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Influence of state policy on a financial system of the country

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The objective of this research consists in establishment of model of social and economic development under the influence of transformations in modern Ukrainian society. Following the results of the carried-out work conclusions in the directions of development of the theory and practice of public finances which are result of influence of public transformations which are endured now by Ukraine are formulated.

Keywords: financial system, financial policy, state financial policy, model of social and economic development, public finances, public choice.

Литвиненко О.Д. ВПЛИВ ДЕРЖАВНОЇ ПОЛІТИКИ НА ФІНАНСОВУ СИСТЕМУ КРАЇНИ

Мета даного дослідження полягає у встановленні моделі соціально-економічного розвитку під впливом перетворень у сучасному українському суспільстві. За підсумками проведеної роботи сформульовані висновки щодо напрямків розвитку теорії і практики державних фінансів, які є результатом впливу суспільних трансформацій, що нині переживає Україна.

Ключові слова: фінансова система, фінансова політика, державна фінансова політика, модель соціально-економічного розвитку, державні фінанси, суспільний вибір.

Литвиненко О.Д. ВЛИЯНИЕ ГОСУДАРСТВЕННОЙ ПОЛИТИКИ НА ФИНАНСОВУЮ СИСТЕМУ СТРАНЫ

Цель данного исследования заключается в установлении модели социально-экономического развития под влиянием преобразований в современном украинском обществе. По итогам проведенной работы сформулированы выводы по направлениям развития теории и практики государственных финансов, которые являются результатом влияния общественных трансформаций, которые в настоящее время переживает Украина.

Ключевые слова: финансовая система, финансовая политика, государственная финансовая политика, модель социально-экономического развития, государственные финансы, общественный выбор.

Statement of a problem. Functioning of a financial system is directed to the solution of the certain tasks facing society. To these tasks also the organization of the financial relations in the state, processes of movement and placement of financial resources and pricing on them submit, to a proportion between their centralization and decentralization, an order of forming, distribution and income redistribution, an orientation of expenses of certain subjects of business activity, citizens and the states, a structural ratio between certain spheres and links of a financial system, nature of relations between them, proportions between individual and public consumption. At the same time it is possible almost any number of options of the organization of the financial relations and financial activities from which it is reasonable to choose such most of which suits the country in certain time. The choice of these options constitutes a basis of financial policy which is performed by the state. Development of society is followed by need of increase in

high-quality level of forming and implementation of financial policy. That financial policy could promote development of economy and economic policy, it shall reveal timely the need for financial resources determined a link of the national economy and sources of their mobilization. In such aspect we will note about need of development of a financial system, increase in efficiency of forming and implementation of financial policy for interrelation with transformational economic processes.

Analysis of the last researches and publications. The big contribution to a research of theoretical and practical bases of forming and implementation of financial policy of the state was made by the Ukrainian scientists: V. Andrushchenko, S. Bukovinsky, A. Buryachenko, A. Vasilik, A. Danilenko, V. Zimovets, T. Efimenko, A. Kirilenko, L. Lysyak, S. Lutsishina, I. Lyuty, A. Myarkovsky, V. Oparin, D. Polozenko, M. Romanovsky, V. Fedosov, I. Chugunov, N. Sheludko, L. Shinkaruk, S. Yury and others.

Separate aspects of financial policy as instrument of influence on social and economic development of the state were researched by foreign scientists: Sh. Blankapt, B. Boldirev, J. Buchanan, A. Wagner, V. L. dollar. Drobozina, J. Keynes, A. Laffer, to Ts. Ma, D. Ricardo, P. Samuelson, A. Smith, J. Stiglitz, etc.

But despite the scientific and practical value of the published works, a number of questions on a perspective of financial policy of the state remain debatable, as caused the purpose and the choice of a subject of a research.

Statement of the main material of a research. The main objective of the state financial policy is an economic development which is considered as process of transition from the lowest to the highest stages and which level is determined by GDP amounts, performance level of production factors. The state financial policy influences economic development not directly, and indirectly, via separate financial and monetary levers on finance of the institutional units and sectors connected in a financial system. Carrying out system financial policy requires a clear understanding not only separate objects of its influence (finance of institutional sectors), but also forms and nature of interrelation between them which together constitute a financial system of the country. For understanding of influence of the state financial policy on economy through a financial system it is possible to use both value judgments, and quantitative methods.

