

PEDTR 2019**18th International Scientific Conference “Problems of Enterprise Development:
Theory and Practice”****INNOVATIONS IN DETERMINING THE ROLE AND PLACE OF
BUDGET MANAGERS**

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valievaen2012@yandex.ru***Abstract***

In accordance with the Budget Code of the Russian Federation (Article 6), the chief manager of budget funds (chief manager of the corresponding budget funds) is a public authority (state body), a management body of the state extra-budgetary fund, a local self-government body, a local administration body, as well as the most significant institution of science, education, culture, and health, specified in the departmental structure of budget expenditures, and having the right to distribute budget allocations and limits of budget obligations between subordinate managers and (or) recipients of budget funds (*italics of the author*). The Budget Code of the Russian Federation assigns a number of control powers to the chief managers of budget funds. The neglect of capabilities of these subjects leads to the fact that the budget legislation of our country has not formulated a provision on the effectiveness of the budget funds use. This was a result of almost complete rejection of the development of the national theory of financial management and the concentration of scientific thought around financial regulation provisions. These provisions of the Russian Budget Code practically stopped scientific research on capabilities and potential of budget managers. This article violates the current state of affairs and offers to investigate functions and classification of the budget managers, consider their internal structure of these subjects. As the method of public financial management (the division of management entities into managers and performers) is universal, this article can be useful in the private sector, especially for large business entities.

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1. Introduction

At the present stage, the study of financial management issues, and especially public financial management, has gone on the back burner. The dominant position was occupied by the theory of financial management. As professor Abayeva Shigaeva (2013) and points out, at the moment financial management tools are widely used by various organizations, regardless of the scale, organizational and legal forms of their activity. The methodology and principles of financial management are getting deeper and deeper into the public financial regulation.

The most common approach to delineating competencies of financial management and financial regulation was formulated by Kirichenko (2009). In particular, this author argues that under the finance of organizations we often understand approaches to managing finance formed by the domestic financial school, and financial management refers to approaches to financial regulation formed by the Western financial school (Kirichenko, 2009).

Indeed, the founders of the financial management theory are considered to be Taylor (1997), Gilbreth (2009), Fayol (1930), Frisch (2007) and other academic economists of the early twentieth century. However, financial management received its design as a science in the second half of the last century in the works of Paul Samuelson (1952), Jan Tinbergen (1975), and others. Financial management is based on a set of theoretical constructions that determine the logic, structure and principles of functioning of the financial management system of an economic entity in the context of a constantly changing environment (Abayeva & Shigaeva, 2013).

The Russian financial theory, which originated in the Russian Empire, was based, as Barulin and Kovaleva (2004) claims, on the fundamental difference between the financial economy and the private economy, which was expressed in the fact that finance is organized by the state (Barulin & Kovaleva, 2004).

In the Soviet period, this theory was picked up and developed into a fundamental science. A.M. Alexandrov and V.P. Dyachenko are considered as founders of the socialist finance science. The Soviet financial school proved to be so fundamental that the basic principles of the essence and functions of finance as an economic category were transferred (with minor changes) to conditions of modern Russia, whose economy is built and based on a market basis (Barulin & Kovaleva, 2004).

However, as already noted, the interest in the domestic financial theory has decreased so much that it is practically not developing now. Recently, a small number of papers have been devoted to issues on state financial regulation from the standpoint of the domestic financial theory. These include the work of a team of scientists headed by Valieva, Milova, Dozhdeva, Lukin and Chapaev (2016), the work of Lukin (2019) and a number of other scientists. Unfortunately, the major part of conducted research attempts to apply financial management into state regulation of finance.

2. Problem Statement

One of the most important issues of the state financial regulation in the Russian financial school is the division of its subjects into managers and performers. In the early twentieth century, the Russian economist Evzlin (2014) wrote that the main principle of the state activity is the complete separation of managers from performers in all levels of hierarchy. This axiom currently serves as the basis of a financial

organization. Managers create documents, make all necessary calculations, and give proposals for payments, themselves remaining virtually alien to the turnover of performers.

Unfortunately, the essence of the chief managers in the modern budget legislation of most countries is reduced to public authorities or significant budgetary institutions intended for the distribution of budget funds among subordinate recipients and the performance of other powers on behalf of the government. As a result, the formulation of chief managers functions is also based on grouping their powers set in legislative and regulatory documents. In our opinion, this approach to understanding the essence of chief managers is not sufficient. It does not allow us to look at the economic content of this important element of the budget system from all sides. This means that it is not possible to fully implement the control powers of the chief managers in order to effectively use public funds.

