implies the operations on the income payment on public and municipal debt obligations in the form of interest on them and (or) discount, carried out at the expense of the corresponding budget.

In the Recommendations of the Ministry of Finance of the Russian Federation on carrying out the responsible loan/debt policy by the RF constituent entities, the concept of public debt management is considered in broad and narrow senses (Ministry of Finance of the Russian Federation [MFRF], 2019) :

↳ In the narrow sense, public debt management is defined as an activity of the state power authorized bodies, aimed at ensuring the needs of public-law education in debt financing, timely and complete execution of debt obligations at minimization of expenses on debt, and maintenance of the volume and structure of obligations excluding their execution ;

↳ In the broad sense, public debt management is addressed in the Recommendations as a process of development and implementation of a set of measures, aimed at involving the borrowed resources needed for the region's development, while maintaining the acceptable levels of risk and borrowing costs.

Thus, debt policy is equated with the notion of public debt management in the broad sense, and its content consists of the development and application of the public debt management measures.

Our approach is based on consideration of the debt policy of regions as an element of regional financial policy.

Therefore, its objectives and content are determined not only on the basis of the need to attract and maintain the debt obligations, but also of the development of the socioeconomic sphere of RF constituent entities and financing the investment projects. Public debt management is analyzed in this study as an element of regional debt policy and is addressed in the narrow sense.

The debt policy of regions is considered through a set of elements :

- ↪ Strategy and tactics of the debt policy ;
- ↪ Regional debt management, including the organizational and economic-legal aspects ;
- ↪ Control over the targeted and effective use of credit resources, including the timely repayment of regional debt.

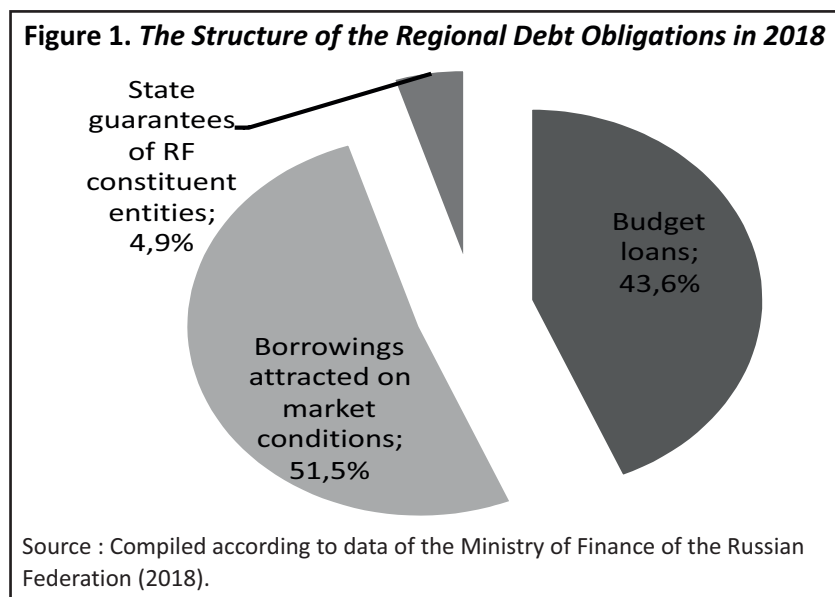
In our research, we analyze the volume of the state debt of RF constituent entities in January 2018. Methodological research tools included methods for processing statistical data obtained from official information of the Ministry of Finance of the Russian Federation on the volumes and composition of the public debt of RF constituent entities as well as the analysis of the Russian national and regional legislation on regional debt policy.

State Debt of the Russian Federation Constituent Entities

In modern conditions, RF constituent entities have considerable difficulties as public debt is characterized by a considerable volume of accumulated obligations, including the obligations to the federal budget.

According to the Ministry of Finance of the Russian Federation (MFRF) (2018), as of January 1, 2018, the total debt load of the budgets of RF constituent entities amounted to 2 trillion 315 billion RUB (2,315,404,176 thousand RUB). US dollar to Russian rouble exchange rate on January 1, 2018 was 1 USD to 57.6 RUB. The structure of the regional debt obligations is shown in Figure 1.

The Russian Federation's debt policy on the regional budgets consisted of reducing the share of market borrowings by substituting them for budget loans. The increase in the share of budget loans in the total amount of



debt is reflected as a debt portfolio of RF constituent entities ; it partially reduces the load of servicing the regional debt obligations, but fundamentally does not solve the problem of equilibration of regional budgets.

