



Specific Methodological Approaches to Managing State Finances

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ABSTRACT

The article considers advantages and shortcomings of methodological approaches which are applied in public finances management, namely: synergy, structural and functional, functional and cost, and socio-cultural approaches. In particular, by means of synergy approach it was defined that fluctuations which took place in Ukraine in 2014 (emergence of separatist sentiments and the Russian Federation's direct invasion on the Ukraine territory) entailed a wave of transformations in all the public life spheres, including public finances management. Besides, influence factors on the public finances control system were defined within such approach. Reasonably, that use of structural and functional approach will promote to attach the state bodies with certain functional duties to the relevant public institutes. The model of such distribution is offered in the article. It is noted, the effect of such management implementation can be determined by structural and cost approach in public finances management, that is the price which society will pay by for it. Based on empirical researches it is reasonable that state managers in Ukraine without providing economic growth spend more and more budgetary funds to maintain themselves. The research determined, it is impossible to satisfy public interests in management of public finances not using socio-cultural approach, which procedures are formed in it.

INTRODUCTION

The practice of carrying out reforms in Ukraine through the change of populist slogans, political changes, unconsidered adoption of foreign experience and fragmentary improvement of legal acts without scientific rethinking of the whole system of state administration only strengthens the political crisis, leads to social disturbances and conflicts. Formation of the scientific basis for a qualitative improvement of the public administration system is impossible without synthesis of relevant

methodological approaches that will promote the use of effective methods, instruments and technologies of targeted influence on the object. The use of an expedient methodological apparatus takes on special significance when the object of management is provided by the institutions of support, in particular public finances.

As it is known, public finances are economic relations that arise in connection with the formation, distribution and use of centralized money market funds at the macro level (Wu and Chen, 2017; Aniunas et al, 2017). Thus, through finances, the compulsory alienation of a part of the social product is carried out in order to fulfill the state's functions –to ensure social and economic development, to protect the rule of law and state borders. At the same time, satisfaction and / or the protection of public and personal interests are impossible without elimination of structural distortions and deformations, imbalances and disproportions in the public financial management, which requires, first of all, the search for relevant methodological approaches to such management.

Methodological approaches to the management of public finances combine a set of dialectically interrelated methods of the paradigm cognition of social life as a whole and of individual spheres of society's activity, which are within the framework of the influence of the respective authorized state bodies and institutions. The methodological approaches to public finance management include: systematic, holistic, project-oriented, process approach, cybernetic, informational, institutional, signal approach, synergetic, structure functional approach, functional-cost approach, socio-cultural approach, etc. We note that the last four approaches mentioned above have become the subject of this study.

1. THE ANALYSIS OF RECENT RESEARCH AND PUBLICATIONS.

Since the study on the methodology of public finance management is at the intersection of the public administration science, sociology, political science and financial science, the achievements of scientists in all these fields of research were subject to analysis. The methodology of public administration was the subject of research by such scientists as: G. Atamanchuk (2013), J. Buchanan (1967), H. Eilers (2014), J. Gruber (2011), P. Jain (1989), Y. Kaul, P. Kunsysan'iu (2006), R. Musgrave (2004), V. Fedosov (2010) and other scientists have devoted their scientific works to state and public finances.

The purpose of the article is to study some of the methodological approaches to public finance management.

2. UNSOLVED ISSUES THAT ARE A PART OF A COMMON PROBLEM.

Paying tribute to the scientific work of these scientists, it is necessary to note the lack of a systemic conceptual and theoretical model and the developed methodology for public financial management. That is why the existing methodological approaches require a comprehensive study to synthesize the most relevant and actual ones. And these approaches will contribute to the achievement of the goal of public finance management -satisfaction, time-varying public and personal interests.

The synergetic approach, unlike the system approach, which is the most common practice in management, not only explores the management system, but also takes into account the peculiarities of its development and functioning, since it is based on the possibility of self-organization of the system.

The methodology of the synergetic approach implies that the periods of stable development (attractors) of the system are changed by crises, certain turning points (bifurcation points), after

which alternatives to social development appear. Random factors (fluctuations) at bifurcation points affect system changes.

As is known, bifurcation is of two: systemic and structural. Systemic crisis of public administration in general and public finance management, in particular after overcoming a bifurcation point, lead to self-destruction of the state and the emergence of new formations. An example of a systemic bifurcation in public administration is the Yugoslav federation, which collapse is associated with certain fluctuations because of President Tito's death and the ineffective economic and national policies pursued in the country after his death. As a result, new political entities appeared on the map of the world (Shakhin, 2013). The crisis of 2014 in Ukraine is considered to be a systemic one (Elektronnyy resurs, 2014). Internal factors (fluctuations) - the emergence of separatist sentiments and external factors - the direct invasion of the Russian Federation on the territory of Ukraine has affected the division of the country and the formation of self-proclaimed new political entities.

