

Sydor I.,

Ph.D., Associate Professor of Finance TNEU

Bulavynets V.,

Ph.D., Associate Professor of Finance TNEU

THE FUNCTIONS OF THE STATE AND THE NEED FOR THEIR BUDGET FINANCING

***Анотація.** У статті розглянуто функції держави та їх бюджетне фінансування. Проведено аналіз динаміки, складу та структури видатків Державного бюджету України за функціональною класифікацією. Обґрунтовано пропозиції щодо ефективного використання коштів державного бюджету в контексті виконання державою її функцій.*

***Ключові слова:** державний бюджет, видатки бюджету, функції держави, бюджетне фінансування, бюджетна політика.*

***Анотация.** В статье рассмотрены функции государства и их бюджетное финансирование. Проведен анализ динамики, состава и структуры расходов Государственного бюджета Украины за функциональной классификацией. Разработаны предложения по эффективному использованию средств государственного бюджета в контексте исполнения государством его функций.*

***Ключевые слова:** государственный бюджет, расходы бюджета, функции государства, бюджетное финансирование, бюджетная политика.*

***Abstract.** The article deals with the functions of state and government funding. The analysis of the dynamics, composition and structure of expenditures of the State Budget of Ukraine for functional classification. Suggestions for effective use of the state budget in the context of the state of its functions.*

***Keywords:** state budget expenditures, public functions, financing, fiscal policy.*

Statement of the problem. Regardless of the form of government and political system of any modern state, its strength and stability depends on the ability to effectively carry out its functions. its own priorities based on an understanding and consideration of the action of a combination of factors, including historical background, the features of the mentality of people who are citizens of the State, political preferences, the real source of power in the country and so on, because it is determines of every state. The range of functions and hierarchy determines the content of a particular state, the specificity , the main goals and objectives of public policy.

Socio-economic development in Ukraine is considered in two opposite directions. On the one hand, there is an opinion on the need to stimulate the industry to expand the offer, which has lead to economic growth. Another position is the most stimulating demand through increased social spending, which should stimulate economic development. Its positions based on the analysis of various indicators of economic well-being and cannot build one, supported by the entire political elite , academics , professionals and all population groups Ukraine strategy for socio-economic development.

Therefore, inconsistent fiscal policy in recent years, the absence of mechanisms of long-term budget planning, inefficient use of budget funds are those factors that negatively affected the performance of the State's functions and have become an obstacle to creation of conditions for the rapid overcoming of the phenomena associated with the global financial crisis.

Analysis of recent research and publications. The issue of state regulation through budget financing the functions of the state in its various forms are devoted A. Amosha, V. Bazylevych, A. Halchynsky, V. Heytsya, A. Danylenko, V. Dem'yanyshyn, I. Zapatrina, T. Zatonatska, O . Kyrylenko, V. Kravchenko, I. Lunina, B. Malynyak, V. Oparin, T. Ogon, K. Pawluk, D. Polozenko, S. Sluhai, A. Sokolovska, V. Fedosov, A. Filippenko, J. Chugunov, M. Chumatchenko, A. Chukhno, St. George and others. However, significant problems of the domestic

budget financing practices of state functions indicate the need for further research on the subject.

The purpose and objectives of the study. The aim of the paper is a synthesis of scientific approaches to defining the functions of the state, an analysis of national practice of a government's budget financing its functions and study ways to improve the use of the state budget -related functional purpose.

Summary of basic material. The leading part of the economic system of any country and modern society in general is the state. International experience has shown that without active regulatory mission of public institutions is not possible dynamic development of economic and social spheres.

The economic role of the State playing a diverse and multifaceted: stabilization of cycles of business activity, distribution of income, determine the volume of production of public goods and investment, combating the emergence of monopolies in the market, etc. This State has a powerful arsenal of tools to mitigate the shortcomings of the market: public investment, pricing, tax, budget, damper politics, activity of various State structures. With their help created a specific mechanism of influence on the economy. While "the State should remember that the intervention in the economy has objectively due to border: excessive intervention can lead to a weakening of the economic stimulus, decreasing the effectiveness of the functioning of the market mechanism" [8, pp. 46-47].

Every State's has a specific set of tasks to be solved which it directs its material resources, ideological and political efforts. From the totality of these efforts can identify some of their views, which manifests the essence of the state, and without which it cannot fully act as a key element of the political system of society. These types or forms of activity of the state in relation to the environment, society and other countries classified as its functions.

