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## **EXPENDITURES OF THE STATE BUDGET OF UKRAINE: ANALYSIS OF DYNAMICS AND STRUCTURE**

**Malyshko Vitalina, Makarchuk Inna, Hranovskaya Inna. Expenditures of the state budget of Ukraine: analysis of dynamics and structure.** The article describes the concept of budget by different scholars. Expenditures of the state budget of Ukraine for 2019–2021 by economic, program and functional classifications are analyzed; reforms in foreign countries to reduce public spending. It is noted that expenditures on economic activity are a very controversial component of the balance of public finances. Important factors of growth of the state expenses are pointed out. An important issue of optimizing public expenditures on the maintenance of executive bodies is to increase the efficiency of their organization and functioning on the basis of modernization of management, legislative definition of functions, introduction of effective ways to implement staffing, logistics and financial support. The main approaches to optimizing the functions of executive bodies should be based on the legal regulation of the distribution of functions in the apparatus of public administration and the structural and functional construction of the system of executive bodies.

**Key words:** expenditures, state budget, socio-economic development, state security, financial relations.

**Малишко В.В., Макарчук І.М., Грановська І.В. Видатки державного бюджету України: аналіз динаміки та структури.** В умовах обмеженості бюджетних ресурсів проблеми ефективності використання видатків бюджету належать до найважливіших для функціонування державних фінансів. Під впливом кризових явищ в економіці 2008–2009 рр. було збільшено державні видатки на фінансування соціальних програм, підтримку фінансового й реального секторів економіки. Намагання забезпечити фінансування видатків за рахунок неконтрольованого збільшення боргових зобов'язань спричинило стрімке зростання дефіциту державного бюджету та видатків на обслуговування державного боргу. Однією з найактуальніших проблем українського державотворення, що потребує системного аналізу та невідкладного розв'язання, є якісне поліпшення організації й функціонування виконавчої влади, адже саме органи виконавчої влади реалізують найважливіші функції держави. Діюча в Україні модель виконавчої влади являє собою складне, суперечливе явище з багатьма бюрократичними деформаціями, недоліками, слабкими боками, успадкованими від попередньої командно-адміністративної системи, та низкою негативних рис, набутих за роки незалежності. У статті охарактеризовано поняття бюджету різними науковцями. Проаналізовано видатки державного бю-

джету України за 2019–2021 рр. за економічною, програмною та функціональною класифікаціями; реформи у зарубіжних країнах щодо скорочення державних видатків. Зазначено, що видатки на економічну діяльність є досить дискусійним складником балансу державних фінансів. Указано на важливі чинники зростання державних видатків. Важливим питанням оптимізації державних видатків на утримання органів виконавчої влади є підвищення ефективності їх організації й функціонування на основі модернізації системи управління, законодавчого визначення функцій, запровадження ефективних способів реалізації кадрового, матеріально-технічного й фінансового забезпечення їх виконання. Основні підходи до оптимізації функцій органів виконавчої влади мають ґрунтуватися на правовій регламентації розподілу функцій у апараті державного управління і структурно-функціональній побудові системи органів виконавчої влади.

**Ключові слова:** видатки, державний бюджет, соціально-економічний розвиток, безпека держави, фінансові відносини.

**Formulation of the problem.** The budget system is the leading link in public finance. The state uses the budget as a tool for implementing its socio-economic policy, because it reflects a complex system of redistributive relations in society. Therefore, more and more attention is paid to issues related to the expenditure part of the state budget of Ukraine.

The problem of using budget funds for the effective implementation of the main directions of socio-economic development of the state becomes significant in light of the transformations in Ukraine due to the need to ensure effective functioning of the economic mechanism based on a harmonious combination of state regulation and market self-regulation.

Increasing the opportunities for rational and efficient use of budget expenditures is one of the main tasks of the entire budget system of Ukraine.

**Analysis of recent research and publications.** The following economists studied the problems of the state budget in domestic economics: T. Bogolib, I. Blahun, V. Kovalchuk, L. Lysyak, V. Malyshko, K. Pavliuk, V. Pasichnyk, P. Polozenko, Yu. Radionov, L. Safonova, V. Fedosov, I. Chugunov, I. Chui, S. Yuri and others.