By A. Romanenko's determination, "the financial system is a set of the spheres of the financial relations having features in mobilization and use of financial resources, the corresponding management personnel and legal support" isolated, but interconnected among themselves [1, p. 22]. Determination of a financial system through a concept of spheres of the financial relations, isn't an analytical concept of the first order, requires amendments. The financial system really includes the relations financial, debt, tax and in the sphere of corporate laws, however its basis – not the relations, but a saving of institutional units which are the financial relations interconnected among themselves. Backbone elements is not spheres of the financial relations, but institutional sectors of economy.

P. Yukhimenko, V. Fedosov define a financial system as "set of the separate links of the financial relations and financial institutions (institutes) settled by financial precepts of law by means which the centralized and decentralized funds of financial resources and money are formed, dis-

tributed and used" [2, p 57]. Determining a financial system, it is reasonable to apply analytical concepts of financial science of the first order (the income, the equity, profit, a debt) which are clear and can test quantitative transformations and aggregating.

By T. Efimenko's determination, the financial system is a set of various spheres of the financial relations in the course of which various cash funds are created and used, is divided into system of public finances and finance of the entities [3, p. 18]. Such separation concretizes structure of a financial system, but completely doesn't open its content.

The methodological approaches considered above lack assessment of a role and the place of sector of finance corporations in economic development, authors avoid a specification and content of a concept a financial system.

Deep questions of functional purpose of a financial system in the Ukrainian economic science are researched by V. Oparin. In the context of the reproducing function of finance on V. Oparin as a financial system belong [4, p. 25]: 1) mobilization and optimum placement of financial resources; 2) providing methods of movement of financial resources in time and space; 3) ensuring liquidity and risk management; 4) forming of information support. In the context of distribution function of finance the financial system performs functions: 1) resource allocation between private and state sectors; 2) ensuring equitable distribution of the income in society; 3) implementation of an income redistribution for the purpose of elimination of the imbalances caused by shortcomings of market mechanisms; 4) forming of system of forms and methods, tools and levers of financial influence on rates and proportions of social and economic development.

It is important that financial policy influences a financial system as an object which contains separate are interconnected, but components aren't interchanged. As an alternative the stated above determination of a financial system as sets of spheres of the financial relations, other economists suggest to identify it in a confined sense as system of financial intermediaries.

At the heart of this approach regulations that in market economy the financial system mediates distribution and an income redistribution and the equity between economic actors through sector of finance corporations. According to such alternative approach understand system of financial intermediaries who provide redistribution and effective use of free financial resources as the concept "financial system" [5].

The American economists V. Dollar and to Ts. Ma call intersentries and interpersonal resource transfers by "primary function" of a financial system [6, p. 5]. Resources as a subject of such transfer should be understood as various forms of assets, including non-current assets, inventories and financial assets. Resources the equity is a concept wider, than. In fact, it is assets of all institutional sectors, including assets of sector of finance corporations. The term of "intersentry transfer of resources" means delay of use of the income and provision of resources in temporary use.

In case of such approach the financial system is a market model, in its center there is a financial market (in case of some approaches also sector of finance corporations). Recently such approach is purchased by development as reaction of an economic thought to growth of a role of the financial markets and sector of finance corporations in comparison with public finances (fig. 1) [7, p. 102].

Methodologically correctly displaying circulation of financial resources as liquid form of the equity, market the model includes movement both debts, and the equity between sectors through sector of finance corporations which is a link between savings and investments.

Thus, it is possible to allocate two alternative approaches to essence of a financial system of

the country. The first is a set of finance of various institutional sectors which conditionally unites in single system as autonomous, but interconnected among themselves (finance of sectors of non-financial corporations (NFC), households (HH), nation-wide management (NWM) and the finance corporations (FC)). The second is the shift of the center of a financial system in sector of finance corporations or sector of nation-wide management (a market or a state system). The financial system in our understanding has no central link, isn't hierarchical system. The state financial policy can render on such system important, but not determining influence.

Transformational processes cause reorientation of priorities of the state social and economic policy regarding service trade development stimulation, enhancement of policy of social protection of the population and income redistribution. For implementation of specified the model of social and economic development of the country needs upgrade.