The debt volume accumulated by some RF constituent entities threatens the financial sustainability of their budgets. The largest volume of the regional debt was in Krasnodar region, Krasnoyarsk region, Moscow region, Republic of Tatarstan, Nizhny Novgorod, Sverdlovsk, and Samara regions. The volume of the regional debt of Krasnodar region (149,149,386 RUB) was 99 times larger than that of Republic of Altai (1,509,632 RUB), and there is one RF constituent entity without a state debt : Sakhalin region.

In the structure of public debt, other debt obligations are included for Karachai - Cherkess Republic (76,632 RUB), Krasnoyarsk region (3,234 RUB), and Kemerovo region (7,697,873 RUB). State guarantees are in the structure of the regional debt in 42 RF constituent entities. The largest volume of state guarantees were provided in Krasnodar region (20,991,047 RUB): this RF constituent entity is leading by the regional debt volume. State securities are included in the structure of the public debt in 45 RF constituent entities. The largest volume of securities is located in Moscow region, Moscow, St. Petersburg, Nizhny Novgorod and Samara regions, and Krasnoyarsk region (MFRF, 2018).

Considering the above mentioned, we believe that at the present time, there is a critical situation which serves as a basis for substitution of the obligations of RF constituent entities for the budget loans from the federal budget. Characterizing the debt policy of the regions on the basis of the objective conditions of formation at a specific stage of economic development, it can be assessed as a crisis period policy (Smirnikova, 2011).

Analysis of Legislative Rules

The Constitution of the Russian Federation (1993) established the requirement for a unified financial policy, the implementation of which is carried out by the Government of the Russian Federation (Article 114, it. “b”). The Russian Federation must have supremacy over state financial policy, which predetermines the attribution of financial and credit regulation to its exclusive competence (article 71, it. “j”). In some constitutions and statutes of RF constituent entities, the provisions on the issues of elaboration and implementation of financial policy are fixed due to their own financial competence (State System of legal Information, n.d.).

The credit competence of RF constituent entities includes:

- ↪ Internal and external borrowings ;
- ↪ Provision of the state guarantees of the RF constituent entity ;
- ↪ Determination of the policy on the public debt of RF constituent entity ;
- ↪ Setting the upper limit of the public debt, when approving the regional budget ;
- ↪ Determination of the order, conditions of issue and placement of the debt obligations ;
- ↪ The duty to repay the debt obligations at the expense of own funds;
- ↪ Monitoring the state of the regional debt (State System of Legal Information, n.d.).

Thus, the Charter of the Moscow Region (Moscow Regional Duma, 1996) in art. 26, stipulated that the financial and credit policy is in charge of the Moscow region. The Charter of the Vologda region (Legislative Assembly of the Vologda Region, 2001) contains Chapter 3, “Economic and Financial Fundamentals of the Region”, where in art. 27, it is determined that the area within its competence determines the financial policy. Article 82 of the Charter of the Trans-Baikal territory (Legislative Assembly of the Trans-Baikal Territory, 2009) contains a norm that the territory independently determines financial, budgetary, and credit policy within its competence.

At the same time, the Law of Khanty-Mansi Autonomous Area (KMAA)–Yugra “On the Management of the Public Debt of Khanty-Mansi Area–Yugra” (Duma of the Khanty-Mansi Autonomous Area–Yugra, 2007) established a new term for the financial legislation–debt capacity of the budget, determining it as an excess of the budget income of the autonomous region over its expenses, without taking into account the costs of increasing the value of the fixed assets and servicing the existing debt obligations. The amount of the attracted borrowings should not exceed the debt capacity of the budget of the autonomous region. At that, the law did not define the composition of fixed assets ; whereas, it was envisaged as a “withdrawal indicator” in calculating the debt capacity of the budget. The given examples testify, that on the one hand, the credit competence of RF constituent entities allows providing the regional budget balance, and on the other hand, the result of the state credit of RF constituent entities is the formation of the public debt, which in turn has a direct impact on the national debt policy.

The Budget Code (art. 102) stipulated that the debt obligations of RF constituent entity are provided in full and without conditions by all the property owned by an RF constituent entity, constituting the relevant treasury, and executed at the expense of the regional budget (SDRF, 1998). Thus, the autonomy of regional debt is formally established. Simultaneously, the practice shows that the debt policy of the regions does not exist in isolation from the state financial policy of the Russian Federation. In particular, art. 104 of the Budget Code (SDRF, 1998) stipulated the requirement of priority of the state external borrowings of the Russian Federation when placing an external bond loan of an RF constituent entity. In particular, in art. 104, the Budget Code stipulates the requirement of priority of State external borrowings of the Russian Federation when placing an external bond loan of the RF subject.