The methodology of the synergetic approach implies the need to study the parameters of the system development, the design of various scenarios for such development, risk assessment for each of the scenarios with the aim of early detection of the exogenous and endogenous factors of influence (fluctuations).

Based on the above, we believe that the system of public finance management can be developed in the following scenarios:

- basic scenario - legal regulation of the economic sphere and the sphere of public administration is relatively stable, the level of results achieved by managers varies within 5% (which does not exceed the threshold of materiality);
- target scenario - takes into account the risks of changes in fiscal and public administration policies and their level of influence on the public financial management system;
- optimistic scenario- provides for the implementation of reformation measures that will positively affect the satisfaction of the public interests and competitiveness of the country;
- pessimistic scenario - a significant reduction in the efficiency of public finances management as a result of the influence of prognostic factors.

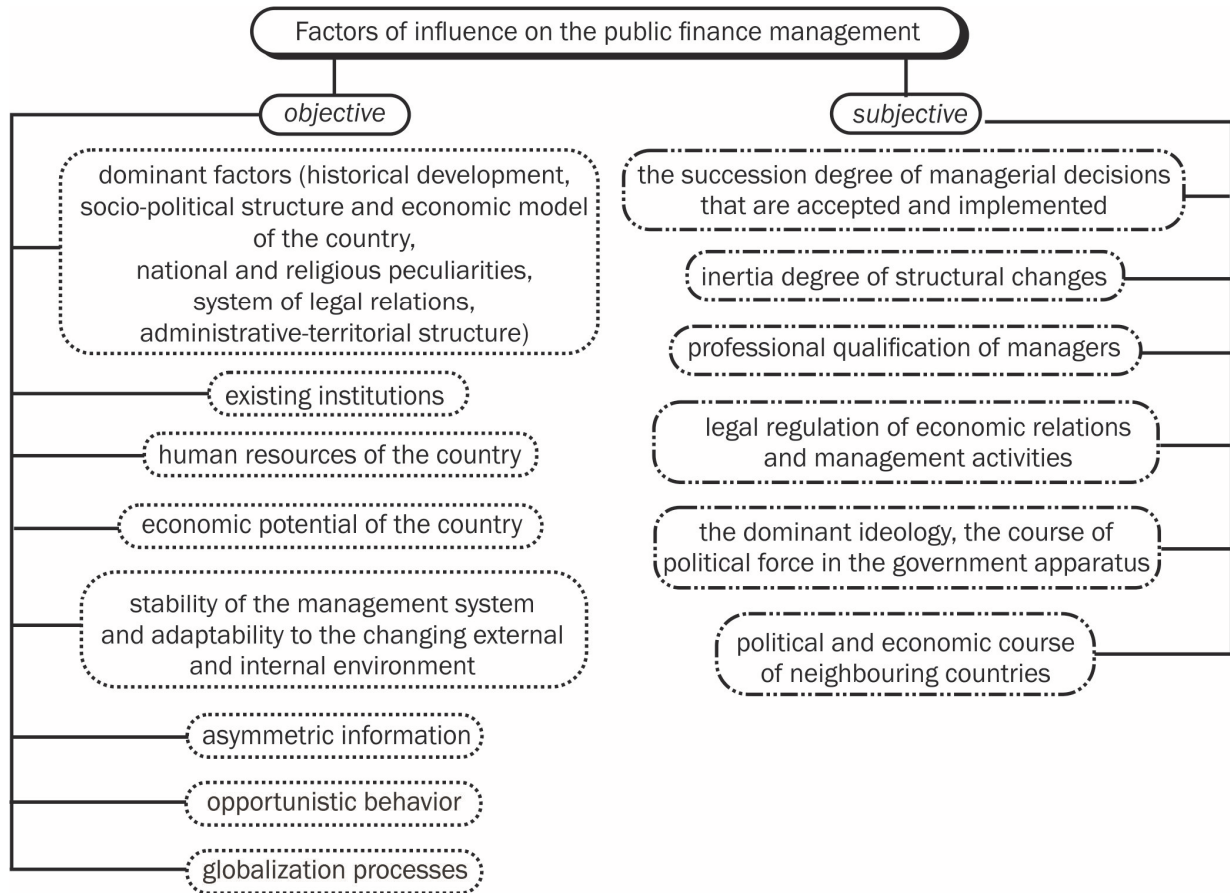
It is necessary to take into account the risks of management activities and influence factors, in order to develop the most realistic scenarios for the development of the public financial management system. The risks of a management system can be defined as the probability of occurrence of negative consequences as a result of certain events and / or making wrong management decisions. We believe that such risks can be divided into two groups: economic and functional. We propose to refer to economic risks, in particular, the risk of imbalance in the respective funds as a result of a decrease in the volume of cash inflows and / or an increase of cash outflows.

