

ECONOMIC AND LEGAL ASPECTS OF BUDGETARY SPHERE FORMATION

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ABSTRACT

Objective: The article focuses on the economic and legal aspects of budgetary sphere formation. The efficiency of budgetary sphere formation increases when financial control is exercised at all stages of the budgetary process. Analyzing regulatory acts defining budgetary and financial laws is crucial for determining the socioeconomic characteristics of the budgetary sphere and understanding the activities of government agencies detecting, preventing, and halting the misuse of budgetary funds.

Methodology: The study combines theoretical principles, legislative documents, and empirical observations, utilizing methods such as historical-legal, comparative-legal, system-structural, and statistical analysis to examine operational detection and documentation in countering budgetary crimes. It is based on statistical data, surveys of over 150 operational personnel, criminal case analyses, and regulatory frameworks addressing misuse of budgetary funds.

Results: The most significant factors identified include the inadequacy of the budgetary fund management regulatory framework and insufficient awareness of laws and regulations among employees dealing with budgetary matters. These two factors are interconnected and require thorough examination and improvement of the regulatory framework governing the budgetary sphere.

Contributions: Effective budgetary management requires financial control at all



stages, with the Federal Treasury serving as the primary source of information on financial resources. Acting as the state's chief accountant, the Treasury centralizes funds, monitors transactions, and provides data that helps prevent embezzlement by overseeing expenditures and revenue inflows.

Keyword: Economy; Law; Budgetary sphere; Regulation; Financial resources; Analysis; Regulatory framework.

INTRODUCTION

The modern structure of economic crime encompasses a significant share of offenses committed in the budgetary sphere. Scholars and practitioners note that economic crimes, increasingly perpetrated for personal gain, often involve misappropriating public funds through legal forms of economic activity or control over such activities, frequently exploiting the official positions of public servants. Misuse of budgetary funds constitutes a criminal activity with distinct characteristics.

Such acts are frequently linked to other crimes, including abuse of office, bribery, tax evasion, avoidance of fees and other mandatory payments, fraudulent entrepreneurship, and similar offenses. Countering the misuse of budgetary funds requires a thorough understanding of the budgetary system's functioning.

Various aspects of the budgetary system are covered by Vorontsov (2016), Meitardzhan (2018), Migda (2022), Krutenko (2016), Skachkova (2013), and Shibanova (2021). A well-organized, efficient, and robust mechanism of state control supports the financial system's stability in the Russian Federation.

State control is aimed at preventing, identifying, and addressing violations in the budgetary sphere. In Russia, a system of control bodies operates with the primary goal of countering the misuse of budgetary funds. The Federal Treasury serves as the key agency responsible for the timely suppression and prevention of crimes in the budgetary sphere. Its duties include analyzing and forecasting criminal trends in the economy, promptly informing executive government bodies, identifying causes and conditions that facilitate such offenses, and implementing measures to eliminate them.

The goal of the study is to analyze the economic and legal aspects of budgetary sphere formation, emphasizing the importance of financial control at all stages of the budgetary process. It seeks to identify the socioeconomic characteristics of the budgetary sphere and improve the regulatory framework to enhance the detection, prevention, and elimination of budgetary fund misuse.



METHODS

The study's methodological and theoretical basis consists of theoretical principles and developments in budgetary sphere formation, Russian legislative and regulatory documents, and factual and statistical materials (Dzhancharov et al., 2023; Mukhlynina et al., 2018; Shakhmametev et al., 2018). At the empirical level, observation of the practical activities of government agency divisions, generalization, and analysis of crime control results were applied to establish the essence of operational detection and documentation.

The study also used cognitive methods:

- the historical-legal method applied to the concept of countering the misuse of budgetary funds,
- the comparative-legal method applied to analyze operational, criminal, and procedural legislation,
- the system-structural method applied to identify the set of structural elements comprising the concept of detecting and halting the misuse of budgetary funds,
- the statistical method applied to collect, summarize, and analyze the results of the activities of operational divisions of government agencies in identifying and documenting the misuse of budgetary funds.

