
Directions of Budget Policy to Ensure the Financial Security of the State

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Abstract. *Improving the budget process is a key factor in strengthening the financial stability of a country. This paper looks at a comprehensive approach to budget policy reform, including transparency and accountability, long-term financial planning, effective public financial management, fair tax policy and social justice. Transparency of the budget process facilitates public control and reduces corruption risks. Long-term planning allows to consider future challenges and potential economic risks. Effective public financial management includes the optimal allocation of funds to priority sectors and minimisation of unproductive spending. A fair tax policy ensures stable budget revenues, stimulating economic activity. Social policies aimed at reducing poverty and inequality also play an important role in ensuring economic stability. The development of the financial sector, a sound regulatory framework, and effective bank supervision to prevent financial crises are also important. International cooperation, the adoption of best practices and standards, and effective public debt management are essential for financial stability. Risk management, stabilisation funds, and the institutional capacity of public administration increase resilience to unforeseen circumstances. Public participation and the use of innovative technologies in the budget process contribute to its efficiency. Coordination between different levels of government and consideration of international trends allow budget policy to be adapted to external challenges. Monitoring and evaluation of the budget policy effectiveness ensure adjustments and improvement of the efficiency of public finance management. Thus, an integrated approach to the budget process contributes to the achievement of financial stability and economic sustainability of the state. Effective management of budgetary resources is a key element for maintaining economic stability, reducing the risks of financial crises and ensuring sustainable development. Important components include increasing the transparency of the budget process, strengthening the institutional capacity of financial authorities, and introducing monitoring and control mechanisms. Ensuring the financial security of the state requires constant adaptation of the budget policy to changes in the global and domestic economic environment, as well as readiness to respond quickly to possible challenges and threats.*

Keywords: *budget policy, financial security of the state, national economic security, foreign experience, budget policy instruments.*

JEL Classification: *F35, F42, F52, G20, G28, L86*

1 Introduction

The financial security of a state is closely linked to its economic stability, and budget policy plays a key role in ensuring this stability. In the context of global economic instability and financial crises, it is important to understand how to properly manage public finances to minimise risks and ensure reliable economic development. Fiscal policy determines the priorities of public spending, the level of budget deficit and public debt, which in turn affects the financial stability of the country. In addition, proper management of budgetary resources contributes to ensuring social justice,

financing important government programmes and projects, and maintaining national security. In today's environment of growing challenges and threats, such as economic sanctions, cybercrime and international financial crises, the importance of an effective budget policy is only growing. It allows the state to be more resilient to external shocks and ensure stable development in the long term.

2 Purpose and methodology of the study

The article is aimed at studying and identifying effective approaches to the formation of budget policy aimed at ensuring the financial security of

the State. Achieving this goal is based on solving the following scientific and practical tasks:

- To determine the place of financial security in the system of ensuring national economic security;
- to study foreign experience in building budget policy to ensure the financial security of the state.
- to develop recommendations for improving the budget process in the context of strengthening the financial stability of the state;

To achieve this goal, the following methods were used in the study: general scientific methods - generalisation, synthesis, induction and deduction; special methods – analysis of documents and regulatory framework (analysis of legislative acts, resolutions and other regulatory documents governing budget policy and financial security of the state); comparative analysis (comparison of budget policy practices of different countries to identify the most effective approaches and tools to ensure financial security). These methods made it possible to conduct a comprehensive study of the principles of budget policy and to develop scientifically sound recommendations for improving the financial security of the state.

3 The Essence and Place of Financial Security in the System of National Economic Security

The concept of financial security includes a set of measures, methods and means to protect the financial and economic interests of the state at the macro level, as well as the financial activities of business entities at the micro level (Baranovsky, 2014).