**The purpose of the article** is to analyze the expenditures of the state budget of Ukraine and draw attention to the foreign experience of developed countries with transformational economies in the direction and effectiveness of budget expenditures in the socio-economic development of the country.

**Presenting main material.** In Ukraine, during the years of its independence, decisions have also been made several times to introduce a regime of strict restraint and saving budget expenditures. In particular, the Decree of the President of Ukraine «On measures to ensure the filling of the State budget and strengthen financial and budgetary discipline» from 28.02.1997 № 187/97 provides for measures to reduce the number of employees of executive bodies by at least 25%, for which within a month it was necessary to reconsider the structure of the staffs of ministries, other central executive bodies, their maximum number and remuneration funds of employees of these offices; submit proposals on the structure of local state administrations, the maximum number and remuneration funds of their employees, as well as typical staffing and remuneration conditions of urban and district staff in cities (except Kyiv and Sevastopol (temporarily occupied territory)), village and settlement councils, their executive bodies.

Expenditures on economic activity are a very controversial component of the balance of public finances. There are ambiguous views on the appropriateness of spending

budget funds to stimulate or support national economies, the period of their active use, and others. As world practice shows, in the period of economic growth, expenditures on economic activity are gradually decreasing and the issues of their application are not relevant. During the financial and economic crisis, the opposite is true: governments try to support the national economy as much as possible, within the margin of financial strength, and in some cases beyond such limits, by providing budget support and extensive use of tax benefits.

The same applies to Ukraine. After the financial and economic crisis, the national economy needs significant fiscal support. Therefore, the question of assessing the effectiveness of the fiscal mechanism in supporting and stimulating the national economy is relevant [1, p. 416].

As Pavlyuk K.V. notes: «Budget expenditures in their economic essence are an instrument of distribution and redistribution of the centralized monetary fund of the state and its use for its intended purpose to increase public welfare. The content and nature of budget expenditures is to ensure that the state performs its functions. The allocation of budget expenditures serves to meet the most important needs of society in the development of the economy and social sphere, public administration, defense, public order, state security and more.

Budget expenditures can have quantitative and qualitative characteristics. Qualitative characteristics make it possible to establish the economic nature and social purpose of each type of budget expenditures, quantitative – their value. The active role of the state in the economic life of society, the implementation of social transformations determines the diversity of specific types of budget expenditures. The role of the state in regulating socio-economic development is largely characterized by the share of budget expenditures in GDP.

World experience shows that with the development of social relations, the role of the state in the distribution processes and regulation of economic and social development is growing, which affects the growth of budget expenditures. German economist A. Wagner put forward the thesis of the inevitable growth of the state's share in the economy with economic development, which later became known as «Wagner's law». A. Wagner deduces the regularity of the growing role of the state in the economy from observations of the dynamics of public expenditure in the countries of Western civilization. He singles out several groups of public expenditures and argues that in modern society, in each of them, expenditures on public functions will grow faster than social production. And this does not depend on the political or social nature of the society in which the

following patterns are manifested: the accelerated growth of public spending is due to the very nature of the modern industrial economy. It is in the complication of economic life that one must look for the reasons for the expansion of state functions. Lack of financial resources may constrain state activity for some time, but in the long run the growth of the state is inevitable.

G. Vilensky connects the growth of public spending with the idea of the welfare state. His argument is that while economic growth continues, the government is under growing political pressure to demand equalization of wealth and services. Therefore, the state must provide everyone with a level of services that would correspond to the level that rich members of society receive. This level with economic growth reaches a high mark, and at a certain stage there is a «welfare state». Only when economic growth slows should the population make choices and reduce government spending.

The idea of a fiscal illusion also justifies the reason for the increase in government spending, which is that ignorance or lack of interest does not allow taxpayers to realize the financial burden of taxing their income or wealth. In addition, the payer is not informed about the decision on government spending. Thus, the government, faced with the need to increase spending, offers taxpayers an even more hidden tax burden, and taxpayers are guided by the illusion that the situation is the same as before.