The research was based on statistical data and analytical materials from government agency divisions combating crimes in the budgetary sphere, summarized survey data from operational personnel (over 150 respondents), criminal cases related to crimes in the budgetary sphere, reference publications, and legislative and departmental regulatory frameworks on countering crimes in the budgetary sphere.

RESULTS

The analysis of normative legal acts defining budgetary and financial laws plays a significant role in determining the socioeconomic characteristics of the budgetary sphere and the specifics of the activities of government agency divisions in detecting, preventing, and stopping the misuse of budgetary funds. The study of criminal cases opened on the grounds of such offenses and surveys of employees specializing in documenting the targeted use of budgetary funds showed that workers face difficulties detecting and stopping these crimes. These challenges are attributed to both objective and subjective reasons.



The most significant reasons are the imperfections in the regulatory framework governing the oversight of budgetary funds turnover and the insufficient employee awareness regarding the laws and regulations related to the budgetary sphere. Both reasons are interrelated and require thorough study and improvements to the regulatory framework.

This analysis also contributes to identifying the main causes and conditions facilitating crimes in the budgetary sphere and developing investigative methodologies. For the appropriate organization of work and successful resolution of crime counteraction tasks, controlling bodies' employees must understand the budgetary sphere's functioning. They must study the sector economics and the relationships regulating it and the corresponding legal norms.

In this context, it is necessary to address the features of the system of budgetary relations; state regulation; legislative consolidation of budget expenditures; the organization of state and public control over the legality and effectiveness of the use of public funds; criminological assessment; and the current legal framework for the budgetary sphere.

The problems of the budgetary sphere can be studied in the following directions: improper use of budget funds through economic schemes involving the shadow economy; the procedure for forming the budgets of urban districts; analysis of the shortcomings of the legislation regulating the formation of local budgets; budget financing of individual regions; comparison of the budget formation processes in Russia with the experience of other countries; comparison of budget formation processes with the experience of developed countries; analysis of regulatory acts governing the budget process; study of the formation of the consolidated budget; and consideration of forms of control over the use of budget funds in specific economic sectors.

The budget in its modern understanding is a system of economic (monetary) relations, whose emergence and realization are linked to the formation, distribution, and use of centralized public financial resources. The origin and functioning of budgetary relations are closely related to the establishment and development of the state and the commodity-money economy.

To fulfill its functions, the state needs a financial base, i.e., centralized public revenues. This creates the need to prepare estimates and accounts that reflect the volume and movement of collected revenues and expenditures in monetary form.



These estimates precede the budget and reflect the initial practice. Thus, the budget is a statement of the state's income and expenses; an estimate of profits and expenses for the state, enterprise, family, or individual for a specific period.

The state budget plays a leading role in state activities. It determines its capabilities, priorities, role, and the forms of implementation of the functions assigned to it. It creates a balance of income and expenses and reflects financial policy. It is a special form of redistributive relations, associated with the allocation of part of the national income to the state's ownership and its use to meet public needs.

The budgetary system is based on economic relations regulated by legal norms and all budgets in the state. The budgetary system is built on the principles of fair and impartial distribution of public wealth between citizens and territorial communities.

The budget is a plan for forming and using financial resources to meet the tasks and functions conducted by government and local government bodies during the budget period. The development of the modern organized budgetary system occurred in the 19th century. Western countries implemented reforms, including universal suffrage, taxes on profits for individuals and corporations, and the accountability of government management for social security programs.

At the beginning of the 20th century, the budget system was established: balancing expenditures and the means to cover them through periodic, preliminary, and projected allocations over a relatively short period, created in the same period as public financial resources, considering anticipated market influences.

The modern features of the relationship between the state and the economy are as follows: a) the establishment of typically partnership-based relations between the state and market structures; b) minimal state intervention, individual for each country; c) the organic combination of administrative-legal, financial, and other liberal means of state influence on economic relations; d) the state having only the minimum objectively necessary material resources for its normal existence and functioning; e) full control by the state over the financial and tax systems; f) the dominance of private property over state and other forms of property.

Today, the budget is an integral part of any national economy. The budget and the budgeting process show the characteristics of the relationship between the state and the economy. The budget is a complex category, both economic and legal. The annual budget is the central link in the organization of public finances, and daily financial procedures depend on it.