Thus, a well-thought-out regional debt policy will allow avoiding the Russian Federation's use of the measures to restore the solvency of the region in case of the risk of overdue arrears on the regional debt obligations. At the same time, the Budget Code (SDRF, 1998) establishes the restrictions for RF constituent entities on the regional debt. The maximum volume of the state debt of an RF constituent entity for the next financial year and each year of the planned period are established by the regional budget law and should not exceed the approved total annual income of an RF constituent entity without taking into consideration the non-repayable income. In RF constituent entities, in the budgets of which the share of grants from the federal budget during two of the last three financial years exceeded 40% of own income volume of the consolidated budget of an RF constituent entity, and follow-up actions are in the context of the regional debt management, there are additional limitations. The limit of their debt volume should not exceed 50% of the annual volume of the budget income of an RF constituent entity without taking into consideration the non-repayable income. In the current fiscal year, the volume limit of the borrowings of RF constituent entities should not exceed the amount directed to finance the regional budget deficit and (or) repayment of the regional debt obligations.

Other regional practices are based on consolidation of economic models and concepts in the methods that are used in the sphere of the public debt management of RF constituent entities and are approved in the form of the subordinate normative legal acts. For example, the Methodology of calculation of numerical indices, characterizing the effective management of the public debt of Moscow region, approved by the Government of the Moscow region (2017), both took into account several regional regulations, and included the limit of the debt volume of 50% of the annual volume of the budget income and the 5% limit of the ratio of the volume of expenditures on public debt servicing to the volume of budget expenditures.

Financial Strategy and Tactics as an Element of the Regions' Debt Policy

The strategy of the debt policy of the regions is determined by setting the long-term objectives and tasks, that is, determining the prospects in credit relations of RF constituent entities based on the socioeconomic plans of

regional development. The tactics involve concretization of strategic directions and determination of concrete measures taking into account the current economic situation in an RF constituent entity. The volume of the accumulated debt obligations of RF constituent entities show that the debt strategy is absent in the regions. This leads to challenges that RF constituent entities cannot solve independently, without financial assistance from the federal budget.

The growth of the issue volume of sub-federal securities does not always play a positive role in the financial condition of RF constituent entities, since the emission plans should be correlated with the opportunities of their serving. At present, a positive role is played by the pre-emission stage, which consists in the assessment of the issuer's financial position, its budgetary stability, and other budgetary and financial indicators. Carrying out such an assessment allows revealing the maximum size of the debt, permissible for the given RF constituent entity, to develop the most convenient issue parameters of securities (term of borrowings, a form of issue and placement, etc.).

Since July 2015, the legislative rules regulating the activity of credit rating agencies in the Russian Federation have been in effect. The credit rating of an RF constituent entity is an objective indicator of creditworthiness, financial stability, and reliability of the region. In particular, the Budget Code establishes the grounds, allowing RF constituent entities to carry out external borrowings in order to ensure repayment of their own external debt, and (or) financing the budget deficit of the Russian Federation constituent entity (SDRF, 1998). The grounds are : first, if there is no overdue debt on its debt obligations in the structure of the state debt of the RF constituent entity ; second, if the constituent entity of the Russian Federation received a credit rating from not less than two international rating agencies accredited in the manner prescribed by the federal law.

The condition, connected with the credit rating reception by an RF constituent entity, is established by the resolution of the Government of the Russian Federation (2014) “On Requirements to the Minimum Level of the Credit Ratings of the Russian Federation Constituent Entities,” which assigns the provisions for the implementation of external borrowings by an RF constituent entity as well as borrowings by placing the state securities of an RF constituent entity in the Russian Federation currency on the international capital markets, the level of credit ratings conferred by the international scale on an RF constituent entity by at least two international rating agencies accredited in the manner prescribed by the authorized federal executive body, shall not be lower than the level of similar ratings conferred by the above-mentioned agencies by the international scale of the Russian Federation. This condition was met by such RF constituent entities such as Moscow, St. Petersburg, Tyumen region, KMAA–Yugra, Yamal-Nenets Autonomous Area, and the Republic of Bashkortostan.

At the same time, federal law does not link the purpose of regional borrowing with the types of debt obligations. Art. 103 of the Budget Code (SDRF, 1998) stipulated that state domestic borrowing is carried out in order to finance the budget deficit as well as to repay the debt obligations. RF constituent entities use a similar approach. However, in our view, it is advisable to establish the relationship between the debt obligation type and the borrowing purposes in the regional legislation. For example, it is logical to link the issue of regional securities to the implementation of investment projects.