For allocation of certain features, in particular on forming and implementation of financial policy of the state, it is reasonable to analyses the main models of economic development.

The American model is based on the principles of liberal functioning of market economy and is characterized by high extent of development of the competitive free market. Important

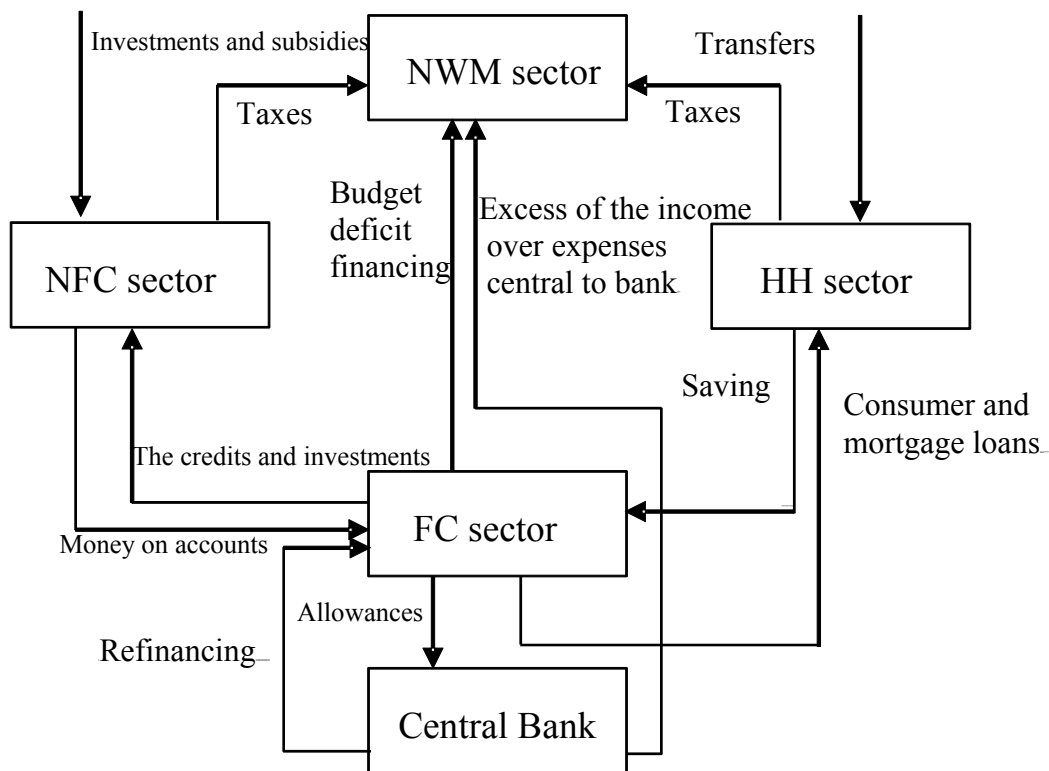


Fig. 1. Circulation of financial resources in economy

signs of this model of economic development is ensuring high labor productivity level, creating favorable conditions for development of an entrepreneurship, orientation of each member of society to achievement of personal success, creation of appropriate level of quality of life for social payments and benefits, needy by provision. It is necessary to notice that the priority when forming fundamentals of financial and economic policy of the state is provided to the questions of ensuring social equality or social solidarity important increase in welfare the most active segments of the population – entrepreneurs is recognized. Tax policy at the same time goes for increase in specific weight of the direct taxes in general structure of the budget receipts, enhancement of the assessed taxes and functioning of an effective progressive scale of the taxation [8, pp. 148-154].

The Asia-Pacific model of economic development assumes a combination of interests of the certain individual and collective society, provides the accelerated development of a human capital and promotes the most effective reproduction of a human factor as instrument of stimulation of economic growth. Maintenance of sufficient level of competitiveness of national economy, performance improvement of work and active measures from the state for non-admission of considerable differentiation of the individual income of the population are important [8, pp. 155-163].

The neoliberal Western European economic model assumes a dualistic combination of provisions of the theory of social market economy of A. Müller-Armaka and the ideas of the freiburg economic school propagandizing free market economy. Such model of the state economic policy showed importance of search of an optimum combination of systems of market self-regulation and state financial and economic regulation [8, pp. 164-173].

