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DEVELOPMENT OF TERRITORIAL SELF-GOVERNMENT IN RUSSIA BASED ON CROWDFUNDING NETWORK INTERACTION BETWEEN BUSINESS STRUCTURES AND LOCAL SELF-GOVERNMENT BODIES⁶

The crisis caused by Covid-19 is very dangerous for the social and economic stability of the regions of the Russian Federation. There is a deterioration in the dynamics of the budget deficit of the constituent entities of the Russian Federation in 2020. The Government of the Russian Federation is planning to provide non-targeted financial support to the budgets of the constituent entities of the Russian Federation, while maintaining the existing approaches to the distribution of subsidies for equalization, to mitigate it. The long-term dependence of the majority of the country's regions on Federal budget subsidies and the implemented policy of artificial financial equalization of the regions can give rise to dependent moods in weak regions and deprive them of an incentive to develop strong regions. In the context of budget deficits at the regional and especially at the local levels, the search for additional sources of funding to solve the tasks that are socially significant for the territories becomes particularly urgent. The most effective way to finance municipal projects is to combine the funds of citizens, businesses, local and regional budgets. Regions should find alternative sources of

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financing for their projects, including through “people’s financing” and the activation of the territorial self-government development based on the crowdfunding mechanism and its use in building an effective network of interaction between business structures and local self-government bodies.

The article solves the following problems: the dynamics, problems and prospects of development in Russia of such instruments of “people’s financing” as initiative budgeting and self-taxation are analyzed. The current scheme of self-taxation of citizens in the country was developed with a list of its shortcomings in implementation. Examples of implemented crowd projects for the development of territories of the Russian Federation, primarily in the field of public initiatives, are considered. A crowdsourcing platform, which has allowed to influence the process of territorial self-government in Russia since 2018, was identified and described. The scheme of network interaction between business structures and local governments based on crowdfunding IT platforms is proposed. Methodological recommendations for the implementation of this scheme are given. The use of the crowdfunding mechanism in the territorial self-government of regions can help to solve the tasks set out in a number of state programs of the Russian Federation.

Keywords: territorial development; investment mechanisms; crowdfunding; network interaction

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1. Introduction

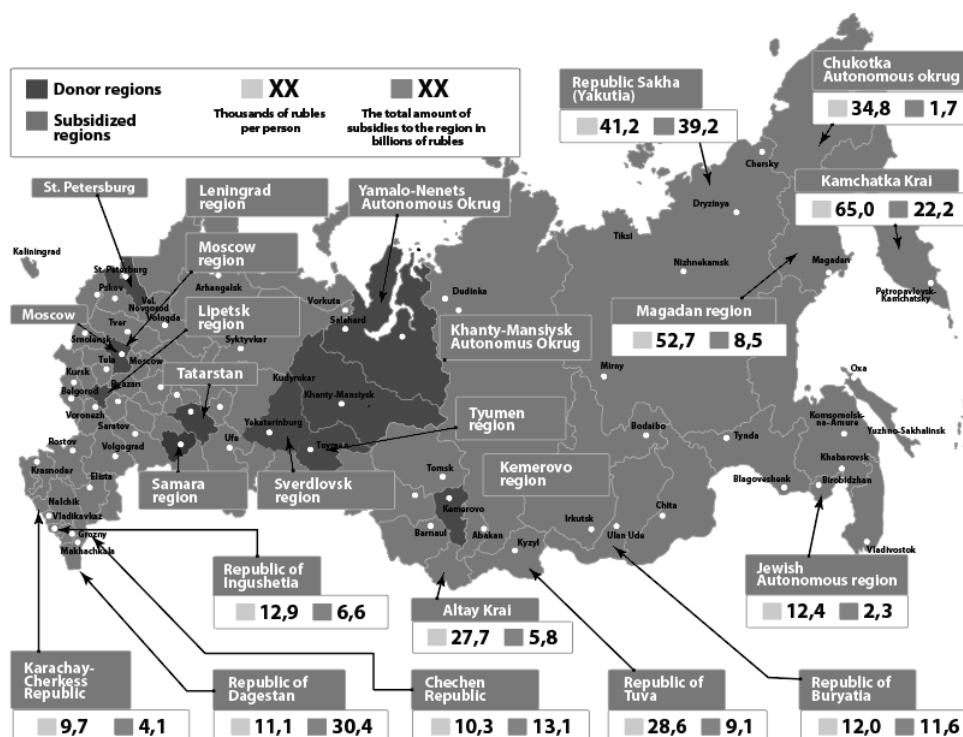
An old Russian proverb says: “Many a little makes a mickle”, which means that if you take a little from each person, then together you will get something significant, enough for one person. This proverb has become even more relevant due to the economic problems in Russia and the world caused by the COVID-19 pandemic. Owing to the global pandemic in the first half of 2020, the Russian economy was simultaneously affected by two powerful shocks: an acute deterioration in foreign trade conditions due to the collapse of oil prices; forced drastic reduction in business activity due to restrictions aimed at curbing the spread of the virus. On December 18, 2020, Russian Finance Minister Siluanov A. stressed that the achievement of national development goals of the Russian Federation largely depends on the regions: “The constituent entities of the Russian Federation should concentrate on implementing the national projects. All financial, legislative, and administrative resources should be focused on this. The Federal budget funds allocated to the regions for the implementation of national goals should be used quickly” (<https://www.minfin.gov.ru>).

It is worth noting that despite the fact that in the Russian Federation, each region is financially independent from the point of view of its own budget, it is necessary to understand that there is a certain redistribution of earned funds through the central state bodies. The regions that earn more than they need for domestic spending are donors, and they are called budget-makers. Other regions that do not have a developed industry or do not produce a sufficiently large amount of minerals are on budget subsidies – they are called subsidized. The problem of the imbalance in the financial solvency of the regions of the Russian Federation has existed for several years. Figure 1, presents the data on donor regions and subsidized regions for 2010. The donor regions are highlighted in dark grey, and the subsidized regions are

highlighted in light grey. The conclusion is obvious: only a few regions of the Russian Federation are financially independent of the Federal budget, that is, they “feed themselves”.

