

Review Paper

Financial Resources in State Authorities

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ABSTRACT

The issue of financial resources in state authorities and the features of their sources of formation, further use and allocation is a priority task of macroeconomic policy and budgeting to ensure sustainable economic development. The importance of the research is determined by the increasing instability of the socio-economic environment in the global space and the need to optimize public administration in the dynamic economic environment. The primary objective of the academic paper is to reveal the concepts of using and allocating financial resources based on a critical analysis and study of the practical experience of advanced and developing countries. The scientific article examines the approaches to the sources of financial resources of state authorities. The academic paper analyzes aspects of the possibilities of using decentralized systems of management and control of financial resources distribution based on the practice of implementing block chain technology and also identifies further prospects for its development. The research methodology is based on a methodological and practical analysis of the experience of European countries regarding public administration use of financial resources and appointment to state authorities with the subsequent performance of functions. The academic paper analyzes the basic principles of stimulating the corporate sector to engage and perform the functions of state authorities through the policy of strengthening corporate social responsibility and interaction with the state as a source of investment funds. The results obtained can be used to conduct further analytical investigations on the practice of developing the formation of financial resources, their accumulation and direction by the strategic economic policy of the state.

HIGHLIGHTS

- ① The efficient management of financial resources in state authorities is crucial for ensuring the fulfillment of basic state functions and responding to geopolitical challenges, emphasizing the need for effective budget reforms and digitalization.
- ② The practice of involving the corporate sector, implementing trade liberalization policies, and utilizing digital technologies, especially blockchain, emerges as a key strategy for improving the quality, distribution, and control of financial resources, highlighting the importance of adaptive measures in dynamic global economic environments.

Keywords: Financial resources, fiscal policy, state governance, public administration, decentralization, state functions, budgeting

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The modern development of state governance requires an effective model of budget allocation to perform state functions of local governments and other public administration bodies. Financial resources are an effective method for implementing social policy, creating public investment projects and using them to improve the quality of the country's socio-economic situation. During 2022 and 2023, which have become geopolitical challenges for every country in the world, the need for efficient use of financial resources has become a priority for the state since it requires effective budget reformation or changes in traditional approaches to its filling and functioning. In the most advanced countries, public administration stimulates the corporate sector to develop new markets and introduces trade liberalization methods to increase the inflow of foreign investment and the possibility of developing a market economy. Developing countries or those that are in sharp competition with other strategic adversaries implement protectionist measures aimed at retaining financial resources and controlling the circulation of financial assets. The importance of using a unified system for managing and using financial resources is also due to the increasing role of digitalization of public administration since the use of such technologies as block chain can significantly strengthen the country's economic security and create prerequisites for its further development. The country's legal and regulatory framework, together with several international organizations that seek to actively interfere in the policies and development of other countries, are important factors in the management of financial resources in state authorities. Taking into account the wide range of uses and viewpoints on the formation and application of financial resources, this issue is essential and relevant for conducting the research to reveal priority areas for improvement and possible development in a dynamic environment.

Literature Review

The problem of financial resources in public authorities is a controversial issue among scholars in the context of ensuring the efficiency of cash formation and its subsequent use. According to the viewpoint (Ksodz, 2017), the theoretical concept of the state's financial resources is based on the classical school approaches to creating the state budget

and interaction with the corporate sector. Along with this, (Andrew, 2020) strongly believes that the problem of financial resources in government agencies is exacerbated by unproductive use, lack of controls and a mechanism for distribution. The scientist (Borysenko, 2022) studied the budgeting processes and highlighted that the most effective tool for modern budgeting is the formation and distribution of funds by a decentralized system. According to another scholar (Kenno, 2021), most decentralized budgeting models are used in advanced countries; however, a centralized system of financial resources can also be effective but requires additional control. An important factor in the modern transformation of theoretical concepts into financial resources, as noted by (Muhatar, 2022), is the emergence and development of digital technologies. It is the formation and development of digital technologies that influence the mechanism of distribution, formation and subsequent use of financial resources. The use of block chain technology, in the opinion of (Cassiman, 2018), is the most optimal option for preventing corruption and performing control functions; the implementation and configuration of this system will be a priority in the mechanism of any public administration. The scientist (Puron-Cid, 2017) believes that the use of financial resources in state authorities and in general in budgeting processes will be transferred to a digital mechanism shortly. This viewpoint is supported by (Borrás, 2020), who notes that the advantage of a digital decentralized system is difficult to overestimate; the key factor in efficiency is an automated distribution system and a flexible choice of parameters for setting up and further testing. The introduction of such a system in state governance bodies, (Daudova, 2019), can be a revolutionary measure that will help maintain and optimize the policy of managing the financial resources of state authorities. According to the standpoint (Tregidga, 2018), the current practice of advanced countries and international organizations is to create investment and financial funds that can function with the support of weak economies. The use of such forms of accumulation and concentration of financial resources in the context of globalization, in my opinion (Langella, 2020), is a tool for collective management and the choice of investment. According to the Standpoint (Ignatenko, 2021), the financial resources of state