Relatively high expenditures on public services are also important factors in the growth of public expenditures. Theoretically, the trend of higher spending growth in the general government sector was justified by W. Baumol, who combined the growth of government spending with difficulties in improving the productivity of these services. J. Buchanan characterizes the theory of W. Baumol in light of the relationship between productivity of public services and rising costs. He notes that when the forces of economic growth are such that productivity in the private sector grows faster than in the public sector, public service spending will rise. If this differential growth of productivity in both sectors is combined with low price elasticity of demand for public services, the total cost of them will increase in proportion to the national product» [174, p. 136–141].

According to Duke A.A.: «Budget expenditures reflect the functions and tasks of the state, the level and direction of social development, the interdependence between the economy and finances of the country, the country's relations with other countries.

The system of budget expenditures is a set of certain areas of expenditures (programs), their structure, as well as the relationship between the relevant bodies in the process of planning and execution of expenditures, reporting and monitoring the expenditure of the budget» [3].

According to Titarchuk I.M.: «Most economists believe that budget expenditures are manifested through specific types, which are characterized by qualitative and quantitative aspects. L. Lysyak emphasizes the efficiency of their spending, stating: «State expenditures by size and budget classification items only in general show the quantity and quality of collective services actually provided to society. Therefore, the efficiency of budget spending is higher, the more fully it reflects the real movement of public services».

In some cases, the state is obliged to make optimal decisions, even if they are unpopular, to have a developed

strategy of behavior. Nobel Laureate J. Stiglitz emphasizes the active participation of the state in solving the problems of income inequality, unemployment, and environmental pollution [4].

According to Yurchyshena L. and Zaselyan A. «Budget expenditures are an instrument of distribution and redistribution of state funds and financial resources of local governments, which must meet the most important needs of society in the development of socio-economic sphere, public administration, defense and public order, security states, etc. As already mentioned, with the help of budget expenditures, state and local authorities perform the functions assigned to them. Budget expenditures are mainly intended to ensure the development of all spheres of state activity» [5].

It is useful for Ukraine to analyze the scale of reforms in foreign countries, including the OECD, and the results achieved in terms of reducing public spending, improving the efficiency of government and other improvements.

In OECD countries, the following goals were set before the reforms:

- 1) reduction of public spending: maintaining a favorable climate for investment and competitiveness of domestic enterprises;
- 2) increasing the capacity for policy development and implementation: overcoming resistance to the implementation of legal policy or reducing a number of government programs by stakeholders;
- 3) improving the performance of the state functions of the employer: its transformation into a responsible employer, attracting a sufficient number of employees with appropriate qualifications to limit the total cost of labor;
- 4) improving the quality of service delivery and strengthening trust in government by the private sector and the public.

The problems in these four areas are largely rooted in the fiscal sphere, and the emphasis in the discussions on reforms is on the expected savings in the implementation of reform programs. However, experience shows that the savings as a result of reforms are insignificant.

Uncertainty in this matter is due to the fact that in high- and middle-income countries the main factor in the growth of public spending is socio-demographic change. Increasing the share of older people in the total population and the rapid growth of funds for pensions, unemployment benefits and other social benefits are, in principle, a problem of the strategic plan, not the sphere of public administration. In order to reduce the burden on the fiscal sphere created by such demographic changes and social expectations, it is necessary to curb the excessive growth of services provided to certain categories and to introduce payment for services to consumers as a means of cost sharing. In principle, such changes in basic approaches, especially in the social sphere, can be made independently of public administration reform.

Many foreign reformers emphasize the need to increase the government's ability to make legitimate policy changes. They are trying to remove the obstacles that the government faces in its attempts to change the direction of social and sectoral policies. As a rule, they emphasize that obstacles arise due to resistance within the civil service or limited opportunities. Less often, it is acknowledged that resistance to reforms within the civil service is to some extent rooted in cynicism, which is the result of a series of clumsy or never-implemented reform decisions.