Figure 1

Data on donor regions and subsidized regions of the Russian Federation for 2010, where the first indicator of subsidies to the region is measured in thousands of rubles per person, the second indicator reflects the total amount of subsidies to the region in billions of rubles

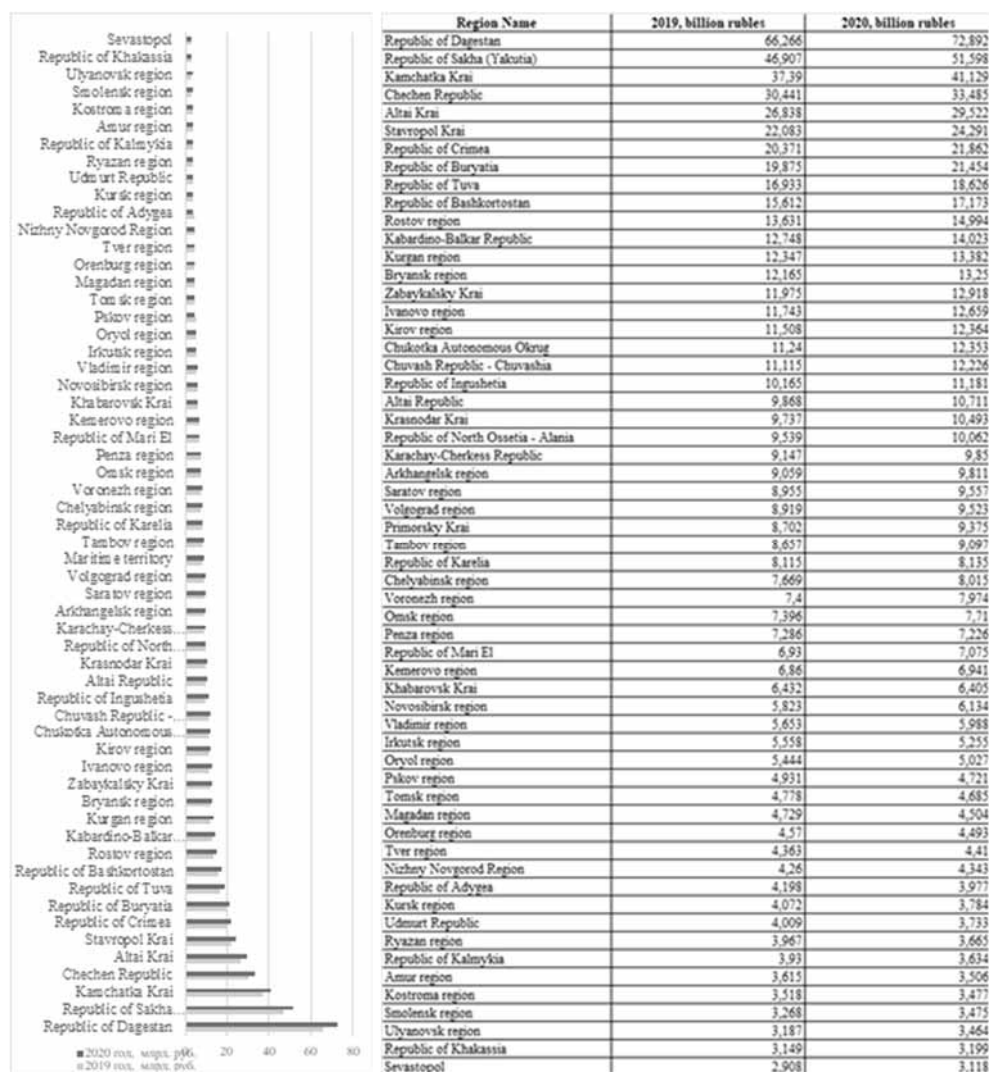


Source: Sochina, 2019.

The total number of subsidized regions for the period 2010-2020 is practically unchanged, and the “subsidies map” still does not look financially attractive for many regions of the Russian Federation. If we talk about overall statistical indicators, the situation in Russia looks like this: out of 85 subjects, only 13 leave money to the Federal budget – that is, they are donors, the remaining 72 need additional funds from the budget, to some extent (<https://vybory-91.livejournal.com>). Figure 2 shows the dynamics of Federal subsidies to the regions of the Russian Federation (maximum values) for 2019 and 2020.

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Figure 2
Dynamics of Federal subsidies to the regions of the Russian Federation for 2019-2020



Source: <https://rosinfostat.ru>.

It is important to understand the trend that is developing in Russia. The data for the last 27 years, with a changing number of donor regions, are as follows: in 1993, there were 35 donor entities in the country; in 1997, their number dropped sharply to 8; in 2001, their number

increased to 25; to date, there are 13. As can be seen from the statistics, the list of subsidized regions in Russia practically does not change. In any case, this applies to the ten regions that receive the maximum amount of subsidized funds and demonstrate the most acute shortage of enterprises, their own resources and other things that could help them form greater financial independence. The Covid-19 pandemic has exacerbated the differentiation between Russian regions, acting as a certain catalyst for this problem. It should be mentioned that the total public debt of the constituent entities of the Russian Federation has been declining since 2017 as a result of improved tax collection and increased fiscal sustainability. But the formed budget imbalance in the first four months of 2020 contributed to the growth of public debt by 2.1 % compared to last year and amounted to 2,086.8 billion rubles as of May 1, 2020, in April 2020, the debt increased by 31.6 billion rubles. The debt growth was recorded in 30 regions of the Russian Federation. Table 1 shows the top 10 regions that increased public debt in the four months (January-April) of 2020.

Table 1

Top 10 regions that increased public debt in January-April 2020

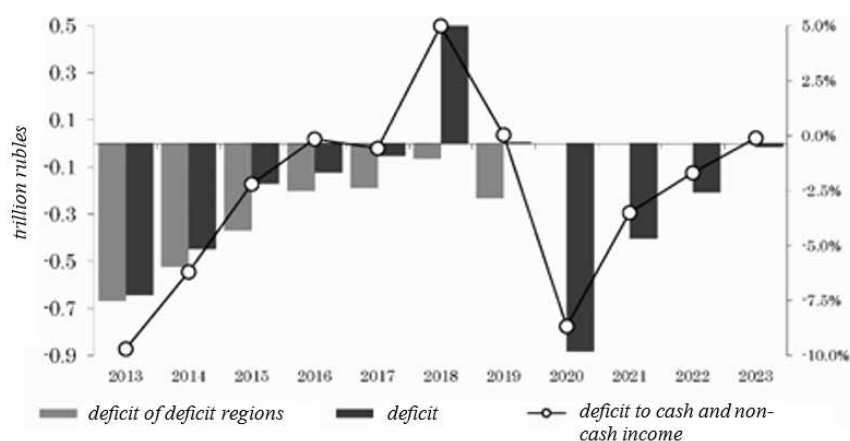
No	Constituent entity of the Russian Federation	Debt as for 01.05.2019, bln rub.	Debt as for 01.05.2020, bln rub	Dynamics, %
1	St. Petersburg	30,1	55,0	+82.7
2	Irkutsk region	12,3	20,5	+66.7
3	Kamchatka Krai	4,0	5,9	+46.1
4	Novosibirsk region	35,1	49,5	+41.0
5	Republic of Buryatia	7,3	10,0	+36.3
6	Moscow region	125,7	168,0	+33.6
7	Sverdlovsk region	66,8	86,2	+29.0
8	Voronezh region	14,5	17,7	+21.6
9	Republic of Kalmykia	4,1	5,0	+20.2
10	Tomsk region	29,1	34,4	+18.4

Source: Tirkikh, Galieva, Mitrofanov, 2020.