authorities will be particularly significant due to the trend of decentralization and the introduction of digital technologies, but the scientist determines that the role of the corporate sector will increase. The scientist (Hermanto, 2022) notes in his study that corporate sector integration is one of the most effective tools in modern public policy since it opens up several product markets and can perform some of the state functions, such as social protection. A prerequisite for the effective functioning of the corporate sector in the direction of the state, as defined by (Kenno, 2021), is the cooperation and support of the two instances, which can be implemented through flexible tax policy and additional funding. For instance, (Bondaruk, 2018) has analyzed that most advanced countries have a market-based banking system where the share of state-owned banks is minimal and does not exceed five or ten per cent, as evidenced by the policy of developing self-regulation. This principle, according to (Mattei, 2021), can also be used to generate financial resources for state authorities and can be significantly strengthened through the use of digital technologies. Thus, there are ambiguous approaches to financial resources in state authorities in the modern scientific discourse, which requires further analytical, theoretical and methodological investigations.

Research Aims

The purpose of the research is to analyze the sources of formation and features of using and controlling financial resources of state authorities based on a critical analysis of modern theoretical concepts and practical experience of developing countries. Identifying potential means of strengthening the integration of the corporate sector in performing public administration functions through effective interaction is an important area of the research. The primary objective of the academic paper is to determine the financial resources of state authorities and the possibilities for their further development in line with the digitalization of public administration and the development of new control practices. The scientific article provides an analysis of the possible introduction of block chain technology for using and controlling financial resources in state authorities and their improvement for effective control.

MATERIALS AND METHODS

Several scientific methods were used to conduct the research, including a critical analysis of theoretical concepts and approaches to the use and formation of financial resources in state authorities. The research methodology of the academic paper is based on the definition of theoretical aspects of financial resources and the investigation of modern aspects of their use in the context of socio-economic instability. The primary stage of the analysis is to outline the practice of forming financial resources, identifying the main sources of income and subsequent distribution. The next step of the analysis is to systematize scientific viewpoints and approaches on the specifics of using these financial resources and the possibility of improving them in line with the development of digital technologies. The identification and analysis of essential concepts regarding financial resources, their concept, origins, and future allocation in line with public administration goals is a crucial field. The academic paper analyzes the experience of the European Union's states regarding the policy of stimulating the corporate sector to perform a share of public functions, which can be manifested in the form of corporate social responsibility. The next stage of the research is to analyze theoretical sources based on the search method regarding the sources of financing the state authorities that perform the functions of legislative and executive power. The introduction of this approach makes it possible to outline current trends in decentralization, which are used with the help of block chain technology. The final stage of the research methodology is to present the prospects and current state of financial resources management in the theoretical practice of public administration. Several scientific research methods were used to reveal the main aspects of the formation and further development of the state's financial resources, as well as the functioning of international organizations as institutions performing the functions of distribution and investment. Therefore, based on the proposed methodology, the academic paper can provide the following obtained research results on the circulation of financial resources in state authorities and public administration.

RESULTS

The modern development of budgeting and managing the state’s financial resources is undergoing a qualitative transformation due to the strengthening of the practice of introducing digital technologies and several decentralized management technologies, which, based on hashing transactions, create a comprehensive system of records, can control operations in the distribution of budget funds. Financial resources, by their very nature, are monetary funds generated as a result of social relations and aimed at performing the functions of the state. Modern scientists are exploring the most effective methods of managing and utilizing financial resources. In particular, the formation of such models can be implemented to improve the management of the current state of affairs. The establishment of additional funding reserves to tackle the pandemic as a serious issue was a critical tendency during 2019 and 2020. However, the use of financial resources has not always been effective, as evidenced by the policy of digitalization of governance and budget processes. In 2021 and 2022, the practice of integrating digital infrastructure into state governance is actively developing, which can form a high-quality management apparatus based on its decentralized servers.

