

FINANCE, INSURANCE AND STOCK EXCHANGE: MODERNIZATION OF THE CORPORATE PORTFOLIO

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THE IMPACT OF BUDGET PLANNING ON STIMULATING ECONOMIC GROWTH

An important factor in regulating socio-economic development is budget planning, the essence of which is to develop the main directions of budget expenditures and their direction in the medium and long term, taking into account the challenges facing society at the appropriate stage of its development. Budget planning forms the basis for sustainable economic growth, solving pressing socio-economic problems, taking into account the strategic goals of financial, budgetary and economic policy of the state.

Economic growth has significant shortcomings, especially the impact on the environment, excessive consumption and depletion of the earth's interior, while society is forced to increase social production. As Fischer S., Dornbush R., and Schmalenzi R. note: «Material comfort is not everything, but it is important to most people... Developing countries' strong desire for economic growth is another proof that people usually want to have more goods and services» [1, p. 656]. One of the ways to ensure economic growth, increase the output of goods and services is to increase the quantitative and qualitative indicators of economic activity, the focus of economic entities on the effectiveness of activities in each sector of

the economy, efficient and rational use of natural, material and financial resources.

In our opinion, budget planning is a set of reasonable measures that are used in the budget process using different approaches, methods and techniques for determining the indicators of budget revenues and expenditures.

The need to use an effective tool of budget planning in Ukraine is caused by the specifics of socio-economic development of the state, as it is necessary to increase production, GDP growth to ensure high living standards. Qualitative budget planning makes it possible to stabilize the socio-economic situation, to direct the entire budget process in the right, scientifically sound direction, which will help the country to enter the new rails of economic and social development, to ensure sustainable economic growth.

In our opinion, it is important to increase the effectiveness of budget policy in terms of developing a budget planning system as a tool for economic growth, ensuring the effectiveness of budget expenditures. Budget funds are the subject of planning, and state and local authorities are the entities that are obliged to use financial resources efficiently.

Analyzing the state of budget planning in Ukraine, we conclude that the country has not created an effective system of sound budget planning in order to economically and efficiently use budget resources, ensuring socio-economic growth. Insufficiently effective budget planning is one of the reasons for inefficient management and use of budget funds. As a result, there is a causal link between the problems of budget planning and effective management and use of budget funds, which affects the dynamics of economic growth. We hope that the situation will change soon, because in Ukraine from January 10, 2019 with amendments to the Budget Code of Ukraine, in accordance with the Law of Ukraine dated 06.12.2018 № 2646-VII «On approval of medium-term budget planning in Ukraine» [2] medium-term budget planning has been introduced. The medium-term budget period includes the planned and the next two planned budget periods. Instead of the one-year Main Directions of Budget Policy, the

medium-term Budget Declaration has been introduced as a strategic planning document that defines the budget policy for the next three years. Three-year local financial plans will be a tool for medium-term budget planning at the local level. Medium-term budget planning will contribute to the rational, efficient allocation and use of budget funds, as well as the balance of the budget and the budget system.

It is important to coordinate the tasks of budget planning with the areas of socio-economic development of the country, which will significantly strengthen the role of budget planning in solving the tasks, taking into account the tax potential of the country and its territories. On the basis of budget forecasting as a base of planned indicators, conditions, tendencies, contradictions and alternatives of achievement of the strategic purposes of development of economy, social sphere are defined. Forecasting provides an opportunity to form an idea of the impact of endogenous and exogenous factors on socio-economic development, anticipate risks and avoid negative consequences in the future.

In our view, the difference between forecasting and planning is that forecasting provides an opportunity to see the goal in the long run, including possible risk and impact factors. Planning is the reality we see before us, a more concrete and predictable phenomenon. If the forecast is a probabilistic nature of action, then planning is a decision that has already been made, which brings us closer to the appropriate goal. Forecasting and planning are not antagonists, on the contrary, these concepts complement each other and ensure the continuity of the process of efficient and rational use of budgetary resources [3, p. 43].

The mechanism of budget forecasting in Ukraine needs to be improved, in particular, systematic analysis of assessments of socio-economic development of the country, identification of negative trends, analysis of the reasons for their formation, expansion of tools to influence negative processes that constrain the dynamics of socio-economic development.

As part of the budget reform, in accordance with the Strategy for reforming the public financial management system for 2017-2020 «in terms of improving the program-target method, from July 24, 2020

came into force the order of the Ministry of Finance from May 19, 2020 № 223 «On assessing the effectiveness of budget programs of the state budget» [4]. This order provides for: assessment of efficiency at different stages of the budget process: planning, implementation and reporting on budget implementation; development of measures to increase the efficiency of the budget program for the medium term, etc. Assessing the effectiveness of budget programs should be an auxiliary tool in conducting reviews of state budget expenditures and strengthen the responsibility of managers for the use of budget funds.

References:

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