These regions also include the regions that are donors to the Federal budget, which is even more alarming in relation to the current economic situation. In order to contain the rapid growth of the debt burden and maintain financial stability, the government released the constituent entities from repaying budget loans until the end of this year and extended the program of restructuring budget loans until 2029, and also increased the term for granting Treasury loans from 90 to 180 days. In 2020, the difference between the volumes of industrial output between the regions reached 20 times, without taking into account Moscow, the difference in production remains nine times. *The crisis caused by Covid-19 is very dangerous for the social and economic stability of the regions of the Russian Federation. But no less dangerous is the artificial financial alignment of the regions, which can create a dependent mood in weak regions and deprive the incentive to develop strong regions (Solovyova, 2020).* According to the information of the Ministry of Finance of the Russian Federation dated October 1, 2020, “Main directions of the budget, tax and customs tariff policy for 2021 and for the planning period of 2022 and 2023”, one can observe the following dynamics of the budget deficit of the constituent entities of the Russian Federation (Figure 3), from which the unfavourable picture that was developed in 2020 is obvious. At the same time, to mitigate it, the Government of the Russian Federation is planning to provide non-targeted financial

support to the budgets of the constituent entities of the Russian Federation, while maintaining the existing approaches to the distribution of subsidies for equalization.

Figure 3
Dynamics of the budget deficit of the constituent entities of the Russian Federation: light grey – a deficit of deficit regions; dark grey – deficit; line – deficit to cash and non-cash income, trillion rubles



Source: <http://www.garant.ru>.

According to the meeting of the Government of the Russian Federation dated November 2020: 130 billion rubles from the Federal budget in 2021 will be allocated to support the regions. The increase by 100 billion rubles is due to the deterioration of the economic situation and a decrease in regional revenues. A number of economists believe that even these increased transfers from the Federal budget next year will be clearly insufficient to cover regional budget deficits and fulfil all social obligations (Shokhina, 2020). In addition, the Government of the Russian Federation has submitted a bill on granting the right to one region to lend to others (horizontal loans) to the State Duma. The new rules are expected to take effect from 2021. The restrictions on the issuance of debt securities by regions and municipalities that do not have a sufficient credit rating are also lifted. These measures, according to the Chairman of the Government of the Russian Federation Mishustin M., will give the regions “more manoeuvre in finding resources” for the development of the economy and improving the population standard of living (<https://www.kommersant.ru>).

The measures of the Government of the Russian Federation are aimed at smoothing the territorial financial imbalance between the regions of the country through cash injections from the Federal budget to the regions. In addition, the donor regions will be able to become creditors of the subsidized regions. This financial dependence of most regions on the Federal budget is very dangerous from a strategic, long-term perspective. In our opinion, horizontal loans will probably not find a lively response among the constituent entities of the Russian Federation. In the context of a slow economic recovery, it will be a priority for the regions to

accumulate funds as much as possible to support their economy, rather than allocate them to help other regions.

Regions should find alternative sources of financing for their projects, including through “people’s financing” and the activation of the territorial self-government development based on the crowdfunding mechanism and its use in building an effective network of interaction between business structures and local self-government bodies. This interaction became possible only in the conditions of active development of the distributed use economy.

In economics, a network is a way of regulating the interdependence of participants in a single technological process, based on a cooperative “game” and special relationships. Combining the efforts of management bodies and business entities in a certain territory gives significant advantages in competition and production and market processes rationalization. Such a combination of efforts has proved quite effective in terms of implementing programs for the economic development of regions, and sometimes even national systems in some countries (Srivardhini, 2018; Sumita, Sanwar, 2017; Rosen, Olsson, 2013; Rui Shu, Shenggang Ren, Yi Zheng, 2018; Noelia, Rosalia, 2020; Muñoz, Kibler, Mandakovic, Amorós, 2020).

We set the following research purpose: *to justify the possibility and necessity of developing territorial self-government in Russia based on crowdfunding network interaction between business structures and local self-government bodies in the context of the Covid-19 pandemic, which exacerbates the economic problems of regional financing.* To achieve this goal, the study will consistently solve the following tasks:

1. Analyzing how such financial instruments of “people’s financing” as initiative budgeting and self-taxation are currently used in Russia.
2. Developing the current scheme of financial participation of citizens in territorial development based on the self-taxation mechanism, indicating its shortcomings in implementation.
3. Determining whether there are examples of projects already implemented on crowdfunding platforms for territorial development. First of all, we are talking about projects for small Russian cities, towns and villages.
4. Identifying crowd platforms in the Russian Federation that allow to influence the process of territorial self-government.
5. Developing a scheme of network interaction between business structures and local governments based on crowdfunding IT platforms. Indicating its advantages in comparison with the current scheme of citizens’ self-taxation.
6. Offering methodological recommendations for the implementation of this scheme in the Russian Federation.

2. Materials and Methods

Logical research methods, both quantitative and qualitative, were used to solve the tasks set. The quantitative research methods include the collection, analysis and use of statistical data

on: the dynamics of subsidies provided from the Federal budget to the regions of the country; the dynamics of “people’s financing” tools used in Russia; implemented regional development crowd projects. Such qualitative research methods, as observation and survey, were used in the study of Russian crowdsourcing platforms.

The sources of information were the regulatory legal acts of the Russian Federation on the issues: provision of public subsidies to the regions of the country; proactive budgeting and self-taxation of citizens; implementation of crowdfunding in Russia; national development programs; and information and research published in open sources on the research topic.

3. Results

3.1 Practice of using “people’s financing” instruments in the Russian Federation: dynamics, problems, development prospects

The lack of financial resources to resolve issues of local importance is one of the main problems of local government. An alternative way to co-finance local expenses is to use self-taxation mechanisms of citizens, the practice of which has been developed in our country for a long time. In the Decree “On the self-taxation of the population to satisfy local public needs” of 1924, it is noted that the self-taxation of the population was established to satisfy all kinds of local public needs (the maintenance of educational, medical, social welfare institutions, as well as the satisfaction of the needs of local improvement, etc.) and was allowed solely on the basis of a voluntary agreement of citizens (*Resolution of the Central Executive Committee of the USSR, Council of People’s Commissars of the USSR of August 29, 1924*). It should be noted that initially, there were no legislatively established forms of control over the expenditure of these funds. Subsequently, in the period 1927-1930, documents were adopted (*Resolution of the Central Executive Committee and the Council of People’s Commissars dd. August 16, 1930*) introducing mandatory self-taxation and monitoring the use of funds, as well as providing for control over the payment of funds by the population. The order of use became legislatively regulated; proceeds were directed to the development of local social institutions.