One of the signs of statehood is the existence of public power, which consists of institutions that implement the tasks and functions of the state directly through the apparatus of state bodies. The work of the latter and the authorities is paid from the state treasury at the expense of funds received from taxpayers.

Public authorities as subjects of financial relations have a complex hierarchical structure and clearly defined functions for which they are created. This structure determines the system of expenditures to ensure their operation and the procedure for planning and spending the budget. As the role of the state and its influence on the economy and society changes, so does the number of government staff and administrative expenditures.

Expenditures on the state apparatus are an important tool for ensuring the functions of the state, the management of which is designed to ensure efficiency and effectiveness, and their optimization contributes to the fair distribution and rational use of financial resources, better meet the needs of the population (Table 1). Even in Soviet times, such expenditures tended to increase indefinitely, which had to be constantly restrained.

The main indicator of the volume of management expenditures is its share in the total expenditures of the consolidated budget. Analyzing the costs of ensuring the activities of public administration, which are listed in table 1, during 2019–2021 we observe a constant trend of their growth, only a few ministries did not have an increase in

Table 1

**Expenditures of the state budget of Ukraine for 2019-2021 (UAH million)  
(software classification)**

	2019	2020	2021*
Verkhovna Rada of Ukraine	1840,8	1927,6	1905,9
Public Administration	2407,4	2423,3	2394,6
Hosp. Department of the Secretariat of the Cabinet of Ministers of Ukraine	1596,8	2194,1	2046,2
State Judicial Administration	15838,2	15796,6	14883,2
Supreme, Constitutional and other higher courts of Ukraine	264,4	272,3	238,1
General Prosecutor of Ukraine	7361,0	7398,0	8407,8
Ministry of Internal Affairs	87870,7	100519,3	87398,5
Ministry of Economic Development and Trade	17593,8	22949,5	8401,6
Ministry of Economic Development (national expenditures)	58,1	62,4	72,9
Ministry of International Affairs	4155,7	4228,8	72,9
Ministry of Defence	105542,7	120033,8	102157,5
Ministry of Education and Science	39137,4	40701,3	42584,8
Ministry of Education and Science (national expenditures)	73106,9	83828,1	93039,8
Ministry of Health	39292,6	83828,1	139953,9
Ministry of Health (national expenditures)	58122,8	21840,1	4815,2
Ministry of Ecology and Natural Resources	14024,8	38997,9	5693,3
Ministry of Social Policy	217478,2	312807,7	290052,5
in t.s. pension fund	182270,1	202280,4	183469,3
Ministry of Social Policy (national expenditures)	23998,6	784,7	183469,3
Ministry of Regional Development and Housing	2849,3	641,2	516,5
Ministry of Regional Development and Housing (general government expenditures)	8904,3	9059,9	3916,9
Ministry of Infrastructure	1649,7	2987,8	3916,9
State Agency of Motor Roads	35149,5	91682,4	91317,7
State Agency of Motor Roads (National Expenditures)	14676,3	91682,4	21655,4
Ministry of Youth and Sports	2815,1	2100,4	4045,1
Ministry of Finance	15276,7	23023,2	21032,1
Ministry of Finance (general government expenditures)	205250,8	141851,5	175411,8
Department of Justice	13654,0	141851,5	13252,0
Ministry of Information Policy	426,1	8649,3	8741,5
National Anti-Corruption Bureau	785,6	925,1	892,7
National Agency for the Prevention of Corruption	566,7	592,2	1026,1
State Space Agency	668,1	1003,2	1026,1
SBU	10349,9	12616,5	12537,0
National academies	10288,0	10347,6	12537,0
CEC	4292,4	757,7	273,0
CEC (national expenditures)	53,3	1891,0	40,6
Other government agencies, committees, commissions and services	53,3	14867,8	16112,9
Regional State Administration and the Cabinet of Ministers of the Autonomous Republic of Crimea (temporarily occupied territory)	10701,0	10403,4	16112,9

\*As of 01.12.21.