The budget document reflects decisions in state and private finances, including expenditures. In economic terms, the budget constitutes a set of monetary relations between the state (or territorial community) and legal and physical entities regarding the formation, distribution, redistribution, and further use of the centralized fund of resources intended to ensure the fulfillment of functions by the state (or local government) aimed at satisfying public interests.

The main source for budget formation is GDP. In terms of material content, the budget forms a centralized fund of resources for the state or territorial community. The budget volume is the annual sum of funds passing through this fund. In terms of its form, the budget is the main financial plan, reflecting the activities of the state and local authorities. It can be viewed as a list of monetary incomes and expenses of the state or territorial communities.

The political significance of the budget lies in the fact that the legislative body approves the volume of expenditure and revenue for the planned year, placing the government under its control. For government employees, knowledge of budget classification as a unified systematized grouping of income and expenses is of great importance, as the functional classification of expenditures for various purposes enables forecasting expenditures and preventing misuse.

The legal organization of budget classification aims to create conditions for comparing state budget indicators with local budgets; facilitates the consideration of budgets and their economic analysis; simplifies control over budget implementation, timeliness, completeness of fund accumulation, and their proper use; ensures the possibility of synthetic and analytical accounting of incomes and expenses in budget institutions and organizations; allows for comparing allocations with expenditures, which helps maintain financial discipline and monitor the implementation of state socioeconomic development programs.

The functional classification of expenses has the following levels of detail: sections, which define budget expenditures for carrying out the general functions of the state and local government bodies; subdivisions and groups, which specify the allocation of budget funds for the execution of specific state functions.

When employees of state bodies study current budget expenditures that finance the ongoing activities of an enterprise, institution, or organization, they can identify abuses by officials in wages in budget institutions, payroll calculations, purchase of supplies and materials, payment for services, and travel expenses. The study of capital



expenditures allows for the identification of the misappropriation of budget funds, such as the purchase of land and real estate, the liquidation of the consequences of natural disasters, etc.

DISCUSSION

The reliability of our approach is confirmed by the fact that the misuse of budgetary funds occurs when they are spent on purposes that do not align with:

- the budget's intended purpose, as established by the Federal Law on the State Budget,
- the directions for the use of budget funds identified in the budget program's passport (in cases where the program-targeted method is applied in the budgeting process) or the procedure for using budgetary funds,
- the budgetary appropriations (budget breakdown, estimate, or budget expenditure plan) (Dzhancharova et al., 2023; Nikolskaya et al., 2018; Voskovskaya et al., 2022).

The departmental classification of budget expenditures determines the list of principal budget fund administrators. Based on this classification, the Federal Treasury and local financial bodies maintain a registry of all budget fund administrators. The tasks of the departmental classification include optimizing the number of principal fund administrators, improving budget planning, and enhancing the organizational and advisory systems of state governance.

State budget institutions spend the allocated funds according to their budget estimates in line with their specific purposes. The unified income and expenditure estimate of a budget institution and organization is the primary document that determines the total volume, target inflows, usage, and quarterly distribution of the institution's funds.

The unified income and expenditure estimate must be prepared by all institutions for the calendar year and approved by the head of the corresponding higher organization no later than one month after the approval of the budget, from which the institution's financing is provided. During the execution of the estimates, institution heads must redistribute the funds in the approved total expenditure amount for wages, dividing them among the main salary fund, the fund for salary supplements and allowances, and the fund for bonuses. Such changes should only be made if there are grounds according to the legislation on the corresponding issues.



CONCLUSIONS

The formation of the budgetary sphere is effective when financial control is conducted at all stages of the budgeting process. The Russian Federation's Government must have daily information about its financial resources, including the amount and types of short-term expenditures and a forecast of daily revenue inflows. The primary source of this information is the Federal Treasury, a unified body.

The Federal Treasury performs the state function of the chief accountant. It prepares financial reports and acts as a coordinated mechanism, concentrating budgetary funds in a unified system of accounts for subordinate structures. The information provided by the Treasury to government bodies helps identify the misuse of budget funds through controlling all operations related to receipts and expenditures. By studying the available information on when and which expenditures budget institutions will make, it is possible to prevent the embezzlement of budgetary funds.

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