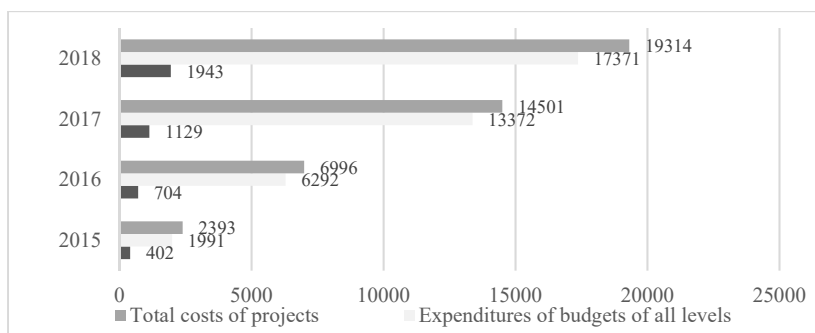
Under the current legislation and in accordance with federal law No. 131-FZ “On General Principles of the Organization of Local Self-Government in the Russian Federation” (*Federal Law dd. 06.10.2003 N 131-FZ*), self-taxation means one-off payments by citizens made to resolve specific issues of local importance. The decision to introduce self-taxation and the use of these funds is made based on the results of a local referendum or at a gathering of citizens. The size of payments, with a few exceptions, was set the same for all residents of a municipal entity, with the exception of certain categories of citizens, the number of which cannot exceed 30 percent of the total number of residents of the municipal entity. At present, the principle of voluntary payment of these payments is valid, which is also confirmed by court decisions.

Federal law No. 131-FZ regulates the concept of “territorial public self-government”, which refers to the self-organization of citizens at their place of residence on the territory of a settlement, the inner city territory of a city of federal significance, the municipal district,

urban district, intracity district, as well as settlements located on inter-settlement territory (or part of their territory) for independent implementation under their own responsibility of their own initiatives on issues of local importance. Territorial public self-government is carried out directly by the population through holding meetings and conferences of citizens, as well as through the creation of bodies of the territorial public self-governments (TPSG). In accordance with its charter, the territorial public self-government may be a legal entity and is subject to state registration in the legal form of a non-profit organization. Now there are about 30 thousand of such organizations in Russia, and the regions have left the capitals far behind in terms of self-organization; almost as many territorial public self-government bodies have been created in rural areas as in cities. However, less than ten per cents of the territorial public self-government bodies have the legal entity status. The majority is registered in the form of a public organization that does not give enough authority for active interaction with local governments (*Mislivskaya, 2018*).

In 2018, the Russian Federation began the implementation of the Initiative Budgeting (IB) Development Program, the activities of which were included in the state program “Public Finance Management and Regulation of Financial Markets”. An important component of information security is the possibility of participation for a wide range of citizens in putting forward ideas, discussing and choosing projects, various forms of voting and competitive selection of projects. As a rule, this is ensured through various intramural and extramural mechanisms provided for at different stages of the practice; statistics on citizen participation in such procedures are not systematic. In a number of practices, the need for counting participants in procedures at different stages is regulated in normative legal acts, as it is a way of confirming the participation of citizens. The dynamics of financial support indicators for IB projects for 2015-2018 is presented in Figure 4.

Figure 4
Dynamics of financial support indicators for initiative budgeting projects, 2015–2018,
million roubles



Source: <https://www.minfin.ru>.

Transfers are provided from the regional budget to resolve local issues with the mandatory attraction of self-taxation funds in parallel with the practices of proactive budgeting in the Kirov and Vladimir regions and the Republic of Tatarstan. In the Kirov region, this proportion is 60/40, in the Vladimir region – 50/50; in Tatarstan, the ratio is 80/20 (4 roubles

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from the republican budget for each rouble from citizens). In addition, a new bill initiated by the Tatarstan parliament proposes to introduce the possibility of “self-taxing in parts”, that is, to hold citizens’ meetings on self-taxation in part of the territory of a settlement; for example, it can be an individual residential area in a city or even a group of multi-apartment residential buildings. This initiative is dictated by the need to solve the problem of compliance with federal law No. 131-FZ, according to which the decision to impose self-taxation and use of these funds is made based on the results of a local referendum or at a gathering of citizens. It turns out that residents of large cities have no incentive to go to a referendum, since residents of one district or village are not interested in spending their money on resolving issues in another. As follows from the report of the All-Russian Congress of Municipalities, Tatarstan is a leader in self-taxation in the Russian Federation. In 2018, 266.5 million roubles were collected for self-taxation in Russia in total, of which 223 million roubles were in Tatarstan (*Goloburdova, Kirilov, 2019*).

The current practice of applying the self-taxation mechanisms of citizens is rather ambiguous. Measures to stimulate self-taxation undertaken in the constituent entities of the Russian Federation lead to very different results. In some regions, the experience of developing self-taxation was recognized as successful, in others, the introduction of this mechanism did not lead to the expected results and the collected funds of the population did not exceed the costs of holding a referendum, and thirdly, opposition to the implemented practices by the population remains. Obviously, the most successful is the experience of territories where co-financing from the regional budget is used to activate self-taxation. Since 2015, the development of initiative budgeting practices in the constituent entities of the Russian Federation has been supported as part of the direction to increase the transparency of public and municipal finance management (*Zentsova, 2019*). The development of proactive budgeting practices is included in the number of tasks to be addressed within the framework of the implementation of the “Concept for improving the efficiency of budget expenditures in 2019–2024” approved by the Government of the Russian Federation dated January 31, 2019 No. 117 - r. (<http://static.government.ru>) These approaches are implemented at the federal level by including civil participation practices in the number of measures provided for by the state program of the Russian Federation “Management of public finances and regulation of financial markets” (<https://www.minfin.ru>).

On July 20, 2020, the President of the Russian Federation signed Federal law No. 216-FZ “On amendments to the Budget Code of the Russian Federation” (*Federal law dd. July 20, 2020, No. 216-FZ*) and Federal law No. 236-FZ “On amendments to the Federal law “On general principles of organization of local self-government in the Russian Federation” (*Federal law dd. June 20, 2020, No. 236-FZ*). These Federal laws are aimed at consolidating the legal foundations of initiative budgeting in the Russian Federation. The laws regulate the mechanism of citizens’ participation in the financial support of initiative budgeting projects. The specified mechanism allows to provide the direction of funds (initiative payments) of residents interested in the implementation of the initiative project for projects to address specific issues of local importance, as well as the citizens’ ability to control each stage of the initiative project implementation.