At the macro level, financial security is the ability of the state to respond adequately to internal and external negative financial influences in peacetime and in emergency situations (Kurylo, Klochko, Zhuravlov, Javadov, 2018). Financial security reflects the state and readiness of the state's financial system to provide timely and reliable financial support for economic needs in amounts sufficient to maintain the required level of economic and military security of the country. Financial security is achieved through activities in the financial sector and related areas: monetary, economic, social, international financial, etc. Therefore, the concept and strategy of financial security should be reflected in the State Strategy of National Security, economic, budgetary and monetary policies, etc.

The understanding of financial security as an object of research should be based on an understanding of the nature of the financial system, not limited to its functions of distribution, redistribution and accumulation of financial resources. As a system, it includes specific

characteristics of financial instruments that reflect, to a certain extent, the nature of ownership relations, as well as a combination of ownership relations and characteristics of financial instruments, and forms both the movement of capital and its distribution within the framework of the implemented monetary and credit and financial policies.

The financial sector has come a long way, and what is new in it in today's environment is its scale, forms and mechanisms, as well as the level of influence on society. In practice, the financial sector and financial capital have transformed from an intermediary serving reproduction into its key link during the twentieth century. One of the main factors in the strengthening of the role of finance was the active and rapid growth of commodity-money relations, which involved many areas of human activity. In the Western economic literature, changes in finance are mainly (mostly) explained by enormous advances in technology, information and communication systems. In fact, technological progress has led to an unprecedented demand for funds, which has resulted in the involvement of new additional resources in the financial orbit.

However, the attraction of these resources is extremely uneven, creating both periods and sectors of shortage, which threatens to destroy or damage certain industries and segments of activity or economic entities. Disproportions in the concentration of financial resources also exacerbate critical situations in the economy, disrupting the normal functioning of society.

A special role in the intensification of the financial sector is played by the process of globalisation, which is associated with a decline in the level of state regulation and restrictions imposed by the interests of individual national economic structures. The development of the financial sector in the context of globalisation is changing the nature of the market, transforming its role into a mechanism for regulating capital production. The global financial market is no longer the market of the period of initial capital, as its main participants are large financial and industrial conglomerates and international financial centres, the mechanism of the average rate of return is weakening, the scheme of income distribution is changing, and many of the main categories are changing their content.

Thus, the financial economy has emerged as a rapidly developing and independent sphere of activity with specific patterns, effective tools, technologies and resources, and is loosely connected to the real economy. The development of the financial economy is driven by a double reflexive feedback loop. This has given rise to

a phenomenon where the activities of financial institutions – stock, currency and credit markets – in some cases can create threats of various scales, from local to global in the form of financial crises. Financial bubbles are being inflated, consisting of fictitious financial resources, like counterfeit money, which have no real collateral. However, such finances are no different in status from real money, which determines the financial strength of the state.

As noted above, the concept of financial security, firstly, should correspond to the general concept of national security of the country; secondly, it should be a component of the concept of economic security of the country; thirdly, it should have its own content that distinguishes the problems of financial security from the same kind of problems of the general economic order.

The development of the conceptual framework of the financial security system as an element of socio-economic reorientation of the most important macroeconomic and financial processes, firstly, takes place in conditions of considerable uncertainty and, secondly, is not properly supported by software. However, despite this, the direction of reforms continues to be shaped by a policy agenda that does not fully reflect the characteristics and needs of the Ukrainian economy. In some areas, such as the financial sector, economic policy is now increasingly focused on creating conditions for overcoming the crisis while trying to preserve the potential for future growth.

That is why the economy is currently facing the challenge of developing such a new course, the most important element of which is a financial security strategy that requires consistent, targeted practical work aimed at improving the economy and restoring its growth. This implies that the financial security system envisages not only the efficient functioning of the financial system itself, but also the safe functioning of all elements of the country's financial and economic mechanism.

4 Foreign Experience in Building Budget Policy to Ensure the Financial Security of the State

The financial security of a state is a key element of its economic stability and independence. Developing an effective budget policy is critical to ensuring this security. The experience of countries around the world provides many valuable lessons and practices that can be used to improve their financial systems. Let's look at the experience of building budgetary policies to ensure financial security in such countries as the United States, Germany, Sweden, Japan, and Australia.