Implementation of public function - is a complex and multifaceted process of state control, its respective structures to a certain number of public relations. Variety and characteristics of social relations determine the existence of the state is quite a wide range of related functions. The scientific literature discussion going on

concerning the definition of the functions of the state. Thorough analysis of the nature of state functions allowed are six complex functions that implement in any modern country in the world:

- Economic (ensuring the proper functioning and development of the economy, including the means of protection of existing forms of property of foreign economic relations , etc.);
- Political (to ensure public security, public safety, social and national cohesion, protection of national sovereignty against external attacks, etc.);
- Social (implementation of measures to meet the social needs of people to maintain the required standards of living , ensuring the necessary conditions, etc.);
- Ideological (maintaining a certain ideology, organization of education, the maintenance of science, culture, etc.);
- Ecological (environmental protection, rational use of natural resources, environmental restoration);
- Security (protection of rights and interests of persons, protection of public order, combating offenses) [7, p. 75].

The state has an impact on the socio -economic development in two ways: directly (through the funding of the public sector, science, culture, education, social welfare, etc.) or indirectly (through legal and economic regulators, allowing them to direct the activities of economic entities and individuals to achieve the goals and priorities of social and economic policy) [4, p. 6].

Implementation of the State's functions depend on the financial resources of the state, which should ensure the implementation of state social and economic policy, defense and national security, implementation of national and local development and successful operation of industries, health care, strengthening scientific and technological capabilities and culture, improving the material conditions of the population and some of its groups, social and economic development.

State regulation of economic and social development of the country, through the state budget, takes the form of public funding.

According to VG Dem'yanyshyn , whose opinion we agree , government funding - is " a set of financial relationships related to the distribution and use of a centralized monetary fund states that are realized by irrevocable and free of budgetary funds to businesses and individuals for activities provided budget " [2 , p. 37]. Budget Code of Ukraine budget financing is defined as " irreversible issue gratuitous funds from the state and local budgets for state functions, functions of local government and operation of budgetary enterprises, institutions and organizations " [1].

Qualitative performance of the State's functions can be achieved by appropriate volumes and optimal structure of budget expenditures. Therefore, the problem of budgetary funds in promoting social and economic processes , rational allocation of expenditure between the various links of the budget system have always been a subject of special attention from the public , because it is at the expense of the state budget ensures the development of priority sectors of the economy, the social sphere , maintains an appropriate level of social security, the country's defense and the activities of public authorities, public administration and local self-government [3 , p. 315].

In order to conduct a comprehensive study of national practice of state functions , an analysis of budget financing socio -economic development of Ukraine in 2009-2012 (see Table 1.).

Table 1.

Dynamics, composition and structure of expenditures of the State Budget of Ukraine (functional classification of expenditures) in 2009 - 2012 *

Indicators	2009 year.		2010 year.		2011 year.		2012 year.	
	млрд. грн.	%	млрд. грн.	%	млрд. грн.	%	млрд. грн.	%
Total expenditures, including:	242,4	100,0	303,6	100,0	333,4	100,0	395,7	100,0
State run	24,8	10,2	34,7	11,4	40,0	12,0	44,0	11,1
Defense	9,7	4,0	11,3	3,7	13,2	3,9	14,5	3,6
Public order, security and judiciary	24,2	10,0	28,5	9,4	32,4	9,7	36,4	9,2
Economic activity	33,3	13,7	36,0	11,8	44,8	13,4	49,4	12,4
Environmental	1,8	0,7	2,3	0,7	3,0	0,8	4,1	1,0

Protection								
Housing and communal services	0,3	0,1	0,8	0,3	0,3	0,08	0,3	0,07
Health	7,5	3,1	8,7	2,8	10,2	3,0	11,3	2,8
The spiritual and physical development	3,2	1,3	5,2	1,7	3,8	1,1	5,5	1,4
Education	23,9	9,8	28,8	9,5	27,2	8,1	30,2	7,6
Social protection and social security	51,5	21,2	69,3	22,8	63,5	19,0	59,9	15,1
Intergovernmental transfers	62,2	25,6	77,7	25,6	94,8	28,4	141,0	35,6

Dynamics of expenditures of the State budget for the period 2009-2012. depicts the general trend of growth of indicators of 242,4 billion. USD. to 395,7 billion. UAH., growth occurred at 153,3 billion. USD. For the analyzed period perform the functions of the State was carried out in 11 areas. The largest volume in the structure of expenditures of the State budget is marked direction – transfers to local transfers, its share is 31% of all expenditures of the State budget. The growth rate of the absolute indicators of intergovernmental transfers in the last four years is the highest among all other expenditures of the State budget and is 200% (growth was 62.2 billion USD in 2009, 124,5 billion USD in 2012).