The development of the debt policy strategy and tactics is a part of financial planning and reflected in the program documents. In the annually adopted laws on the budget of RF constituent entity, the programs of state borrowings and the provision of state guarantees are approved. However, they must be accepted on the basis of the designated objectives and tasks, that is, the long-term debt policy of the region.

Economic and Legal Aspects of Regional Debt Management

Organizational aspect of regional debt management is defined by art. 101 of the Budget Code, “Management of

the State and Municipal Debt” (SDRF 1998). Namely, it is stipulated that the state debt management of an RF constituent entity is executed by the supreme executive body of an RF constituent entity or by the financial body of an RF constituent entity in accordance with the regional law. In accordance with items 5–6 of art. 119 of the Budget Code (SDRF, 1998), the powers on the regional debt servicing are vested in a credit organization or another specialized financial institution with the functions of a general agent (agent) of the executive body of the state authority of an RF constituent entity on servicing the regional debt obligations as well as their placement, redemption, exchange, and repayment. The activity of this organization is carried out on the basis of the agency agreements concluded with the executive body of the state authority of an RF constituent entity. Payment for the services of the above-mentioned agents is made at the expense of the budget of an RF constituent entity.

Economic and legal aspects of regional debt management lie in the necessity to determine the needs for credit resources and economically justified repayment opportunities of debt obligations. The importance of the economic aspect to improve the effectiveness of the legal regulation of the relations in the field of public debt is due to the fact that, in the first place, economic parties need reforming the credit relations that subsequently have to be legally fixed in the financial normative legal acts.

RF constituent entities enact debt policies designed according to their local needs. For example, the debt policy of Saratov region that was developed in 2016 included tasks on improvements for tax management, cutback of budget spending, and changes in debt structure (Zhirova, 2016). However, according to the information from the MFRF (2018), the volume of the state debt in Saratov region stayed on an approximately same level from 2016–2018 : 50,404,768 thousand RUB on 01.2016 and 50,330,082 thousand RUB on 01.2018.

Improvement of the mechanism of public debt management should be carried out in three interrelated directions: legal, economic, and organizational, creating the unity of the whole management system. Debt policy is part of the regional financial policy and should be developed in cooperation with it within the framework of regional competence, taking into account the limitations set by the budget legislation.

Control Over the Legality as an Element of the Regions' Debt Policy

Control as an element of the debt policy of the regions is aimed at solving the following main tasks : analysis of legality, efficiency, and purposeful use of credit funds ; control of attraction of borrowed funds, servicing and repayment of the public debt ; examination of normative legal acts regulating the formation, servicing, and repayment of the public debt. The activity of the control and accounting bodies of RF constituent entities is of particular importance in control implementation.

In particular, art. 9 of the Federal law, “On General Principles of Organization and Activity of the Control and Accounting Bodies of the Constituent Entities of the Russian Federation and Municipal Entities” (SDRF, 2011) established the authority for these bodies on : assessment of the effectiveness of providing the budget loans at the expense of the budget of an RF constituent entity as well as an assessment of the legality of providing the state guarantees and sureties or enforcing the obligations by other means on transactions made by legal entities and individual entrepreneurs at the expense of the budget of and the property owned by an RF constituent entity ; carrying out the financial control over the organizations by verifying the compliance with the conditions of their receipt of subsidies, loans, guarantees from the appropriate budget in order to control the activities of the chief managers (managers) and recipients of the budget funds of RF constituent entity, which provided these funds, in cases, if the possibility of the inspections of these organizations is established in the contracts for the provision of subsidies, loans, and guarantees for account of the corresponding budget.

There was no assessment of the effectiveness of public debt management in general and the use of credit resources in particular. No unified approach was chosen for the assessment of the effectiveness of public debt

management in general and the use of credit resources in particular. The Budget Code (SDRF, 1998) determines the efficiency of use of budget means through the economy (necessity to achieve the given results, using the least volume of means) and effectiveness (achievement of the best results, using the volume of means, fixed by the budget). This principle applies to all budget legal relations, including the relations related to the implementation of the regional borrowings and the public debt management of RF constituent entities. The state debt is also assessed in the auditing process.

So, on the regional level, RF constituent entities need to develop their own legal acts to define their control points for the assessment of the effectiveness of public debt management as control is crucial for implementing strategy and tactics of debt policy.