The United States has one of the most developed budgetary systems in the world. The main aspects that ensure financial security are

- Transparency and accountability: the US budget process is open and transparent, which ensures public scrutiny and accountability of the government;
- strategic planning: The US uses long-term financial planning to take into account potential risks and changes in the economic situation;
- allocation of expenditures: considerable attention is paid to the distribution of public expenditures on defence, education, healthcare and social programmes (Siemiątkowski, 2017).

Germany, in turn, is an example of a country that successfully combines economic growth with a high level of social protection. The main elements of German fiscal policy include:

- Fiscal discipline: Germany adheres to strict rules regarding budget deficits and public debt;
- a fund for the future: the German government has created reserve funds for future generations, which ensures financial stability in the long term;
- investments in infrastructure: significant funds are allocated to infrastructure development, which stimulates economic development and increases the country's competitiveness (Siemiątkowski, 2017).

Sweden is known for its model of "Scandinavian socialism", which combines high taxes with developed social programmes. The main features of Swedish budget policy are as follows:

- High level of tax revenues: high taxes allow financing a wide range of social programmes and ensuring a high standard of living for citizens;
- social equity: budget policy is aimed at reducing inequality and ensuring social justice.
- effective governance: Sweden pays great attention to effective management of public funds and minimisation of corruption (Siemiątkowski, 2017).

Japan faces unique challenges due to its demographic situation, but its fiscal policy is aimed at ensuring financial stability:

- Fiscal consolidation: Japan is actively working to reduce its public debt and achieve fiscal balance;
- stimulating the economy: significant attention is paid to measures to stimulate economic growth, including innovation and technological development;
- pension reform: Given the ageing of its population, Japan is implementing pension reforms to ensure the financial sustainability of its pension system (Siemiątkowski, 2017).

Australia demonstrates an effective approach to fiscal policy with a focus on economic stability and social protection:

- Fiscal responsibility: Australia maintains a balanced budget and low public debt;
- social programmes: an important role is given to the financing of healthcare, education and social protection;
- innovation: budget policy is aimed at supporting innovation and the development of new technologies, which contributes to economic growth (Siemiątkowski, 2017).

The experience of different countries shows that an effective budget policy is a key element of ensuring the financial security of the state. Transparency, fiscal discipline, strategic planning and social justice are the main components that contribute to economic stability and resilience to financial crises. Studying and implementing best international practices can help improve the financial system and ensure long-term financial security.

5 Recommendations for Improving the Budget Process in the Context of Strengthening the Financial Stability of the State

Improving the budget process to strengthen the financial stability of the state is a complex and multifaceted task that requires a comprehensive approach and consideration of various economic, social and political factors. To begin with, it is necessary to ensure transparency and accountability of the budget process. This implies the introduction of open data on budget plans and actual expenditures, which will allow citizens and independent experts to monitor the efficiency of public funds. Transparency helps to increase trust in the government and reduce the risk of corruption.

One of the key aspects is the introduction of long-term financial planning. The budgeting process should consider not only current needs but also future challenges, such as demographic changes, environmental issues and possible economic crises. Long-term planning helps governments to forecast future revenues and expenditures and identify potential risks to financial stability. In this context, it is also important to have clear rules of fiscal discipline that limit the growth of public debt and budget deficits.

Effective public financial management requires an optimal allocation of budget funds. Attention should be paid to priority sectors such as education, healthcare, infrastructure and social protection, which have a direct impact on the welfare of citizens and the country's economic development. At the same time, it is important to avoid putting an excessive burden on the budget through unproductive spending and inefficient programmes. Reforming the public procurement

system and introducing modern public finance management technologies can significantly improve the efficiency of budgetary resources.

Tax policy is an important element of strengthening financial stability. The tax system should be fair, transparent and efficient. It should ensure stable revenues to the state budget without putting an excessive burden on businesses and individuals. This is possible by expanding the tax base, combating tax evasion and optimising tax rates. At the same time, tax policy should stimulate economic activity and investment, which is an important factor in long-term financial stability.