**Expenditures of the state budget of Ukraine for 2019–2021 (UAH million)  
(functional classification)**

	<b>2019</b>	<b>2020</b>	<b>2021*</b>
National functions	203121,3	204818,8	226088,8
in t.s. Public debt service	120096,1	121239,4	145008,1
Defense	106627,7	120374,1	104573,5
Public order, security, judiciary	141455,8	159506,3	145505,8
Economic activity	154219,3	262814,6	203729,9
Environmental protection	9729,8	9056,6	6843,0
Utilities	34487,1	32214,5	26869,6
Health care	128377,8	175791,2	162841,0
Spiritual and physical development	31550,1	31710,9	35070,1
Education	238757,4	252283,1	266709,9
Social protection and social security	321786,7	346719,5	315995,2
in t.s. Social protection of pensioners	321786,7	212328,7	192834,5

\*As of 01.12.21.

indicators. By the way, the share of these expenditures increased both in the total amount of consolidated budget expenditures and in GDP.

According to the Ministry of Finance of Ukraine, we will analyze the indicators of financing the expenditures of the Consolidated Budget of Ukraine and their actual implementation in Ukraine as a whole for 2019–2021 (Table 2-3).

From the table 2, we see that the budget expenditures on economic activity increased the most: in 2019 they amounted to UAH 154,219.3 million, and in 2020 – UAH 2,62814.6 million. (+108595.3 million UAH) and health care: in 2019 – 128377.8 million UAH, in 2020 – 175791.2 million UAH. (+47413.4 million UAH).

According to the economic classification, some expenditures of the state budget of Ukraine also had a significant upward trend (Table 3): in 2019, expenditures on wages and salaries accrued – 389343.0 million UAH, in 2020 – 447221.5 million UAH (+57878.5 million UAH), expenditures for the use of goods and services: in 2019 – 302211.7 million UAH, in 2020 – 382543.7 million UAH. (+80322.0 million UAH), current transfers: in 2019 – 83288.3 million UAH, in 2020 – 134627.6 million UAH. (+ 51339.3 million UAH).

In our opinion, it is necessary to reduce the share of expenditures on national functions. If we analyze the composition of this functional area, the largest share is spent on: higher government.

We have almost twice as many officials per thousand population as in any other country in the European Union. Reduction of maintenance expenses.

The state apparatus, by reducing significant staffing and introducing e-government, will not only speed up the decision-making process and overcome the bureaucratic processes that give rise to corruption, but also significantly save budget funds.

**Conclusions.** State budget expenditures are directly related to the interests of the general population and significantly affect the general social processes in the country and especially the level of welfare, education, provision of medical services, as well as services in the field of culture and social protection.

Budget expenditures as a component of public expenditures are actively used for the needs of state influence on the dynamics of socio-economic processes in the country. With the help of budget expenditures, the state, ensuring the redistribution of gross domestic product, influences

Table 3

**Expenditures of the state budget of Ukraine for 2019–2021 (UAH million)  
(economic classification)**

	<b>2019</b>	<b>2020</b>	<b>2021*</b>
Current expenses	1216385,6	1426269,4	1367735,4
Wages and salaries	389343,0	447221,5	458372,8
Use of goods and services	302211,7	382543,7	367431,4
Debt service	120777,6	122197,0	146185,9
in t.s. Domestic debt service	74832,2	76902,6	96474,3
in t.s. Servicing of external debt obligations	45945,4	45294,3	49711,6
Current transfers	83288,3	134627,6	72943,9
Social welfare	312337,9	332785,7	308573,9
in t.s. Payment of pensions and benefits	182931,2	203526,1	184568,5
Other current expenses	8427,2	6893,9	14227,5
Capital expenditures	153727,5	169020,3	126491,4
Acquisition of fixed capital	90183,0	84927,4	63530,8
Capital transfers	63544,4	84092,9	62960,6

\*As of 01.12.21.

social, industrial, investment, regional, foreign economic and other spheres of social activity.

In order to improve the situation in the country, public administration bodies should try to promote a balanced

distribution of expenditures. Achieving this is possible only with a well-established budget management system, which would be able to ensure the efficient use of budget resources.

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