3. Research Questions

In modern scientific literature, the chief managers and managers of budget funds (hereinafter the chief managers and managers) are considered mainly within the framework of the provisions established by the national budget legislation. For example, a large legal dictionary defines: in the budget legislation of the Russian Federation, manager of budget funds (superintendent of budget means) is a body of public authority or local government that has the right to distribute budget funds to subordinated recipients of budget funds (Dictionary Online, 2019). The dictionary admits that the manager may be granted with other powers, such as to represent the state in contracts for the provision of means of the federal budget on a returnable basis, state guarantees and budgetary investments; to represent a subject of the Russian Federation in the contracts on provision of subject budget means on a revolving basis, state guarantees and budgetary investments; to represent the municipality in agreements for the provision of budget funds on a returnable basis, municipal guarantees, budget investment. But the purpose of its existence is understood as the distribution of budget funds.

The financial and credit encyclopedic dictionary considers the chief manager not as an impersonal entity in the form of a public authority, but as a public authority head, local self-government body or another direct recipient of budget funds defined by the departmental classification of the corresponding budget expenditures, who has the right to distribute its funds to subordinate budget managers and budget funds recipients (Gryaznova, 2002). According to the authors of the dictionary, as additional powers, the chief manager can be given the authority to use budget funds, but already as a recipient of budget funds.

Analysis of works of Russian scientists shows that as a rule there are 5 main features of the chief managers. That is, the chief manager can be an organization that:

- a) Is a participant in the budget process (it is defined in this role in the Budget Code);
- b) Has the status of either a public authority or a particularly significant institution;
- c) Is included in the departmental structure of expenditures of the budget classification;
- d) Is responsible for other participants of the budget process – managers and recipients;
- e) Has the right to allocate budget allocations and limits of budget obligations (distribution is a characteristic feature of the chief manager of budgetary funds).

From the same positions, the functions of chief managers are declared. According to Russian researchers, the chief managers perform the following functions:

- Define tasks for the providing state or municipal services for subordinate managers and recipients of budget funds, taking into account the standards of financial costs;
- Approve estimates of revenues and expenses of subordinate budget institutions;
- Make changes in the approved estimate of revenues and expenses of the budget institution in terms of distribution of funds between its items with notification of the authority using the budget;
- Make up the budget list for items of expenses;
- Distribute limits of budget obligations to subordinate managers and recipients of budget funds;
- Monitor managers and recipients of budget funds on the issues of targeted use of budget funds, their timely return and reporting on the use of budget funds;
- Monitor the targeted and effective use of property by state and municipal unitary enterprises;
- Prepare and submit to the authority that uses the corresponding budget a summary report on the budget execution for allocated funds, a summary estimate of income and expenses, and a report on the performance of the task for the provided state or municipal services.

That is, the formulation of chief managers' functions is also based on grouping their powers which are set in legislative and regulatory documents.

4. Purpose of the Study

The objectives of the study are:

- Consideration of the structure of the internal content of the concept of "manager of budget funds of the budget system" through the classification of their types;
- Determining the role and place of budget managers in the budget system of a democratic state with a market economy by considering their functions;
- Consideration of the process of creating a user interface for the chief manager who is directly interested in the information obtained as a result of control activities of the financial control system created by him.

5. Research Methods

The authors used the following methods in this study:

- The dialectical method was used as the main research method, which allowed us to consider the essence of the research subject from the standpoint of the financial theory;
- General scientific methods of analysis, synthesis, abstraction, and a systematic approach were used too.

6. Findings

The division of executive authorities into managers and recipients is one of the basic techniques of state financial regulation. Without this requirement, it is impossible to organize any effective financial regulation and effective financial control. Within the system of state financial regulation of the executive state power, the chief managers play a leading role. This role is determined by the following factors:

- Chief managers are, if we use budgeting terminology, second-level financial responsibility centers, which are presented as planning and control centers. They form the basis of state financial planning, since the budget of the corresponding level of the budget system (state, municipal, federal center, etc., depending on the state structure) is actually a set of budgets of the chief managers;
- It is at the level of chief managers that the necessary amounts of funding for the performance of specific state functions are coordinated and linked, because only in the staff of chief managers there are specialists in the financial sphere, as well as specialists in the field of the performed state functions;
- These are chief managers who, based on the correlation of funding volumes for specific state functions, formulate rules for the use of state financial resources for recipients of budget funds (hereinafter recipients), who in turn perform spending of public money;
- Chief managers are the executors of the budget in the budget system, as well as the main controllers of its execution by subordinate recipients;
- Chief managers create the structure of the state budget regulation, through the creation of a network of recipients who directly spend the public money.