The amendments also defined the powers of the Ministry of Finance of the Russian Federation for the provision of regional and municipal financial authorities with methodological support in the implementation of local initiatives with the citizens' participation, as well as planning and execution of expenditures of the budgets of the RF constituent entities and municipalities to implement initiatives. The adopted innovations will ensure the formation of unified approaches to the methodological support of initiative budgeting practices. The growth of interest in these practices is also evidenced by the results of 2019. The number of the constituent entities of the Russian Federation that have announced the implementation of initiative budgeting practices on their territory reached 69 regions, and some of them are implementing two or more initiative budgeting practices at the same time. For the first time, the number of implemented initiative projects exceeded 20 thousand (21.8 thousand or +13% by 2018), and the total amount of funding for such projects amounted to 24.1 billion rubles (+25% by 2018) (<https://pravitelstvo.kbr.ru>). A comparative analysis of the features of citizens' self-taxation and initiative budgeting is presented in Table 2.

Table 2

Comparative analysis

Comparison criterion	Citizens' self-taxation	Proactive budgeting (including the conclusion of donation agreements with residents and sponsors)
Making a decision on raising funds	Referendum	Individually
Population coverage	All residents of the municipality	Only interested parties. The number of participants is not limited
Amount of payments	It is set in absolute value equal for all residents of the municipality, with the exception of certain categories of citizens whose number cannot exceed 30% of the total number of residents and for whom the amount of payments can be reduced	It may be different for each of the benefactors
Reflection in the budget	Non-tax income	Gratuitous receipts
Legal regulation	Article 56 of Federal Law No. 131-FZ dated 06.10.2003 "On General Principles of the Organization of Local Self-Government in the Russian Federation"	There are no special rules. Separate provisions of the Civil Code of the Russian Federation, the Budget Code of the Russian Federation and Federal Law No. 135-FZ dated 11.08.95 "On Charitable Activities and Charitable Organizations"

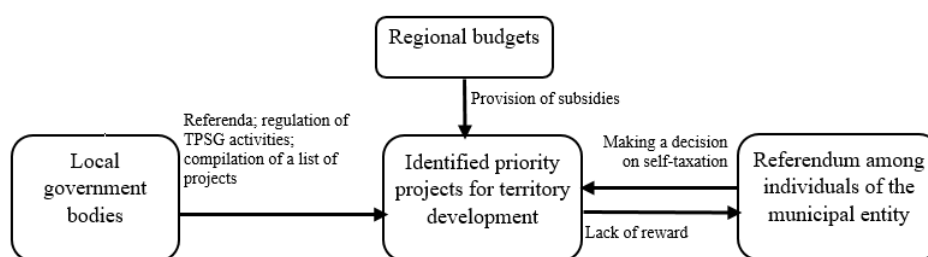
It is worth noting that both technologies are implemented in Russian practice with the support of the regional authorities, since the main amount of funds is provided from the budgets of the constituent entities of the Russian Federation.

3.2 Development of a scheme of financial participation of citizens in territorial development based on the self-taxation mechanism

To date, the Russian Federation legislatively dictates the following scheme of financial participation of citizens in the development of certain territories based on the self-taxation mechanism (Figure 5).

Figure 5

Scheme of financial participation of citizens in the territorial development based on the self-taxation mechanism



Source: own research.

However, this participation scheme can be characterized by a number of disadvantages:

- the need for a referendum in the municipal entity to address self-taxation for a specific project;
- participation in the referendum is provided only for individuals residing in the given territory;
- the lack of financial rewards for citizens from a project for the implementation of which the self-taxation funds have been allocated.

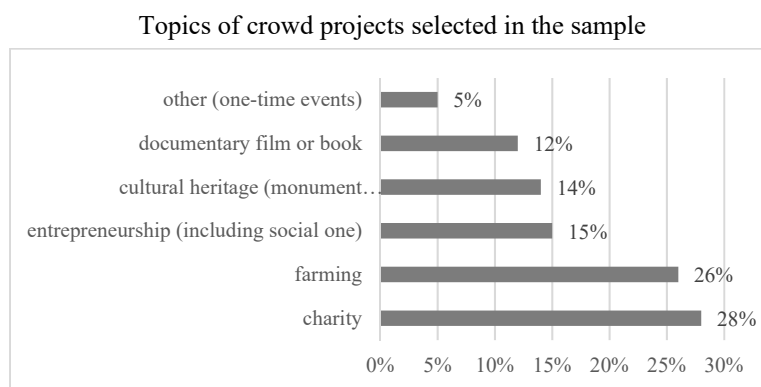
However, there are many problematic issues for the solution of which it is possible to use completely different approaches, each of which can have a positive effect. *We propose to look at the problem of the possibility and financial interest of participation of both individuals and legal entities in the territorial self-government of regions based on the crowdfunding mechanism.* Crowdfunding is one of the sectors of the sharing economy. Platforms of the sharing economy transform traditional systems of production and consumption in cities around the world. While the sharing economy can be aimed at increasing the sustainability of various economic systems, its actual economic, social and environmental effects remain poorly understood. In the era of Covid-19, climatic and economic crises, and growing uncertainty, including the territorial development of single-industry towns, it is becoming increasingly important to promote more sustainable and promising forms of joint (distributed) use of various resources, and, above all, financial ones. Ways to capitalize on the strengths of a sharing economy despite a significant number of both Russian and foreign publications are still poorly understood, many of them are aimed at developing theoretical aspects of this issue. For example, the main aspects of the functioning of the sharing economy are presented and described in the work by Sadovskaya A. (*Sadovskaya, 2018*); co-authors

of the work Adaktilos A., Chaus M., Moldovan A. (*Adaktilos, Chaus, Moldovan, 2018*), consider two sides of the sharing economy model: the positive one is expressed in minimizing the environmental crisis and reducing the consumption of resources that are limited in the world, and the negative one presents itself when the model is based only on people’s trust in each other. According to Glukhov V. and Glukhova Z. (*Glukhov, Glukhova, 2019*), the sharing economy received a new impetus for its development and changed the structure of relations between consumers of goods (services). At the moment, it is extremely important to study the roles, prospects and effects of both resource owners, users, local governments, and the sharing platforms themselves in Russia in the direction of territorial development of regions.

3.3 Identified examples of projects implemented on crowdfunding platforms for the development of territories (including small towns in Russia, rural settlements and villages)