Social programmes also play an important role in ensuring financial stability. Effective social policies help to reduce poverty and inequality, which contributes to economic stability and social peace. This requires targeting social benefits to the most vulnerable, as well as improving social protection and healthcare systems. Investments in human capital, in education and training, contribute to increased productivity and economic growth.

The financial sector plays a critical role in ensuring the stability of public finances. This requires a sound regulatory framework and effective supervision of banks and other financial institutions. This helps prevent financial crises and ensures the stability of the banking system. In addition, the development of the capital market helps to attract investment and provides additional sources of financing for the state and business.

International cooperation is also important for strengthening financial stability. The use of best international practices and standards in the budget process, as well as cooperation with international financial institutions such as the IMF and the World Bank, can significantly improve the efficiency of public financial management. In addition, attracting external financing on favourable terms helps governments maintain financial stability in times of economic difficulty.

Effective public debt management is another important aspect of the budget process. This requires the introduction of clear rules and mechanisms for managing debt obligations to minimise the cost of debt servicing and reduce the risk of default. It is also important to ensure transparency and accountability in public debt, which increases investor and creditor confidence.

Risk management is another critical aspect of the budget process. It is necessary to develop and implement financial risk management mechanisms that allow timely identification and response to potential threats to financial stability. This may include the creation of stabilisation funds, insurance reserves and other instruments

that ensure the financial stability of the state in the event of unforeseen circumstances.

The institutional capacity of public administration is also an important factor in a successful budget process. It is necessary to ensure an appropriate level of professionalism and competence of civil servants responsible for public finance management. This can be achieved through training and professional development, as well as the creation of incentives to attract highly qualified personnel to the civil service. Ensuring public participation in the budget process is an important element of transparency and accountability. Citizens and civil society organisations should be able to participate in the discussion of budget plans and monitor their implementation. This helps to increase trust in the government and ensures that the interests of different segments of the population are considered in the budgetary decision-making process.

Innovative technologies can also significantly improve the efficiency of the budget process. The use of modern information systems and financial management technologies can automate processes, reduce the risk of errors, and increase the accuracy and efficiency of budget operations. In addition, technology can help improve the transparency and accountability of the budget process by providing access to budget information in real time.

Ensuring the financial stability of the state also requires effective interaction between different levels of government. Mechanisms for coordination and cooperation between central and local governments should be established to ensure balanced budgets and efficient use of public funds at all levels. This also includes the redistribution of financial resources between different regions in order to reduce regional disparities and ensure the even development of the country.

Effective communication and public awareness of the budget process are important components

of a successful budget policy. Citizens should be informed about the main directions of budget policy, spending priorities and achieved results. This helps to increase trust in the government and ensures public support for the implementation of budget reforms. In the context of globalisation and integration of world markets, it is important to consider international trends and challenges in the process of developing budget policy. Countries should be prepared for changes in international financial markets, fluctuations in commodity prices and other external factors that may affect their financial stability. This requires the development of a flexible and adaptive budget policy that allows for a timely response to external challenges and ensures the sustainability of the economy.

Finally, monitoring and evaluating the effectiveness of fiscal policy is an important aspect. It is necessary to develop and implement systems for assessing the efficiency of the use of public funds, which would allow identifying weaknesses and shortcomings in the budget process and adjusting it if necessary. This will improve the efficiency of public administration and contribute to financial stability.

6 Conclusions

Thus, improving the budget process in the context of strengthening the financial stability of the state requires a comprehensive approach and consideration of many factors. Transparency, long-term planning, effective public financial management, fair tax policy, social justice, financial sector development, international cooperation, public debt management, risk management, institutional capacity, public participation, innovative technologies, coordination between levels of government, effective communication, consideration of international trends, and monitoring and evaluation of performance are key elements that contribute to the financial stability and economic sustainability of the state.

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