In our opinion, functional risks of public finance management are the following:

- the risk of abuse - the deterioration of public finances as a result of fraud, embezzlement, excess of official duties, etc. ;
- technological risk associated with failures in the work of computer programs and equipment;
- operational risk is determined by the probability of occurrence of inconsistency between expenses on activity of the management bodies and efficiency of such activity;
- strategic risk - the risk of making mistakes in implementing the strategy of public financial management;
- risk of distrust, loss of reputation associated with the de-legitimization of power.

In turn, the factors of influence on public financial management can be divided into: objective and subjective (depending on the degree of human participation), exogenous and endogenous (external and internal), direct and indirect influence. Thus, the main objective and subjective factors of influence are shown in figure 1.

Figure 1. The main objective and subjective factors of influence on the system of public financial management



Source: compiled by the author

It seems that the distribution of factors in fleeing public financial management system on exogenous and endogenous should be based on classifications under which they can be combined (Table 1).

Table 1. The main exo- and endogenous factors of influence on the public finance management system

Group of factors	Exogenous	Endogenous
Legal	- changes in international normative legal documents, signing of international agreements, etc.	- changes in the system of legal norms of the country
Organizational	- changes in the system of public institutions	- changes in the distribution of powers within the management system; - changes in office administration

Methodological	<ul style="list-style-type: none"> - change of international standards of budget and management accounting; - change of scientific approaches that underpin economic policy and public administration; 	changes in methods, tools and levers used by management entities
Economic	<ul style="list-style-type: none"> - changes in the economic situation and the main macroeconomic indicators of economic development (GDP, inflation, unemployment, budget deficits); - changes in the budget, tax, debt policy of the state; - influence of the world economy 	<ul style="list-style-type: none"> - financial potential of the country; - international financial assistance;
Information factors	<ul style="list-style-type: none"> - administrative information; - mass information; - legal information; - others 	information on the activities of management entities and individuals
Political	<ul style="list-style-type: none"> - change of the socio-political system of the country; - change of the political regime; - an unstable political situation in the country 	- the course of political force in the apparatus of government
Social	<ul style="list-style-type: none"> - adherence to the principle of social equality; - social dissatisfaction and disturbance 	dissatisfaction of managers within the system

Source: compiled by the author

As shown in figure and in table the same facts can be simultaneously subjective and exogenous. At the same time, the proposed differentiation of the factors influencing the system of public finance management allows to determine more accurately the level of their influence on the system of public finance management and to neutralize the negative consequences.

Since the synergetic approach involves the self-organization of society, which is not possible without such a factor as a national idea, it is considered that the effectiveness of public administration depends on the level of development of civil society (Ojomah, 2017). That is why the task for institutional development of the institute of civil society is put at the forefront.

In addition, the synergetic approach also implies the availability of intellectual capacity in the field of public administration, as concepts, strategies, and programs should be developed and implemented by educated professional managers. So, according to the synergetic approach, there should be continuous self-development of the subjects of management. To this end, managers should regularly take trainings, participate in public councils, and be open to the public.

Finally, it should be noted that the synergetic approach takes into account the close interrelationships that exist between the ideology of public administration, its organizational and regulatory mechanism and society. Failure to take into account such interconnections when setting the goals of public administration and the directions for their achievement leads to resistance, which negatively reflects both in society and in management (Atamanchuk, 2013). Therefore, we believe that laying the basis for planning and organizing public finance management of the synergetic approach will help to balance public interests and take into account the interests of the individual.

The following methodological approach is structural-functional, in which the society is considered as both simply structured and difficulty-differentiated, depending on the degree of organization, social differentiation. At the same time, social facts are functional, that is useful for society

(Shubin, 2010). In the context of public finance management, the structural-functional approach can be used to differentiate public institutions and functional responsibilities of the relevant public administration bodies (Table 2). Since finances in general, and state in particular, is an institution for ensuring the vital functions of the state, separate administrative-territorial units, enterprises (institutions, organizations), it is obvious that such economic relations permeate all spheres of public life, and authorized public financial management entities have the opportunity to influence them.

As the table shows, a large part of public institutions implies the need for the relevant management bodies to take measures to ensure financial security. At the same time, it should be noted that the structural-functional approach, as well as the system does not provide the opportunity to determine the priority directions of the movement of financial resources. In the context of this, the necessity of using together with the structural-functional approach another one, in particular functional-cost approach, is actualized.