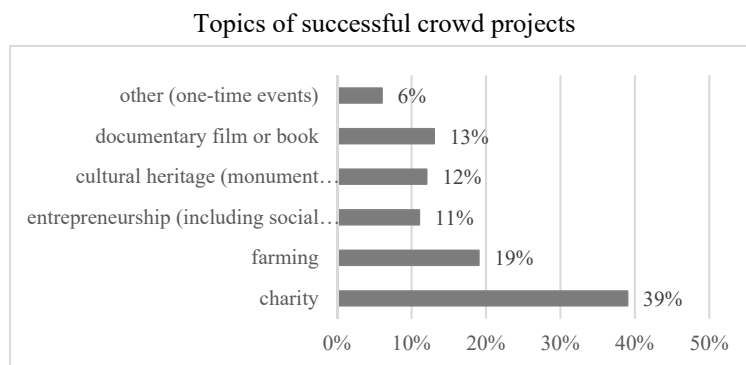
Two sources of information were used to study this issue. Firstly, this is the work by Latysheva A. (*Latysheva, 2020*), in which more than two hundred projects were selected, which started from 2012 to 2017 on two of the most famous Russian platforms Planeta.ru and Boomstarter, the search was carried out by keywords: “rural settlement”, “rural”, “village”, “country”. The selection criterion for the final sample was the goal of the project – improving the life and development of a rural settlement or village on the territory of Russia. The final sample included 202 projects, including 169 on the Planeta.ru crowd platform and 33 on the Boomstarter platform, launched between 2012 and 2017. Of the 202 selected projects, 40% were successful at the time of the analysis, 50% were unsuccessful and 10% were not yet completed. If we analyze only completed projects, the percentage of successful projects will grow to 44%, which is higher than the average figures for sites. These data refute the claim that “rural” projects have a localized nature of the interest of crowd platform participants. The selected projects are divided into several thematic groups Figure 6): charity, farming, entrepreneurship (including social one), cultural heritage (monument restoration, creation of a local museum, etc.), documentary film or book, other (one-time events).

Figure 6



Topics of only successful projects are shown in Figure 7.

Figure 7



This analysis of crowdfunding projects has shown that in conditions of local budget deficits and expensive lending, crowdfunding helps to successfully solve problems related to various aspects of the life of the population in the regions – from entrepreneurship to social initiatives. Crowdfunding acts as a tool to compensate for the shortcomings of financing social projects.

The second source of information for this issue analysis was the statistical data provided by the Planeta.ru crowd platform for the period 2016-2020. The ratio of the total number of projects (with the key search words “village”, “settlement”, “town”, “region” and their derivatives in the name of the project) to successful projects (for which the amount requested by the Initiator of the project was raised) for 2016-2020 looks differently compared to 2012-2017:

2016: 34 / 12;

2017: 49 / 9;

2018: 49 / 5;

2019: 54 / 10;

2020: 23 / 7.

Thus, from 2012 to 2017, the total number of such projects on the Planeta.ru crowd platform was 169 (of which 40% were successful), and 209 from 2016 to 2020 (of which 21% were successful). With the growing number of such projects per year, their success rate decreases. The reasons for this dynamic may be quite different, but it is obvious that the initiative in applying for raising “public financing” of projects is growing, however, without the appropriate support of local governments in informing the population interested in the implementation of these projects and the possibility of subsidizing part of the project costs from the budget, the success of projects falls. The geography of these projects on the platform is represented by almost all regions of the country, the ratio of project Initiators is as follows: individuals 71%; NPOs (non-profit organizations), ANO (autonomous non-profit

organizations) 12%; IE (individual entrepreneurs) 4%; administrations and municipal bodies 3%; other legal entities 10%.

This ratio is characterized by a certain error, since the search was performed by the name of the projects and there is no type of counterparty on the platform, but only its name. At the same time, it is obvious that currently, the initiative in developing, placing on the platform and implementing such projects belongs entirely to individuals. Local self-government bodies are practically not involved in this activity, although the implementation of social projects and the creation of conditions for the development of small and medium-sized businesses is their direct function.

3.4 Identification of crowd platforms in Russia, which allow to influence the process of territorial self-government in the regions

In January 2018, the crowd platform “100 urban leaders” was launched in Russia (Figure 8). The crowd platform was created as part of the program of the Center for urban competencies of the Agency for strategic initiatives and the “Rosatom” Russian state corporation and is aimed at developing urban communities for their active involvement in the process of changing cities for the better. This crowd platform gives an opportunity to: conduct voting and questionnaires; create surveys; collect the best proposals for improving the project; use educational materials, lectures and instructions; learn from the experience of leaders who have implemented similar projects. At the same time, it is important that the project posted on the crowd platform is aimed at meeting the needs and requests of city residents. The platform is crowdsourcing, that is, it is a way that allows to gather like-minded people in one place to create projects, exchange ideas and experience in order to solve problems facing business, government and society. The platform does not collect funds for specific regional development projects, but only discusses opportunities for implementing and improving the effectiveness of a particular project that is important for a particular territory.

Figure 8

“100 city leaders” crowd platform



Source: <https://100gorodov.ru/>.

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Let's consider the two crowd projects currently open on the platform: "My road Civic platform" and "Accepting applications for launching crowd projects" (Figure 9).

Figure 9



Within the "My Civic road platform" crowd project (implemented from November 25 to December 31, 2020), a vote is being held for a city to pilot design solutions for adapting international urban road design practices. The "Accepting applications for launching crowd projects" crowd project (implemented from March 11 to December 31, 2020) is aimed at collecting applications to attract ideas for implementing projects that are important for the development of certain territories of Russia. As of December 22, 2020, 248 applications were submitted under this project. As an example, we will consider only 4 applications to describe the range of problems of projects proposed for implementation in completely different regions of Russia.

Application 7999: Pskov region. The goal of the project is to create a unique Data processing centre in Russia with the use of distributed registry technologies and quantum encryption, power supply from 80 MW of Pskov GRES and the possibility of further increasing consumption to 440 MW. Heating the Pskov region facilities at the expense of waste heat.

Application 7911: Pskov region. The goal of the project is to overhaul the road from the district centre of Pallasovka to the village of Romashki.

Application 7188: Arkhangelsk. The goal of the project is to restore the estate of Vikulov I., built in 1905-1906.

Application 7168: Moscow region town of Mozhaisk. The goal of the project is to stop cutting down adult fir trees and take care of nature.

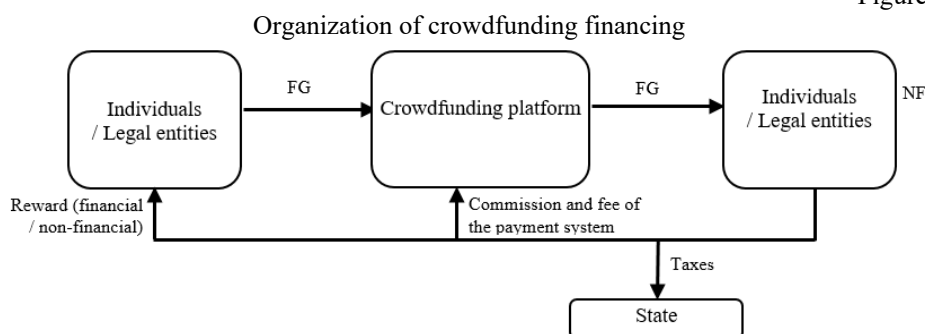
It is obvious that Russians from different regions of Russia are primarily concerned with social aspects of the quality of life: roads, ecology, transport. If we consider other applications, we will see the projects associated with supporting the disabled, pensioners,

children – that is, socially significant groups; projects in the field of improving the quality of construction and maintenance of housing; the landscaping areas (development and improvement of parks); projects for creating cultural objects. Thus, today a crowdsourcing platform aimed at activating the presentation and discussion of public ideas for the development of socially significant projects important for the regions of the Russian Federation is successfully operating in Russia. *The main drawback of this platform is that it is not crowdfunding, that is, citizens or legal entities who want to financially support a particular project in the Russian region do not technically have such an opportunity with the help of the platform.*

