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PUBLIC FINANCES OF UKRAINE IN THE CONTEXT OF INSTITUTIONAL TRANSFORMATIONS

The summary. *Proposed approaches to the definition “public finance”, analyzed the constituent elements of public finance of Ukraine, determined their structure and functionality in the context of institutional changes in the economy of Ukraine.*

Keywords: *public finance, state budget, local budget, tax, public costs, institutional changes.*

Urgency of problem and analysis of last researches.

Last time in political, academic circles have discussions as for change of reforms vector, notably – adequate approaches towards financial strategy of social development, but it is not a matter of refusal from paradigm of functioning of market economy, the models of market economy have always been characterized by national, public features and inherent properties. A modern situation in Ukraine certifies persuasively about necessity of strengthening of regulating role of the state in financial sector of economy, which is provided by some factors: significant influence of the state on provision of macroeconomic stability and organization of economic order, guarantees of supporting of general rules of economic behaviour, intensification of market breakdowns and other negative consequences of functioning of market mechanism; transfer to informational-intellectual, innovative type of development; priority significance and growing scales of social production; necessity of support of national business in the structure of world economy.

On this basis appears a necessity to advanced research of social and economic category “finances of social sector” (“social finances”) as an element of financial system of the state, which originates from the leading market economies of the world from the beginning of XX century from development of theory of public finances in the studies of K. Viksel, E. Lindal, M. Matsola and others, the further development of which is dedicated to advanced developments and theoretical and methodological researches of redistribution processes.

A problem of research of economic essence, peculiarities of functioning of finances of social sector, using numerous studies of theoretical and applied character of leading scientists-economists. E.B. Atkinson [1], J. Styglits, A. Masgreiv [4], J.D. Lafey [4],

whose studies are dedicated to understanding of the role of the state and social sector in stable development of the society must be referred to foreign researches of this direction. It is also necessary to mention Russian economists, who made significant contribution into scientific grounding of ideas of economy and social finances, especially I.V. Baranova [5], L.I. Jakobson [6], O.M. Zhyltsov [], V. Ponomarenko [7] and others.

Problem definition.

For achievement of goals of economic development by the state and society, financial instruments in the form of taxes, some expenditures, transfer, other are used, and that is why a research of dialectics of development of social sector finances for the last period of institutional transformational reforms in economy of Ukraine is urgent and needs exact determination of their economic essence, architecture and peculiarities of functioning. Taking into consideration availability of scientific knowledge of domestic financial theory and practice on this issue [8], it is necessary to note that the absence of entire concept of development of social finances in theoretical provisions of this section of financial science carries resolving, discussion character. Thus, insufficiency of systemic researches of finances of social sector in transformed economy of Ukraine, necessity of theoretical generalization of development tendencies for practical usage determine a problem of this research.

Statement of basic material.

A modern financial science has many interpretations of definition “finances of social sector” and “social finances”, we will describe some of them, which, to our opinion, more correspond to the requirements of modern financial theory and practice.

I.V. Baranova interprets social finances as a totality of public and municipal finances in wide understanding, because social finances include budgets of different levels, public off-budget funds, finances of public and municipal enterprises, public corporations, budget and autonomous institutions [5, p. 15]. L.A. Drobozina determines social finances as an instrument of distribution and redistribution of GDP and national income, instruments of control over formation and usage of public cash funds, other instruments of public power [10, p. 5]. According to the definition of O.M. Zhyltsov, J.D. Lafey, social finances are a part of economic space, where market does not act or acts partially, i.e. non-market way of coordination of economic activity prevails; social but not private benefits are produces, distributed and consumed; economic balance between demand and offer of social benefits is carried out by the state, local authorities with assistance of corresponding institutes and, first of all, budget ad taxation policy [4, p. 8]. V.B. Tropina in her study “Concerning issue about public finances” proves that social finances – are the element of financial system of the state, main elements of which are: public finances, which are communal property and spent for realization of national public interests; finances of local authorities, which are communal property

and spent for realization of public territorial interests, determined by local authorities of definite territories; funds of compulsory national social insurance, the funds of which are not public or communal property and spent for realization of social interest in provision of social protection of citizens, determined and guaranteed by the state [9, p. 34]. O.V. Ponomarenko interprets finances of social sector as a part of finances of the state, relations as for systemic redistribution of public, municipal finances and finances of non-commercial sector of economy on the basis of contradictions of interaction of interests of federal, subfederal municipal levels of management, subjects of economic activity and population, for achievement of stable social and economic social development [7, p.19-20]. L.I. Jakobson determines finances of social sector as a totality of economic relations, which occur in real money turnover as for formation, distribution and usage of centralized cash funds [6, p.12].

In economic literature we can meet identification of notions “finances of social sector” and “social finances”. To our mind, between these two identifications there are institutional differences, especially, finances of social sector include finances of private non-commercial sector, for example, finances of private educational institutions, finances of pre-school educational institutions, finances of private medical institutions and others, but social finances do not include this element.

To our mind, the most correspondent to imperatives of modern financial theory and practice of interpreting of category “finances of social sector” is a definition, proposed by O.V. Ponomarenko, to which the further analysis within the frameworks of this research will base on.

Structure of finances of social sector of Ukraine comprises: public finances (state and local budgets), public funds-in-trust, public and communal credit) and non-commercial sector of economy, which structure is determined according to classifications of institutional sectors of economy of Ukraine, and which activity is determined as an independent economic activity, executed by the subjects of economic activity, directed to achievement of economic, social and other results without gaining of profit [11]. Thus, non-commercial sector of economy of Ukraine includes:

- central state run public authorities;
- regional and local public authorities;
- funds of social insurance;
- non-commercial organizations, which service households.