Table 2. Model application of a structural-functional approach in the public finance management

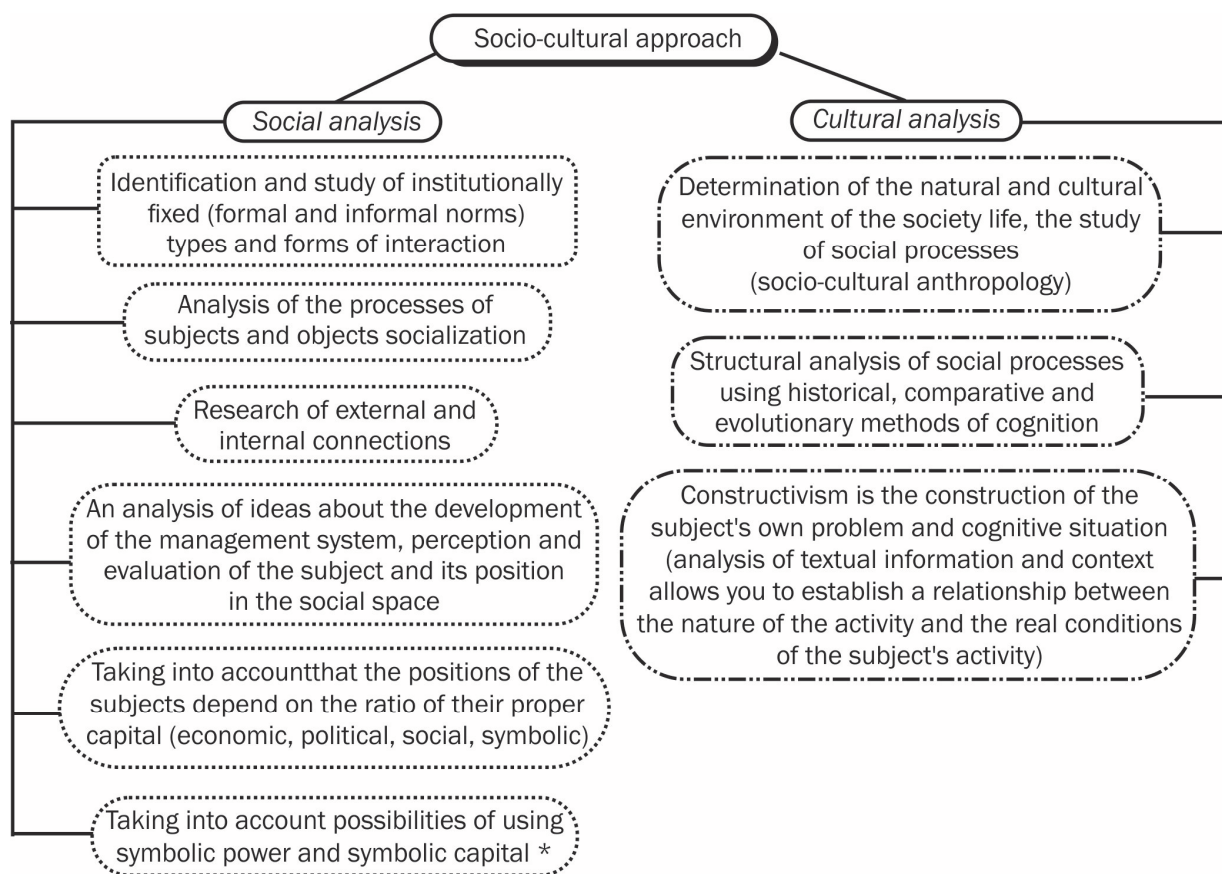
<i>Social institution</i>	<i>Main functional responsibilities of state bodies</i>
Institutions of reproduction of society's life (family, education, etc.)	<ul style="list-style-type: none"> - necessary and sufficient financial provision of educational institutions; - creation of incentives, including financial, for young families, increase of birth rates in the country; - provision of infrastructure development;
Institutions of goods production (industry, agriculture, transport, etc.)	<ul style="list-style-type: none"> - implementation of measures to ensure the development of economic sectors;
Institutions of regulation of legal and social relations (law, including property rights, morality, religion)	<ul style="list-style-type: none"> - ensuring the rule of law and religious freedom in the country; - ensuring compliance with the rights and freedoms of citizens; <ul style="list-style-type: none"> - assistance in the creation of civil society; - assistance in the improvement of public control over the observance of ethical norms and rules of conduct; - ensuring the realization of the right to the property;
Institutions transferring the values of the existence and development of an individual's society (culture, science, sport, religion, ideology)	<ul style="list-style-type: none"> - financial support for the development of culture, science, sports; - implementation of measures for the change (transformation) of ideology in society, ensuring influence on subjects that form the ideology in the country (if necessary);
Institutions of public relations management (politics, state, authorities, etc.)	<ul style="list-style-type: none"> - influence on the means (instruments) and methods of realizing certain interests to achieve the goals defined by the subject of the political process in a particular social environment; - ensuring the functioning of public authorities; - formation of the government authority
Support institutions (health, natural resources, nature restoration, finance)	<ul style="list-style-type: none"> - sufficient financial support for health care institutions; - implementation of measures for rational nature management and providing restoration of natural resources; - formation of an effective financial system;
Security and human rights institutions (army, police, court, etc.)	<ul style="list-style-type: none"> - necessary and sufficient financial support for law enforcement authorities, armed forces and judicial system