Thus, it is possible to formulate the main functions of the chief managers. They include:

1. The function of the basic planning budget center in the budget system, which is implemented through a network of subordinate recipients and the formation of "primary" budgets that form the budget basis in the budget system;
2. Coordinating function that links rules for performing state functions with rules for financing their performance;
3. Regulatory function implemented through the formation of rules for the use of state financial resources for recipients;
4. Distribution function, which is expressed in the distribution of rights and powers to use certain amounts of the budget in the budget system;
5. Control function realized through monitoring the implementation of the formed rules and the targeted use of budget funds, the rights to spend which are transferred to subordinate recipients.

In our opinion, only if the chief manager is empowered to perform all or most of these functions (with the exception of the distribution function, which some chief managers cannot perform, because they do not create subordinate recipients), they can create a truly effective system of the state financial control within their powers. Solving the main tasks of this study, it is necessary to classify budget managers. This classification of types will help in the future to form proposals for building a system of internal control of the chief managers.

As the first feature of the classification, we propose belonging to the level of budgets in the budget system. On this basis, we can distinguish managers at the level of the central government, the level of federal subjects, and the level of local budgets. Managers of the central government level and the level of local budgets can be either in a unitary or federal state, budget managers of the level of federal subjects – only in the federal state.

The second feature is by the management level. Within this basis it is possible to allocate managers and chief managers of budget funds. Budget managers are public authorities (usually territorial) or budgetary

institutions that have subordinate recipients, but limited powers to form rules of financial activity (as a rule, only the distribution of funds and rights for their use among subordinate recipients, control over their financial activities, preparation and submission of consolidated reports). Managers plan their financial activities on the basis of estimates of incomes and expenses that are approved by their superior chief managers, and limits on the use of budget funds that have been communicated to them by the chief managers. Chief managers are public authorities or significant budgetary institutions that have the full range of powers in relation to subordinate managers and recipients established by national legislation. The third feature is the presence of subordinate managers and recipients. Accordingly, there are budget managers who have subordinate managers and recipients and those who do not have them. Very often, the chief managers or managers exercise their powers without creating subordinate managers and recipients. This is especially true for the chief managers of the level of federal subjects or local budgets.

The fourth feature relates to the type of financial transactions. Here, we distinguish between managers of budget allocations, managers of budget loans, managers of budget transfers. Managers of budget allocations determine rules for the use and distribution of budget allocations among subordinate recipients, including the financing of the state task and the state defense order. Managers of budget loans provide and ensure the return of loans issued both within the framework of inter-budgetary relations, and to individuals to the budget. Managers of budget transfers provide and control the targeted use of budget subsidies and subventions.

The fifth classification feature of budget managers is the ownership form. The state has the right to assign powers to managers of organizations, which are both public authorities and commercial private organizations. Commercial private organizations usually act as managers of budget loans. A general view of the classification of chief managers is presented in Table 01.

Table 01. Classification of budget managers

Classification feature	Types of managers of budget funds
belonging to the budget level of the budget system	- managers of the central government level - managers of the level of federal subjects - managers of the level of local budgets
management level	- managers - chief managers of budget funds
presence of subordinate managers and recipients	- managers who have subordinate managers and recipients of budget funds - managers who do not have subordinate managers and recipients of budget funds
type of financial transactions	- managers of budget allocations - managers of budget loans - managers of budget transfers
ownership form	- managers – public authorities - managers – commercial private organizations

Source: authors.

7. Conclusion

In the system of public financial regulation, chief managers occupy an important place, and if the state does not fully realize the potential of chief managers, the system becomes less effective, requiring

additional efforts to constantly adjust the financial rules and evaluate the results achieved. The most noticeable decrease in the effectiveness of the state financial management is manifested in issues of the state financial control. If the manageability of the use of financial resources is violated as a result of system errors, the state financial control bodies detect a large number of actions of public administration officials that do not lead to the desired result, but do not violate the current general rules. In these circumstances, the regulatory authorities are trying to give these actions a certain status of "ineffective" or "illegal", but they cannot influence the situation, like the state authorities cannot do it, because they can neither enforce any specific rules, nor correct "ineffective" rules, because of the absence of the latter ones.

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