As a rule, financial resources in state bodies are formed through tax revenues, charitable contributions, as well as opportunities for interaction with international organizations or internal institutions operating in the corporate sector or acting by the state public administration policy. The purpose of the funds is determined by the main controlling body of the country, regarding the use

and adoption of the budget, by the regulatory and legal legislation. The functioning of such models can be systematized according to state authorities, types of financial resources, sources of their receipt, purpose of funds and implementation – that is, distribution mechanism. Each structural element and its features are described in more detail in Table 1.

Based on the data in Table 1, it can be concluded that modern financial resources have multifactorial sources of origin and are usually used to ensure the key areas of state functioning. Trade liberalization is a key strategy for encouraging the flow of capital since it may significantly reduce customs duties and other obstacles to entering the commodities market. This policy is typically used for countries with manufacturing or commodity-based economies and is aimed at attracting and marketing products. The formation of financial resources is taking place at a faster pace with the effective use of control and distribution systems, by priority areas. Following the example of the European Union’s states, the establishment of financial international organizations, as well as a common development vector, can significantly strengthen the economies of countries. For instance, Norway uses several tax revenue instruments based on a graduated fiscal policy and implements a decentralization policy by the key areas of state functioning – socio-economic policy. Germany and France operate on the same model, implementing the practice of decentralized monitoring and the possibility of democratic allocation of state financial resources and their subsequent strengthening (Kovalko *et al.* 2022).

Table 1: Features of financial resources in state authorities

State Authority	Types of financial resources	Sources of funding	Purpose of the funds	Mechanisms of allocation
Ministry of Education	State budget, grants	Taxes, donor funds	Educational programs, studies	Budget financing, competitive projects
Ministry of Defense	State budget, international assistance	Taxes, international agreements	Ensuring defence, development of the armed forces	Direct budget financing
Ministry of Health	State budget, charitable contributions	Taxes, private donors	Healthcare facilities, healthcare programs	Budget financing, grants
Local administration	Local budget, special funds	Local taxes, government subsidies	Infrastructure development, social programs	Allocation of the local budget

Source: Compiled by the author based on (Bisogno and Cuadrado-Ballesteros, 2021).

During 2022 and 2023, the financial system tends to exacerbate crisis phenomena, which requires public reforms of the quality of using and allocating funds. In addition, there are negative factors such as bureaucracy, corruption and operational inefficiency in the use of such funds. China and the United States use modern digital technology tools to mitigate these problems, as well as several analytical centres to manage financial resources and compete with the most advanced modern countries. Such a policy is effective in terms of improving the use of financial resources, distribution of these funds and their further accumulation by the strategic goals of the state. According to the theoretical concept, the utilization of financial resources is one of the highest priority areas of budgeting and their allocation to the state authorities' needs. The creation of an automated system based on the functioning of cloud technologies or the use of block chain will have several benefits. Moreover, they can partially solve the problem of sources of funding for state authorities, which is explained in more detail in Table 2.

Based on the data in Table 2, it can be observed that currently, the state budget is the main source of financial resources; however, all other significant sources are part of international financial relations, including private donors, international grants, and increased participation of international organizations. The introduction of this practice will stimulate the improvement and expansion of fiscal policy and state regulation in a dynamic market environment.

Advanced countries actively involve the corporate sector in the performance of state functions through incentives, the creation of relevant investment state

projects, the implementation of trade liberalization policies, and the use of effective tools to encourage corporate social responsibility. According to the data of the World Bank, countries with advanced market economies have a share of the state-owned banking sector not exceeding 5%. This practice indicates the need for market self-regulation and the possibility of applying the most effective decentralization policy, which can enhance not only the quality of financial resources but also stimulate further development of digital technologies, their distribution and efficient reproduction (Levytska *et al.* 2022).

Thus, it can be concluded that financial resources in state authorities are aimed at fulfilling the main functions of the state. It is vital to implement digital technologies and control systems taking into account decentralization based on the block chain operating principle to enhance the quality of creation and distribution sources. The European Union's countries are actively encouraging the involvement of the corporate sector in state strategic policy; moreover, they are establishing several international financial organizations that can strengthen the macroeconomic climate of each participant. The practice of implementing trade liberalization as a tool for strengthening the economy may influence the pace of the formation of financial resources in crisis circumstances, but it should be balanced to achieve parity in economic interests. The results of the research are evidence of a dynamic market environment in the global space and the existence of a need for effective further use of financial resources.