Thus, for the last four years the volume of transfer payments to local budgets from the State budget increased twice. The fact indicates a negative trend regarding the centralization of financial resources and the dependence of local authorities and local self-government from the provided funds.

At the same time, the centralization of budget resources in Ukraine stipulates the need for additional support of activity of bodies of executive power through the growth in caseload by bank transfer of funds to the State budget from the seats of their mobilization and in the opposite direction: from the State budget to local budgets in the form of transfer payments.

The next prerogative of the State in the performance of its functions it is funding the sphere of socio-cultural services, total which share is 30.9% of expenditures of the State budget in 2012 to the sphere of socio-cultural services by us are: education, health, spiritual and physical development, and social protection and social security.

Dynamics of expenditures of the State budget on the sphere of socio-cultural services in the period 2009-2012. is characterized by indicators of gradual increase of 86.2 billion.USD. to 122.2 billion. UAH, or 36 billion. USD. with the gradual decrease in share of these expenses in the structure of expenditures of the State budget with 35.6% in 2009 to 30.9% in 2012, Among this group of expenditures of the State budget, a leading place is occupied by social welfare and social security – 61.5% and education is 24.7%. Considerably lower than the proportion of funds for financing health – 9.2% and the spiritual and physical development – 4.5%.

The next group of expenditures, formed by functions of the State is spending on economic activity and maintenance of bodies of State power and administration. Expenditures of the State budget for the maintenance of bodies of State power and management include expenditures on: 10.1, defense, public order, security and judicial authorities. The total share of these expenses in the structure of expenditures of the State budget is 23.9%. Among the expenditures for this group the largest amount of funding observed expenditures for general public administration – 44 billion. USD. or 11% in the structure of expenditures of the State budget in 2012 Expenditure on public order, security and judiciary occupy 9.2% of expenditures of the State budget or 36.4 billion. USD. following the execution of the budget in 2012 the share of expenditures of the State budget on defence is 3.6%, the absolute rate of funding for this area is 14.5 billion. USD. in 2012, note that the expenditures for the maintenance of bodies of State power and management for the analyzed period are characterized by a trend towards growth indicators.

Dynamics of expenditures of the State budget on economic activity indicates a gradual growth of 33.3 billion. USD. up to 49.4 billion. USD. in the period 2009-2012, or 16.1 billion.USD. The proportion of these expenses in the structure of expenditure of the State budget in 2012 was 12.4%. Among the biggest expenditures directly on the volume of financing is the cost of the FUEL and ENERGY SECTOR (35%) and transportation (25.9%). the proportion of spending on agriculture, forestry, fish farming and hunting is 14.8% in the structure of spending on economic activity.

The smallest share in the structure of expenditures of the State budget consists of expenditure on housing and communal services (0.07%) and environmental protection (1%).

Thus, the expenditures of the State budget on the sphere of socio-cultural services, in addition to intergovernmental transfers, occupy a leading share in the structure of expenditures of the State budget, which is associated with social value-orientation development in Ukraine. In the process of performing the State functions by its budget funding of socio-economic development of the country there is a large number of problems that hinder the successful implementation of fiscal policy in Ukraine.

The Conclusions. Due to what was saying before, in our opinion, the priority for improvement budget expenditures in Ukraine should be:

1) To improve the mechanisms for the use of budget funds in part to gain control of their efficiency and the effectiveness of budgetary programs;

2) To improve the public, financial and criminal responsibility for inappropriate and ineffective use of budget; reduce the amount of budget programs (in 2012 it had 581), as well as reduce the number of main Trustees of budget funds (82 in 2012);

3) To improve the structures of budget spending on the economic activity. To gradually abandon futile subsidization of disadvantaged sectors of the national economy due to their restructuring and refocus released budget resources to stimulate innovation, the introduction of the achievements of scientific and technical progress;

4) increase the efficiency of expenditure budgets for the implementation of social policy through the implementation of the following measures: strengthening the targeting of social protection through the implementation of effective forms of material support disadvantaged, rejection of the use of generic types of social transfers; reforming the financial security the public on the servants by introducing market methods of financing, strengthening the relationship between the dynamics of appropriations and indicators of institutions of social sphere; complete pension reform that eliminates the need for subsidies to the Pension Fund of Ukraine at the

expense of resources in the budget and will focus heavily on funding such important areas of social policy as social protection of young families, war and labour veterans, disabled, solving the housing problems, etc.

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