3.5 *Development of a scheme of network interaction between business structures and local governments, based on crowdfunding IT platforms. Indicating its advantages in comparison with the current scheme of citizens` self-taxation.*

On January 1, 2020, the Federal Law dated August 2, 2019, No. 259-FZ “On attracting investments using investment platforms and amending certain legislative acts of the Russian Federation” (*Federal Law dd. August 2, 2019, No 259-FZ*), entered into force in the Russian Federation and also called the “crowdfunding law”. According to the law, the movement of non-cash funds in the form of investments occurs within the framework of special investment platforms on the Internet on the basis of relevant agreements (*Andreev, 2020*). Investing with the use of the investment platform can be carried out in the following ways: by providing loans; by acquiring equity securities placed using the investment platform, with the exception of securities of credit institutions, non-credit financial institutions, as well as structural bonds and securities intended for qualified investors; by acquiring utilitarian digital rights. The classic crowdfunding financing scheme is presented in Figure 10.

Figure 10



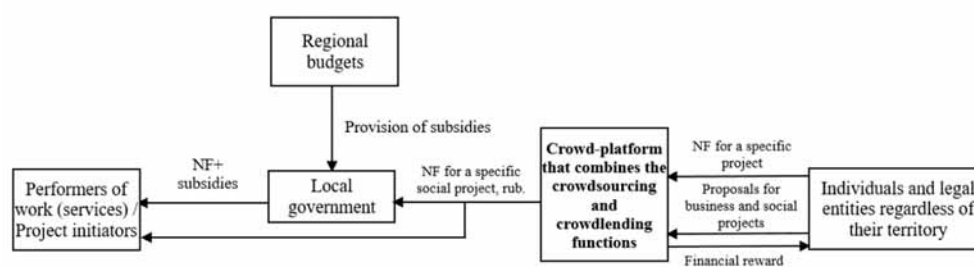
FG – financial goal, roubles; NF – the necessary funds for the implementation of the project, roubles
 Source: Nekrasova, Shumeyko, 2017.

Thus, it is necessary to collect such an amount of funds on a crowdfunding platform that, after the deduction from it of a crowdfunding platform commission, a payment system fee and tax, the amount of funds would remain, which are necessary directly for the implementation of the project. Crowdfunding business models can be divided into financial and non-financial (*Golikova, 2019*). The practice of the investment platform activity in

Russia indicates that the non-financial crowdfunding models have gained the most and predominant development; however. Taking into account the previously described scheme of financial participation of citizens in the territorial development of the country on the basis of the self-taxation mechanism, an alternative scheme is proposed for the participation of not only citizens, but also legal entities in the development of specific territories or the implementation of projects (Figure 11).

Figure 11

Scheme of network interaction of business structures and local governments based on crowdfunding IT platforms



FG – financial goal, roubles; NF – the necessary funds for the implementation of the project, roubles

Source: own research.

This scheme proposes the creation of a crowd-platform that combines crowdsourcing and crowdlending functions. This crowd-platform would allow not only to conduct voting and questionnaires; create surveys; collect the best proposals for improving the project; use educational materials, lectures and instructions; learn from the experience of leaders who have implemented similar projects, but also raise funds for implementing both entrepreneurial and social projects of the territories. There are a number of crowdlending platforms, there are also crowdsourcing platforms (“Active Citizen”, “100 urban leaders”) in Russia, but there are no platforms that would combine these functions to develop certain business projects in specific territories. The proposed financing scheme has several advantages in comparison with the currently used:

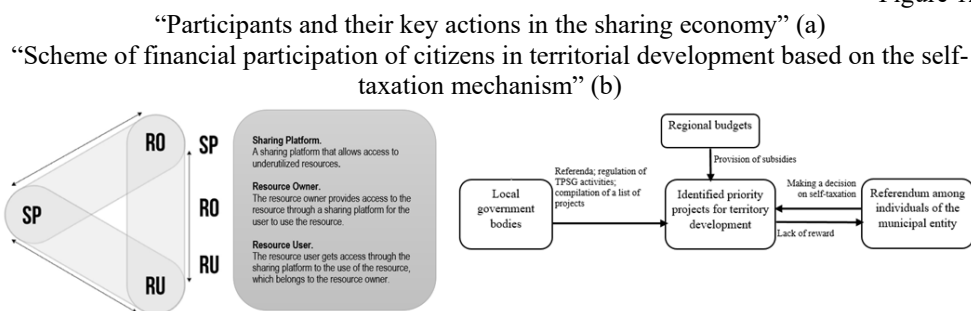
- participation in the financing of both individuals and legal entities;
- the opportunity to participate, regardless of the territory of residence or activity;
- there is no need for a referendum to decide on self-taxation;
- the possibility of obtaining financial rewards for investing in the project.

Based on all of the above, we can conclude that crowdfunding can act as a voluntary financial alternative to the self-taxation of citizens and initiative budgeting or supplement them. Unlike the self-taxation mechanism, crowdfunding does not imply that citizens who finance the project must permanently or predominantly reside in the territory of a particular municipality. Anyone can donate money wherever they are, which allows to expand the number of participants and raise more money. A team of project authors can be formed from people

who are also located in different cities or towns. This makes it possible to implement inter-municipal projects. The implementation procedure itself is simpler than self-taxation: there is no need to hold a referendum. In addition, crowdfunding can also serve as a preliminary stage of initiative budgeting, where you need to identify the most significant needs of the local community. In this case, the funds that were raised through the crowdfunding platform complement the funding from the local budget.

The use of crowd platforms for the implementation of projects in the country’s regions is not completely new for Russia, as we have seen in paragraph 3.3 of the “Research results”. What is the novelty of our approach? In the traditional scheme of using sharing platforms (including crowd platforms), the main focus is on the initiator (owner/project manager). As it was revealed during the analysis of crowd projects on the most famous crowd platform in Russia Planeta.ru (paragraph 3.3 of the “Research results”), they are most often individuals who live in a particular locality for the development or solution of problems of which they create a project to raise funds. That is, it is the citizens of a certain territory who take responsibility for solving its problems. The main task of the proposed scheme is to transfer the “gravity centre” for the development of territories to the local governments. The main practical value of the implementation of the proposed scheme is to move away from the “needle” of permanent Federal subsidies to the regions to increase the financial responsibility of local governments. They are the initiators of projects on crowd platforms in our scheme. Of course, to determine the “rating” of the territory’s problems, it is possible to use crowdsourcing platforms by analogy with the already existing “100 city leaders” in Russia, which was discussed earlier. In our scheme, we combine the scheme of “Participants and their actions of the sharing economy” (Figure 12a) and “Scheme of financial participation of citizens in territorial development based on the self-taxation mechanism” (Figure 12b) with the transfer of the area of responsibility for the placement of projects to local governments in the regions of the Russian Federation, but with active cooperation both in identifying problems and attracting financial resources from both individuals and enterprises of these regions, and all other interested in the implementation of the project.

