

FACTORS FOR THE FORMATION OF THE LOCAL ECONOMIC BUDGET IN THE DEVELOPMENT OF ENTREPRENEURSHIP

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Annotation:

This article examines the various factors that contribute to the formation of the local economic budget and their impact on entrepreneurship development. It highlights the significance of fiscal policy, revenue generation, public-private partnerships, and government expenditure in creating a supportive business environment. By analyzing these elements, the article provides a comprehensive understanding of how local governments can influence entrepreneurship and, in turn, drive economic growth. The findings underscore the importance of targeted fiscal measures and public investments to foster a robust local entrepreneurial ecosystem.

Keywords: local economic budget, entrepreneurship development, fiscal policy, revenue generation, business environment, local government, economic growth, tax incentives, public-private partnerships.

The development of entrepreneurship is vital for local economies, contributing to job creation, innovation, and overall economic growth. However, the sustainability and growth of local businesses often depend on the local economic budget. This article explores key factors influencing the formation of local economic budgets in the context of entrepreneurship development. By analyzing the role of fiscal policies, revenue generation, and the importance of a supportive business environment, the article highlights the ways in which local governments can foster entrepreneurial ecosystems. The study also examines the impact of public-private partnerships, tax incentives, and government expenditure on infrastructure and services as tools for enhancing entrepreneurship. Understanding these factors is essential for policymakers aiming to build resilient local economies driven by vibrant entrepreneurial activity.

Introduction

Entrepreneurship is a critical driver of economic development, particularly at the local level. As cities and municipalities strive to create environments conducive to business innovation and growth, the structure and allocation of the local economic budget become essential elements of success. This article seeks to identify and analyze the primary factors that shape the local economic budget and their influence on entrepreneurship development.

Local governments play a crucial role in establishing the economic conditions necessary for businesses to thrive. They control a significant portion of public spending, influence local taxation policies, and provide essential infrastructure and services that businesses rely on. However, the ability of local governments to effectively manage their budgets is often challenged by competing demands for resources. Therefore, understanding the factors contributing to the formation of these budgets is fundamental to fostering sustainable entrepreneurship.

Key Factors in the Formation of the Local Economic Budget

1. **Revenue Generation Mechanisms** Local governments derive their revenues from various sources, including taxes, fees, and transfers from higher levels of government. Taxation policies, especially those targeting businesses, directly influence the financial health of enterprises. Municipalities with diversified revenue streams are better equipped to support entrepreneurial ventures by funding infrastructure, services, and development programs.

2. **Fiscal Policy and Incentives** The local fiscal policy, including tax incentives and subsidies, plays a pivotal role in shaping the business climate. Tax breaks for startups, reduced property taxes for businesses, or grants for innovation can significantly reduce operational costs, encouraging new ventures and expansion.

3. **Government Expenditure** The allocation of the local budget for public services such as transportation, utilities, and communication infrastructure impacts the ease of doing business. Investments in these areas improve access to markets, reduce operational costs, and facilitate smoother business operations, directly supporting entrepreneurship.

4. **Public-Private Partnerships (PPPs)** Public-private partnerships are an innovative mechanism to develop local infrastructure and services without placing excessive strain on public finances. By collaborating with private enterprises, local governments can leverage additional resources to enhance the entrepreneurial ecosystem. PPPs can help finance major projects like technology parks, business incubators, and transportation networks, which are essential for entrepreneurial activity.

5. **Business Environment and Regulatory Framework** The regulatory framework within which local businesses operate also affects the local economic budget. Simplifying business registration, offering one-stop-shop services for licenses and permits, and providing access to legal support can attract more businesses. A favorable regulatory environment reduces administrative costs for both the government and entrepreneurs, making the local economy more attractive to investors.

6. **Economic Growth and Employment** A growing local economy typically results in higher employment levels and increased consumption, which in turn generates higher tax revenues. This cyclical relationship between economic growth,

employment, and the local economic budget is crucial for the long-term sustainability of entrepreneurship.

Conclusion

The formation of the local economic budget is influenced by a variety of factors, all of which play an integral role in the development of entrepreneurship. Through effective fiscal policy, strategic public investment, and fostering a supportive business environment, local governments can create the conditions necessary for businesses to thrive. Understanding the interplay of these factors enables policymakers to design targeted interventions that not only support entrepreneurs but also contribute to broader economic development goals. Future research should explore how specific budgetary decisions in different local contexts directly impact entrepreneurship outcomes, offering insights into best practices for fostering local business ecosystems.

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