

The impact of the Corona crisis on profit or loss of self-governing regions

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Abstract: *The profit or loss of self-governing regions is the valued resulting effect of activity in these specific accounting entities. This paper is aimed at examining the profit or loss of individual self-governing regions in general and specifically under the conditions of the crisis related to the COVID-19 pandemic. The aim of this contribution is to evaluate the revenues, costs and the profit or loss in self-governing regions as specific accounting entities, taking into account the impact of the crisis related to the COVID-19 pandemic on the financial health of these accounting entities.*

Keywords: *profit or loss, revenues, costs, self-governing region*

JEL codes: L30, M40, M41

1 Introduction

The profit or loss is an important financial indicator that expresses the success and efficiency of the activities of all accounting entities. (Soukupová, Šlosárová and Baštinová, 2004) It is a basic information source and is currently determined on an accrual basis in all self-governing regions, which takes all transactions related to revenues and costs into account. (Tumpach, Juhászová and Stanková, 2015) Self-governing regions are legal entities that independently manage their own property and income, and are defined as independent territorial self-governing and administrative units of the Slovak Republic. (Law on Self-Governing Regions, 2001) Higher territorial units (self-governing regions) are responsible to take care of the all-round development of their territory, the needs of their residents, and to protect their rights and interests. Eight self-governing regions are established in the Slovak Republic.

This paper is aimed at examining the profit or loss of individual self-governing regions in general and specifically the conditions of the crisis related to the COVID-19 pandemic. The aim of this study of revenues, costs and the profit or loss of all higher territorial units in the Slovak Republic is to evaluate its development in these specific accounting entities, taking the impact of the crisis related to the COVID-19 pandemic on its financial health into account.

2 Methodology and Data

The object of our investigation are the eight self-governing regions of the Slovak Republic, which are subjects of public administration and are also recipients of personal income tax revenues and other current and capital transfers. (Pospíšil and Šimíková, 2017).

Based on the analysis of the development and the current state of revenues, costs and the profit or loss of individual higher territorial units and the mentioned scientific and professional literature, self-governing regions (higher territorial units) are defined first under the conditions of the Slovak Republic. As part of the further investigation of the defined subjects of public administration, which are analysed more deeply, we focus on the following areas:

- the development of the amount of the revenues of individual self-governing regions over the last five years,
- the development of the amount of the costs of individual self-governing regions over the last five years,

- the development of the amount of the profit or loss of individual self-governing regions over the last five years and the impact of the crisis related to the COVID-19 pandemic on the financial health of the examined higher territorial units.

Various literary sources were the basis for the processing of this paper. They also include papers published in the proceedings of scientific conferences (Blahušiaková, 2017), (Kadlečíková, 2016), (Vašeková, 2016), (Meluchová and Mateášová, 2015) and (Juhászová, Markovič and Mokošová, 2014). Other important sources used are articles published in scientific journals (Ondrušová, 2016), (Pakšiová and Lovciová, 2019), (Ješš, Lepieš and Mokošová, 2013) and (Stanley, 2017). Act no. 302/2001 Coll. on Self-Government of Higher Territorial Units (Act on Self-Governing Regions), as amended, and Act No. 583/2004 Coll. on the budgetary rules of the territorial self-government and on the amendment of certain laws as amended. Quantitative data on revenues, costs and the profit or loss for the analysed self-governing regions are processed on the basis of data published on the websites <https://finstat.sk> and <https://www.registeruz.sk>.

3 Results and Discussion

The first indicator that is examined is the total revenue of higher territorial units. Table 1 contains the revenue amounts in thousands of euros of individual self-governing units for the analysed accounting period 2017-2021.