For achievement of effective indicator in form of total sum of financial resources of social sector of Ukrainian economy for definite period, it is necessary to develop correspondent methodological approaches as for assessment of efficiency of functioning of finances of social sector, which can be made in further researches. In our opinion, application of additive approach in this case is methodically unjustified and ungrounded.

As it was determined, finances of social sector and social finances vary according to institutional peculiarities, notably – absence of such element as non-commercial sector of economy in social finances, excluding of which from prior analysis of structure

of finances of social sector of Ukraine we can receive a structure of social finances of the state as basic element of finances of social sector, which plays a decisive role in the process of their organization and functioning, and is subject to separate narrow research, especially as for their functionality.

Organization of social finances is based on such methodological principles: general principles (unity, statement of purposes, temporality, balance, diversification); of definite principles (transparency, scientific foundation, complexity, efficiency, rationality, adequacy of flows of funds management and other).

Efficiency of realization of indicated principles of organization of social finances displays through their functionality. A leading function of social finances is a distribution function, according to which a formation of centralized cash fund and its redistribution for satisfaction of national needs takes place. This function is realized through a system of centralized and decentralized funds, its result is: [14, p.23]

- redistribution of income of profitable sectors in the sector with low profitability;
- maintenance at the expense of budget funds of institutions of non-productive sphere;
- redistribution of income between different social groups of population;
- redistribution of income between different territorial formations.

Regulating function of social finances is associated with formation and usage of budget fund of public and municipal finances. As it is known, budget fund is formed at the expense of taxes, borrowings, income from state property. Through taxes the state can restrain economic activity and private consumption, or, vice versa, stimulate them. As for state borrowings, productive usage of which can stimulate growth of national income, and non-productive – divert deficit resources for payment of debt interests. Formation of state property assists the development of infrastructure and sphere of social services, necessary for normal functioning of national economy and provision of access to social benefits of all segments of population. On the other hand, privatization of the sphere of social services (communal economy, health protection, education and other) can hold back consumption of separate groups of population, which leads to decrease of level of their well-being.

Usage of budget funds is carried out through purpose-oriented expenditures, notably, the state, taking into consideration economic interests of all participants of reproductive process by means of distribution of budget funds according to different directions of activity and social spheres. Thus, accumulation of financial resources on priority, to the state's mind, directions of economic activity, is reached. Executing budget expenditures, the state is able to change a structure of social production, making social improvements.

Controlling function of social finances is responsible for opportuneness and completeness of entries of financial resources into disposal of the state and local authorities, for determination of actual structure of proportions in distribution of budget funds, efficiency of their usage.

Also, it is also necessary to speak about controlling function of social finances in wide and narrow understandings.

In narrow sense, controlling function is realized according to the following directions: [14, p.25]

- control over correctness and opportuneness of money transfer to centralized funds;
- control over adherence to set parameters of money of centralized funds, taking into consideration the needs of productive and social development;
- control over purpose-oriented and effective usage of financial resources, made on the grounds of correlation of planned and report estimates of formation and usage of funds.

In wide sense, controlling function of social finances consists of comparison of results of financial policy of the state with set goals and criteria, i.e. before realization of long-term financial policy, within the limits of which, a special attention is paid to transformation and opportune adjustment of order and conditions of financing to them.

Complication and diversification of functions of the state in whole and social finances in particular, strengthening of social direction of public policy determine a definition of new tasks as for regulation of social reproduction. In such conditions the initial redistribution, which is based on property relations, can not be effective regulator of different aspects of social development. Contradictions between social and private interests are settled by development of redistribution systems, which constantly and efficiently interact, forming redistribution complex of modern state. At the same time, redistribution process itself is not exogenous, and becomes an integral element of reproductive mechanism. As the result, determining the importance of not only private, but also social choice in modern financial science, it is urgently to speak about private and social finances.

For normal functioning of state machine, a meaning of social finances needs exact differentiation of such notions as "social finances" and "private finances".

Social finances, as it was determined above, includes public and local finances. Private finances have more complicated classification. They are divided into private and family; finances of enterprises and business finances; banks finances; finances of non-commercial organizations. Monetary form, which acquire any financial relations, converges social and private finances [15, p. 40]. In the sphere of social and private finances there are similar problems: limitation of expenditures, organization of control, adjustment of reporting system and other. But, between these two categories there is a fundamental legal difference: social finances are regulated by norms of public law, ad private ones – are object of private legal regulation.

Condition of private finances fully depends on market situation and laws of market economy. As for social finances, that preserve a principle dependence on definite actions of public power [15, p. 41] and act as creature of state policy, which is formed upon influence of market laws.

Conclusions.

Social finances are a sphere of collision of different interests: public, group, individual. At the same time, social-economic and political stability in the state, possibility of efficient functioning of social and public institutions will depend on possibility of

determination of “resulting” vector of such interests. Research of development of economic system demonstrates that state-political regime, realization of basic political rights and freedoms, etc. depend on condition of social finances.

Essence and functions of social finances are constantly developing. Their evolution depends on the development of the state too. Nowadays in democratic economically developed countries social policy, support of law order, settlement of global problems (ecology, demographic situation, increase of level of population well-being, etc.) occupy the first place among state priorities. Realization of these directions of state activity is impossible without definite sources of financing.

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