Regional Debt Policy Implications

As we can see from our research, the state of debt in RF constituent entities requires decisions and actions to avoid budget problems. The law-making competence of RF constituent entities is not yet used sufficiently in order to form an effective regional debt policy. The research results show that strategy, tactics, legal definitions of financial terms, and legal frame for control as critical points of debt policy are still the subject of development in RF constituent entities. The findings of our research can be applied while improving debt policy legislation at the regional level. The content of the debt policy of the regions' constitutes has to include the definition of debt strategy and tactics, regional debt management, having organizational and economic-legal aspects, as well as control over the legality of attracting the credit funds and efficiency of their use. The analysis of the regional debt policy elements showed the need to create a debt strategy for each region as the federal law does not link the purpose of regional borrowing. Also, our research found out a problem with a quality of regional legislation that has both to define the whole needed terms used in public debt management and to be coordinated with the financial policy of the Russian Federation. In respect of the control over the targeted and effective use of credit resources as the element of the regions' debt policy, we have to point out the need to form a certain approach for the assessment of the effectiveness of the public debt management on the regional legislative level.

Conclusion

The study of debt policy issues always includes a study of the economic aspects of public debt, namely the analysis of the debt portfolio, the debt load and other components, reflecting both the content of the public debt and its management efficiency. However, often in the implementation of the models developed by economic science, there are difficulties associated with the absence or defect of the legal framework, regulating the relations in the field of public credit and public debt. Consideration of the debt policy of the regions not only from economic but also from legal positions allows revealing new features of this concept and aids in combining knowledge accumulated by economic and legal sciences.

Today, RF constituent entities have the problem of equilibration of regional budgets and in some cases, the debt burden already threatens the financial sustainability of their budgets. Along with that, RF constituent entities have law-making competence which allows them to create the best legal frame for the regional debt policy implementation. It is expedient for the state authorities of RF constituent entities to develop the policy documents defining the debt policy for the long-term period in order to effectively manage the public debt of the region. Policy documents should contain a plan for the debt formation, servicing, and repayment for the medium/long term. There should be defined priority areas of credit activity development and improvement, which will contribute to improving the financial condition of the region. The given aspect consists in the definition of the

activity strategy of RF constituent entities as borrower, creditor, and guarantor. The prospects of credit activity implementation by RF constituent entities are to increase the regional investment attractiveness.

Limitations of the Study and Scope for Further Research

The priority task of the debt policy of RF constituent entities is the need to interrupt the vicious circle of interconnected economic contradictions, in which the regions are: the excess of expenditures of the regional budgets over their incomes, which leads to the budget deficit ; the budget deficit requires covering at the expense of raising public debt ; and the public debt growth leads to an increase in the cost of its maintenance. In such circumstances, mechanisms to reduce the debt load of the regional budgets, which actualize the appeal to the theoretical issues, have to be created. We made an initial research on a legal element of such a reduction mechanism and did not include in our study the social, economic, and political preconditions of regional state debts growing in the Russian Federation. In our opinion, legislative conditions shape the main direction of debt policy and public debt management, especially for RF constituent entities, which have such a wide range of directly delegated powers.

However, it is important for the future researchers to determine long-term correlations between the quality of legislative acts made on the regional level on the issue of the debt policy and indicators of social and economic development in different RF constituent entities to find the best possible model of legislative regulation of the regional debt policy. Another prospective task is to compare the legislative component of RF constituent entities with the best regional legal regulations of other countries which have comparable independent regions and effective debt policy.

Authors' Contribution

Dr. Alexander G. Gurinovich substantiated the author's position on the content of the concept of 'regional debt policy' and related concepts, analyzed existing approaches in defining debt policy, and argued for the application of an integrated economic and legal approach in this study. He also analyzed the legal mechanisms of public debt management used to reduce the debt burden, and developed and proposed recommendations that can be used in the development of policy documents of the constituent entities of the Russian Federation that determine the debt policy of the regions. Dr. Julia L. Smirnikova developed a methodological research toolkit, analyzed the indicators characterizing the level of the debt burden of the constituent entities of the Russian Federation, and formulated conclusions regarding the specifics of structuring regional debt. Together, the authors carried out a search and analysis of the most authoritative articles on the issues under study, made references to provisions contained in them that are related to the topic of this article, and wrote the manuscript.

Conflict of Interest

The authors certify that they have no affiliations with or involvement in any organization or entity with any financial interest, or non-financial interest in the subject matter, or materials discussed in this manuscript.

Funding Acknowledgement

The authors received no financial support for the research, authorship, and/or for the publication of this article.

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