Figure 12



In other words, a mechanism for crowdfunding network interaction between business structures, local self-government bodies and the population of the territories is being created. Thus, our scheme is a new tool of territorial self-government in the regions of the Russian Federation.

3.6 Methodological recommendations for this scheme implementation in the Russian Federation

Let's formulate recommendations for the implementation of the proposed «Scheme of network interaction of business structures and local governments based on crowdfunding IT platforms». It is possible to allocate five basic stages of this scheme implementation.

Stage 1. Training the municipal employees in the methods of placement and management of crowd projects. It's possible to use the training materials of the platforms themselves. In the future, territorial crowd platforms that place projects directly in their region can be organized.

Stage 2. Placing the project information on the crowd platform website. At this stage, the project initiator (municipality) registers on the site and enters information about the project. Software most platforms offer consistently specify all the project parameters: title, duration of the campaign to raise funds, necessary amount, idea description, duration of implementation, compensation to participants. It is important not only to describe and justify the idea, but also to indicate the mechanism of its implementation. The platform's functionality allows to upload videos, photos, and drawings.

Stage 3. Moderation and agreement. The author of the project (municipality) sends the finished materials for moderation - checking that the project complies with the platform's rules. After moderation, the author of the project enters into an agreement with the platform, which sets out the rights and obligations of the parties, including the terms of provision and payment for services. Then the platform specialist launches the project, and information about it becomes publicly available.

Step 4. Fundraising. At this stage, any user can transfer funds, post information about the project in social networks, make comments on it, and ask questions to the initiator. The initiator (municipality) can post information about rewards, talk about the project on the Internet and offline, and view statistics of visits to the project page. The municipality reflects the collected funds according to article 150 of the CPASO (classification of the public administration sector operations) "Gratuitous cash receipts". After the deadline for collecting funds for the project implementation, the parties draw up a certificate of acceptance of the services rendered. The platform then transfers funds to the project initiator. It is extremely important to draw the attention of the public of the project territory to the ongoing fundraising at this stage.

It is worth noting that at the initial stage of this scheme implementation, a negative reaction to the offer to participate in the project through crowdfunding is not excluded. The population may express distrust, unwillingness to pay for the benefits that, in their opinion, need to be financed from the budget. To minimize scepticism, it is necessary to convey to the population the idea that crowdfunding will allow them to implement projects for which there are not enough funds in the budget.

Stage 5. Municipality's reporting on the progress of the project and costs. The undoubted advantage of using crowdfunding in territorial self-government is its transparency. The municipality publishes the budget and estimates on the project page. The agreement can provide for the obligation of the initiator to post a report on the project implementation. Then

everyone who supported them financially will be able to see what the initiator spends money on. In the “project news” section, they can inform project participants about important events through the project profile and social networks. To discuss issues and get feedback, the users should be encouraged to leave comments (*Burilichev, 2019*).

We should separately point out that in order to receive a budget subsidy for the implementation of crowd projects of territorial self-government, it is necessary to make appropriate amendments to the normative legal acts regulating the process of self-taxation of citizens. These amendments should allow the use of the mechanism of fundraising through the crowd platform along with the mechanism of self-taxation of citizens to receive subsidies from the regional budget. *It is obvious that today citizens take responsibility for initiating crowd projects, raising funds, implementing the project and reporting on it to all participants.*

4. Conclusion

The main purpose of this article was *to substantiate the possibility and necessity of developing territorial self-government in Russia based on crowdfunding network interaction between business structures and local self-government bodies.*

To achieve this goal, the following tasks were solved:

- dynamics, problems and prospects of development in Russia of such instruments of “people’s financing” as initiative budgeting and self-taxation was analyzed. The current scheme of self-taxation of citizens in the country was developed with a list of its shortcomings in implementation;
- examples of implemented crowd projects for the development of the territories of the Russian Federation, primarily in the field of public initiatives, were considered;
- crowdsourcing platform “100 city leaders”, which allowed to influence the process of territorial self-government in Russia since 2018, was identified and described;
- scheme of network interaction between business structures and local governments based on crowdfunding IT platforms is proposed; its advantages in comparison with the current self-taxation scheme of citizens in the Russian Federation are formulated. Methodological recommendations for the implementation of this scheme are given.

The use of the crowdfunding mechanism in the territorial self-government of regions can help in solving the tasks set out in the state programs of the Russian Federation (*Kutepov et al., 2018*), namely:

- “Development of science and technology” (*Resolution of the Government of the RF dd. 15.04.2014 No. 301*). The use of the crowdfunding mechanism in the territorial self-government will ensure the influx of new categories of investors who previously had no opportunity to participate in the investment process. Regional projects will receive a new source of funding, which will have a positive impact on the quality of life of the population;

- “Digital economy” (*Order of the Government of the Russian Federation dd. 28.07.2017 No. 1632-R*). Crowd platforms can become one of the most important elements of the investment infrastructure of the digital economy. The decentralized framework of the “new finance of the regions” will facilitate the emergence of new horizontal links in the innovation ecosystem and attract new participants through informal social channels;
- “Industry development and increase of its competitiveness” (*Resolution of the Government of the R. Federation dd. 15.04.2014 No. 328*). The use of the crowdfunding mechanism in the territorial self-government of regions can become an important catalyst for the diversification of sources of financing for Russian industry;
- “Information society” (*Resolution of the Government of the RF dd. 15.04.2014 No. 313*). Crowd technology can promote the intensification of the information environment for regional development. The communities formed around the crowd platform, will be the basis for public discussion of key issues of regional development.

Thus, the use of the crowdfunding mechanism in territorial self-government provides an additional opportunity for solving the tasks facing Russia in the development of science and technology, increasing the level of technological development of the economy of the regions and the country.

The proposed project financing scheme is aimed at developing network interaction between individuals and legal entities interested in implementing certain regional business and social projects and local governments based on crowdfunding IT platforms. This scheme is characterized by: a single goal for the development of projects and territories; a clear structure of organizational and financial relations; a high degree of the interconnection of the structural elements. The elements included in this scheme retain their autonomy, but through their entry, the emergence of new management ideas and decisions is activated and the restraining influence of inter-organizational and interpersonal subordination is weakened.

Entering into this scheme of project financing for both individuals, business entities, and local governments allows optimizing the economic potential of all participants in this network, and obtaining a synergistic effect from combining their resources.

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