DISCUSSION

Based on the research conducted, it is possible to

Table 2: Sources of funding for state authorities

Source of funding	Description	Mechanisms of allocation
State budget	The main source of funding comes from taxes and other government revenues.	Allocation according to the state budget approved by the Parliament.
International grants	Financial support from international organizations or governments of other countries.	Revenues from international agreements and grant programs.
Private donors	Funding from private companies, foundations, or individual patrons.	Contractual relations, sponsorship agreements.
Special foundations	Foundations established for specific purposes that can be financed from various sources.	The government's decision attracts funds from various sources.

Source: Compiled by the author.

determine subsequent directions for performing analytical assessments of the rationality and optimal use of financial resources. The study (Edler, 2020) indicates that the socioeconomic sphere and investments in the corporate sector should be a promising area for utilizing the state's financial resources. The possibility of attracting investment resources of the state in the form of investment projects and the development of a simplified taxation system with ongoing optimization can strengthen its functioning, and as a result, the main areas of state budget expenditures. The corporate sector can play an essential role as an effective source of funding for state authorities and strengthening their cooperation. This is precisely why further directions of the research should be carried out by the prospects and opportunities for using and involving the corporate sector in state governance, creating and developing joint projects. The development of corporate social responsibility can often be divided by the strategic goals of state governance, which is a qualitative advantage in planning the expenditure of financial resources of state authorities.

Control over the receipt and expenditure of financial resources by state authorities is also an important factor. Studies (Nurasa, 2022) indicate that the efficiency of managing state authorities based on the introduction of e-government and several digital technologies formed based on a decentralized system, such as block chain or any other, can be of real value in the context of modern technological development. According to this approach, the creation and development of potential capabilities for strengthening control and analysis of using financial resources of state authorities will be a priority for any country. Thus, it will be vital to carry out practical studies on the effectiveness of allocating financial resources and the accessibility of relevant digital technologies to monitor the application and advancement.

The analysis of the formation of financial resources and possible ways of their creation and attraction remains a debatable issue. In the current conditions of geopolitical challenges and global instability, the need to stabilize the socio-economic situation is one of the most crucial problems of state governance and administration. The search for effective instruments for the allocation and formation of

financial resources can be an important factor in strengthening the country's macroeconomic strategy. Therefore, further studies should be conducted based on a sample of countries with weak economies and search for potential sources of formation and financial resources, which can be implemented through the development of domestic production, financial activities and improvement of the overall state of the economy. Sustainable economic development can become a catalyst for the growth of financial resources, which will eventually strengthen not only the financing of state authorities but also enhance the microeconomic environment. Therefore, the problem of financial resources of state authorities and the sources of their inflow and formation remains an important and urgent issue in the current situation.

CONCLUSION

Thus, based on the research conducted, it can be concluded that financial resources in state authorities are funds generated as a result of social relations and are intended to ensure the performance of basic state functions. The theoretical concept of the state's financial resources is based on the features of implementing and developing the budgeting process, and interaction between state bodies and public authorities and can be used to ensure the efficiency of financial resources. The development of e-commerce and the emergence of new financial assets, such as digital and cryptocurrencies, is a modern innovation challenge for most countries of the world. Regulation in this area will help the state optimize its expenditures and revenues, as well as ensure stable economic growth. The development of economic relations qualitatively influences the use of financial resources, as well as the allocation and control of their use. The emergence of digital technologies and decentralized systems contribute to the spread and improved use of the control function at the public level, which is an effective mechanism for ensuring financial security. The practice of the European Union's countries regarding the circulation and use of financial resources in state authorities is closely intertwined with the development of the corporate sector, its stimulation and investment in it. This practice is used to develop the country's economic system, engage the corporate sector in corporate

social responsibility, and strengthen further funding of state authorities. The process of budgeting is a complicated analytical and methodological matter that necessitates a thorough examination of the country's economic environment and evaluation of the macroeconomic conditions of the state as a whole or of a particular study bloc. In the context of geopolitical challenges and instability of functioning, the search for economic, fiscal and legal aspects of regulating the formation of financial resources is a prerequisite for the development of state governance, which will strengthen public power. Thus, effective management of financial resources by state authorities at both the national and local levels can be a powerful tool for sustainable economic development. The research results indicate the need for further analysis and critical review of the features of the formation and utilization of financial resources in state authorities.

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