Table 1 Revenues of self-governing regions for the years 2017-2021 in thousands of €

Self -governing region	2017	2018	2019	2020	2021
Banskobystrický	126 166	136 670	149 774	154 151	155 711
Bratislavský	127 360	102 759	111 411	115 743	137 450
Košický	137 028	150 181	164 598	165 106	171 979
Nitriansky	131 511	132 878	146 799	148 037	153 484
Prešovský	125 913	142 706	155 351	153 601	162 317
Trenčiansky	94 918	104 320	121 653	118 600	128 407
Trnavský	94 794	103 346	116 294	116 002	122 000
Žilinský	114 701	127 469	138 477	140 622	136 145

Source: own processing according to <https://finstat.sk> and <https://www.registeruz.sk>

If the amount of total revenues of individual self-governing regions is examined for the past five years, a constant increase in total revenues can be noted in most self-governing regions. The exception is during the first pandemic year 2020, in which there was a decrease in total revenues in comparison to 2019 in three self-governing regions, namely in the Prešov self-governing region, the Trenčín self-governing region and the Trnava self-governing region. The Žilina self-governing region was the only one to experience a decline in revenues only in 2021. The Bratislava Self-Governing Region has a specific position, which for the first time reported significantly lower revenues already in 2018 in comparison to the previous year. Other accounting periods, in this higher territorial unit, already show a gradual increase in total revenues, but for the first time, revenues did not reach the level of 2017 until 2021.

In the other examined accounting period of 2021, in comparison to 2017, the Prešov self-governing region had the largest increase in revenues, by the amount of 36,404 thousand euros and the lowest revenue increase was the Bratislava self-governing region, by the amount of 10,090 thousand euros. The Košice self-governing region has the highest total revenues of all higher territorial units, in all the analysed accounting periods. On the contrary, the Trnava self-governing region had the lowest revenues in 2017 and 2021 and in the years 2018-2020 it was succeeded by the Bratislava self-governing region by having the lowest revenues. The impact of the crisis related to the COVID-19 pandemic on the amount of revenues of individual self-governing regions is noticeable in 2020 only in three self-governing regions, in which there was a decrease in revenues. However, this trend did not continue in the following accounting period, when most of the higher territorial units, with the exception of one, already recorded a renewed increase in revenues.

The second indicator that is examined are the total costs of higher territorial units. Table 2 contains the sums of costs in thousands of euros of individual self-governing units for the analysed accounting periods 2017-2021.

Table 2 Costs of self-governing regions for the years 2017-2021 in thousands of €

Self -governing region	2017	2018	2019	2020	2021
Banskobystrický	104 711	116 608	131 713	141 526	155 535
Bratislavský	113 872	94 064	104 996	104 773	119 755
Košický	129 007	130 841	138 490	146 261	155 548
Nitriansky	122 592	120 174	136 701	140 808	149 086
Prešovský	108 023	110 470	126 121	140 159	151 117
Trenčiansky	76 928	85 947	104 015	109 790	119 731
Trnavský	82 406	89 820	94 019	103 180	106 698
Žilinský	104 157	114 539	128 865	144 152	139 002

Source: own processing according to <https://finstat.sk> and <https://www.registeruz.sk>

If the amount of total costs of individual self-governing regions is examined for the past five years, a constant increase in total costs can be noted in most self-governing regions, similarly to the case of revenues. Year-on-year increases in costs are recorded in all investigated accounting periods in five self-governing regions, namely Banskobystrica self-governing region, Košice self-governing region, Prešov self-governing region, Trenčín self-governing region and Trnava self-governing region. A fluctuating trend is observed in the Bratislava self-governing region, the Nitra self-governing region recorded a decrease in costs for the first time in 2018 and in the Žilina self-governing region, costs fell in 2021.

If we focus on comparing the costs for the pandemic years 2020 and 2021 in comparison to the non-pandemic year 2019, there was an increase in costs in seven self-governing regions, and only the Bratislava self-governing region recorded a smaller decrease in 2020, by 223 thousand euros.

In the other investigated accounting period for 2021 in comparison to 2017, all self-governing regions recorded an increase in costs. The Banskobystrica self-governing region had the largest increase in costs, by the amount of 50,824 thousand euros, and the Bratislava self-governing region had the lowest increase in costs, by the amount of 5,883 thousand euros. The Košice self-governing region has the highest total costs of all higher territorial units in all analysed accounting periods, just as it was in the case of revenues. On the contrary, the Trenčín self-governing region had the lowest costs in 2017 and 2018, and in 2019-2021 it was succeeded by the Trnava self-governing region with the lowest costs.