The Scandinavian model of social and economic development is characterized by the high level of cost efficiency, social protection, equitable distribution of the income, efficient budget fiscal regulation. The priority direction of implementation of social policy of the state is provision of the individual address public assistance, increases transparency and system effectiveness of social security of society [9, p. 243].

Forming of financial policy takes place at each separate accounting entity, and depends on the purpose formulated by a management of such subjects. Development of society in developed countries gradually approaches civil society in which nationwide financial to a problem decide

on the basis of the choice of each member of this society. In the conditions of civil society and use of public finances both economic, and political factors influence. Their influence has a talk with the help of the theory of the public choice.

The theory of the public choice researches interdependence of political and economic events, finds out the principle of economic regulation of development taking into account political processes in society. Distinguish from questions which are considered theories of the public choice such as:

- Use of public finances;
- Process of vote and its influence on public financing;
- Economic activity of the government (including with use of public funds), etc. [10, p. 23].

Use of public finances in civil society depends on the choice of the majority of the population. The essence of the rule of the majority consists that the most part of voters vote for the financial program of that batch which implementation leads to growth of the income of the majority of the population. But in case of the choice by the majority of the financial program of a certain batch (block) it is necessary to consider interests and minorities because it, finally, can negatively affect the income of the majority. So, increase in taxes on solvent segments of the population leads to growth of "shadow" economy and reduction of budget revenues. Finally to suffer from it also the majority. It is possible if the public choice concerning public finances it is made on all conditions of the choice in democratic society, in it is established political balance when in society a certain surplus of Gross Domestic Product which can be divided between all members of society is created, without reducing the income of any group.

Generally development of financial policy is characterized to the following directions:

- Increase in public welfare. For this purpose financial policy shall promote growth of production efficiency and, first of all, work performance improvement;
- Mobilization and use of financial resources for ensuring expanded reproduction, welfare actions, defenses, management and other requirements of society;
- Enhancement of the financial mechanism which causes forming of optimum amount of financial resources and their rational placement and use and a prohibition of the technologies menacing to health of the person. At the same time production divisions shall incur expenses on compensation of recovery of the environment.

Deepening of integration of national economies in world, strengthening of globalization processes, dynamism of economic transformations cause enhancement of functioning of the specified models of social and economic development. It is reasonable to note that monetary and budget tax policy is the most powerful instrument of state regulation of social and economic development of the country. Forming and implementation of effective financial policy shall be based on set of the corresponding principles which determine basic model of a ratio and interaction of components of the state financial policy. Efficiency rate of implementation of financial policy will be determined by the level of accounting of requirements and interests of subjects of a financial system and society in general.

Creation of effective financial policy will proceed from those realities which exist at the macrolevel and consequently the state financial policy actually is primary on which finance solutions of other subjects will be based and generated. It will directly influence those decisions which are formulated and take root at the level of regional and municipal authorities of the power. Therefore it is possible to talk financial policy as about a concept which is directly connected with management of financial resources of all links of a financial system as the states in general (including its territorial units), and the entities and the organizations.

According to forecasts of analysts, in the current year the economy of many countries of the world will be in a recession phase. The problems and imbalances in systems of public finances which aggravated in the conditions of world financial and economic crisis will become

its factors. Narrowing of the income with a simultaneous sharp growth of financing expenses of large-scale anti-recessionary programs created enormous deficits in budgets of a significant amount of the countries and forced them to increase debt borrowings excessively.

For approach of a financial system of Ukraine to standards of the European Union it is necessary to enhance public finances of our country. Complexity of their reforming consists in unequal approaches of different political forces of Ukraine to this question. But that financial policy could promote development of economy and economic policy, it shall reveal timely the need for financial resources determined a link of the national economy and sources of their mobilization. And mobilization of necessary resources shan't limit development of the separate entities or subjects of society, were a source of forming of these resources.

Conclusions from the conducted research.

The existing models of economic development definitely are transformed by adaptation of instruments of stimulation of social and economic development of other models, at the same time using own components of the financial mechanism of economic growth. Need of financing of priority actions of implementation of the corresponding model of social and economic development substantially influences the mechanism of forming and structure of financial policy of the state.

Summing up, it should be noted that Ukraine is in difficult economic conditions therefore the precise plan of the problem resolution of reforming of system of finance of public sector of economy based on developed strategic objective according to market conditions is necessary.

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