Source: compiled by the author

In the functional-cost approach, not only the functional responsibilities of the management bodies are taken into account, but the cost of their implementation is estimated. As a result, the effect of the implementation of management and the price that society pays for it are compared. We believe that such an effect can be estimated, for example by comparing the growth of the macroindicator, which characterizes the country's economic development - GDP and budget expenditures for the national administration. Thus, over the past ten years, expenditures on general government functions in Ukraine have been growing at a faster pace than GDP (excluding 2007, 2008, 2011, 2016). The largest difference in the values of these indicators was recorded in 2015 - 30.3% and in 2014 - 23.7%, which is primarily due to an increase in the volume of public debt servicing costs. The data indicates that public managers not providing growth "eat" more and more money, which form the state budget of Ukraine.

From the above, it follows that the functional-cost approach, providing for cost estimating of management activities, will help to balance the costs of management activities and the effect of it, estimated in monetary terms.

Figure 2. Procedures of socio-cultural approach



* Symbolic capital is a kind of social capital, associated with the possession of a certain authority, reputation (Burd, 1993)

Source: compiled by the author

The selection of the priority of public finance management to satisfy public interests and the provision of high-quality and valuable public goods to the population requires the use a socio-cultural approach based on the unity of culture and sociality that are created and transformed by human activity. The use of this approach in the public finance management predetermines the study of the interaction processes between authorized government bodies and the population (Selyutina, 2013, p. 8) and assessment through the methods of social and cultural analysis of the degree of social development. For this purpose the set of research procedures shown in Figure 2 is used.

The use of the socio-cultural approach will make it possible to develop a sound strategy for the development of both the public financial management system as a whole and the management of individual components of these finances. In addition, the results of the discussions of the world's leading economists at the World Economic Forum (WEF) in Davos prove that the socio-cultural approach is the future of the economy and the management, because indicators of the country's development are offered the following ones: good work, well-being, environment, justice, health (Karen Jeffrey, Juliet Michaelson). Ensuring an adequate level of such indicators is possible only with the use of socio-cultural approach in public administration.

In addition, governance itself, which is often characterized by unofficial shadow forms of interaction such as clan system, corruption, growth of power with capital, clientelism, etc., will be cleared through the use of the socio-cultural approach, since the political elite of the noocrats will be formed.

CONCLUSION

The results of the study proved the need to apply the following methodological approaches in public finance management:

- synergetic, which determined that the fluctuations that took place in Ukraine in 2014 (the appearance of separatist sentiments and the direct invasion of the Russian Federation on the territory of Ukraine) affected the division of the country, the formation of self-proclaimed new political entities and have caused a wave of transformations in all spheres of social life, including the public finance management. In addition, it is proposed the author's vision of scenarios for the development of the public finance management system, possible risks for each of the scenarios and exogenous and endogenous factors of influence (fluctuations);
- the structural-functional approach, which allows to consolidate the relevant government bodies, endowed with certain functional responsibilities, for the relevant public institutions. This distribution model is proposed in the article;
- the functional-cost approach, which will allow to determine effect of the implementation of such management and the price that society pays for it. Based on empirical research the conclusion is that public managers not providing growth "eat" more and more money, which form the state budget of Ukraine.
- the socio-cultural approach, because conducting research procedures with the help of social and cultural analysis will contribute to the achievement of the main goal of public finance management – satisfaction of time-varying public interests.

To summarize, the public finance management system is integrated into the system of public administration and the financial system and has both specific and general internal and external links for such systems. In this context, the emerging scientific paradigm of social development, which must be transformed to meet the requirements and challenges of the time, plays an important role. All this leads to a continuous search for relevant methodological approaches to the management of public finances.

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