The impact of the crisis related to the COVID-19 pandemic on the cost of individual self-governing regions was noticeable in both 2020 and 2021 in all self-governing regions. Most of them recorded an increase in costs that was also due to the measures that had to be implemented in connection with this pandemic. On the contrary, the Trenčín Self-Governing Region had the lowest costs in 2017 and 2018, and in 2019-2021 it was replaced by the Trnava Self-Governing Region with the lowest costs.

Another investigated indicator is the profit or loss for the regular accounting period of higher territorial units. Table 3 contains the amount of the profit or loss in thousands of euros of individual self-governing units for the analysed accounting periods 2017-2021.

Its fluctuating tendency can be observed when analysing the profit or loss for the accounting period of individual self-governing regions for the last five years. The decrease in the profit or loss in all accounting periods occurred only in the Banskobystrica self-governing region. In the seven self-governing regions, a profit was reported in all investigated accounting periods, and only the Žilina self-governing region achieved a loss in 2020 and 2021.

Table 3 The profit or loss of the self-governing regions for the years 2017-2021 in thousands of €

Self -governing region	2017	2018	2019	2020	2021
Banskobystrický	21 453	20 060	18 059	12 624	95
Bratislavský	13 487	8 695	6 414	10 969	17 694
Košický	8 021	19 340	26 108	18 844	16 430
Nitriansky	8 917	12 703	10 097	7 227	4 397
Prešovský	17 890	32 236	29 230	13 442	11 200
Trenčiansky	17 989	18 373	17 637	8 810	8 675
Trnavský	12 388	13 526	22 073	12 822	15 298
Žilinský	10 543	12 929	9 612	- 3 531	- 2 858

Source: own processing according to <https://finstat.sk> and <https://www.registeruz.sk>

If the profit or loss for the pandemic years 2020 and 2021 is examined in comparison to the non-pandemic year 2019, the profit or loss decreased in seven self-governing regions, and only the Bratislava self-governing region recorded an increase in the profit or loss, namely by 4,555 thousand euros in 2020 and in 2021 by 11,280 thousand euros when compared to 2019. In the other investigated accounting period of 2021, when compared to 2017, the three higher territorial units recorded an increase in the profit or loss namely Bratislava Self-Governing Region, Košice Self-Governing Region and Trnava Self-Governing Region. Other higher territorial units show a decrease in the profit or loss. The Košice self-governing region had the largest increase in the profit or loss, by the amount of 8,409 thousand euros, and the largest decrease in the profit or loss was experienced by the Banskobystrica self-governing region, by the amount of 21,358 thousand euros. The highest achieved profit or loss was achieved by the Prešov self-governing region of all the higher territorial units to the amount of 32,236 thousand euros, namely in 2018, and the lowest profit or loss to the amount of 3,531 thousand euros in 2020 was reached by the Žilina self-governing region.

The impact of the crisis related to the COVID-19 pandemic on the financial health of individual self-governing regions in the area of the profit or loss is noticeable both in 2020 and in 2021, when there was a reduction in the profit or loss in most self-governing regions when compared to 2019.

Conclusions

The results of the analysis of revenues, costs and the profit or loss of all higher territorial units in the examined period prove that their development was also influenced by the crisis caused by the COVID-19 pandemic. The investigated higher territorial units achieved an increase in revenue in most self-governing regions over the past five years. The exception was the first pandemic year of 2020, in which there was a decrease in revenues when compared to 2019 in three self-governing regions. If the amount of costs of individual self-governing regions for the same period is examined, their constant increase in costs is again noted in most self-governing regions. Year-on-year cost increases are recorded in five self-governing regions. Costs increased in seven self-governing regions, and only the Bratislava self-governing region recorded a smaller decrease in 2020, if we compare the costs for the pandemic years 2020 and 2021 to the non-pandemic year 2019. When analysing the profit or loss for the accounting period of individual higher territorial units for the analysed period, we observe its fluctuating tendency. In the accounting periods of 2020 and 2021, compared to 2019, profit or loss decreased in as many as seven self-governing regions, and only the Bratislava Self-Governing Region recorded an increase in the profit or loss. In conclusion, we can state that the impact of the crisis related to the COVID-19 pandemic on the amount of revenues, costs and the profit or loss is different in individual self-governing regions. In all higher territorial units, however, we can observe its negative impact on at least one investigated indicator, which was subsequently reflected in the achievement of the profit or loss for the accounting period.

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