

STATE TARGET FUNDS AND EXTRA-BUDGETARY FUNDS AS SOCIAL PROTECTION OF THE POPULATION

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Abstract: This paper examines state target and extra-budgetary funds as key elements of the state's financial system. Their economic essence, functions, sources of formation, and uses are analyzed. Particular attention is paid to the role of extra-budgetary funds in ensuring social protection for the population and sustainable socioeconomic development. The importance of these funds is substantiated in the context of financial policy modernization and the growth of the state's social obligations.

Key words: public finances, target funds, extra-budgetary funds, budget system, social insurance, financial policy, income redistribution.

Introduction

The modern state performs a wide range of socioeconomic functions that require significant financial resources. Given limited budgetary resources, state target and extra-budgetary funds are particularly important, allowing for the accumulation and use of funds strictly for their intended purposes. Their development is linked to the need for sustainable financing of the social sphere, healthcare, pensions, and other socially significant areas.

The relevance of this topic is determined by the growing role of extra-budgetary funds in the state financial system, as well as the need to improve the efficiency of public financial resource management. The purpose of this paper is to study the nature, functions, and role of state target and extra-budgetary funds.

The concept and essence of state target funds

State target funds are centralized funds created to finance specific government programs and activities. Their creation stems from the need to concentrate financial resources on priority areas of socioeconomic development.

The key characteristics of state target funds include:

- a strictly defined purpose for the funds;
- legislative regulation of the fund's activities;
- isolation from the general budget;
- state control over the formation and use of funds.

Target funds can be temporary or permanent, depending on the objectives. They allow the state to respond more effectively to economic and social challenges by ensuring stable funding for specific areas.

Off-budget funds and their characteristics:

State off-budget funds are an important form of national income redistribution. They are created outside the state budget and enjoy relative financial autonomy. The main purpose of their operation is to implement state social guarantees.

The main off-budget funds include:

- Pension Fund;
- Social Insurance Fund;
- Compulsory Health Insurance Fund.

The main feature of off-budget funds is their own sources of revenue, primarily insurance contributions from employers and employees. This helps reduce the burden on the state budget and ensure the sustainability of the social system.

The financial resources of state target and extra-budgetary funds are generated from various sources. These include:

- Mandatory insurance premiums;
- Tax revenues;
- State budget funds;
- Fines, penalties, and other sanctions;
- Voluntary contributions from legal entities and individuals.

The composition of these sources depends on the purpose of the specific fund. For example, the main source of income for pension funds is insurance premiums, while target funds may be financed through budgetary allocations.

Directions for the Use of Funds

State funds are used strictly according to their intended purpose. The main areas of expenditure are:

- pension and social benefit payments;
- financing medical services;
- support for temporarily disabled citizens;
- implementation of state social programs;
- financing preventive and health promotion activities.

The targeted use of funds improves the effectiveness of state financial control and promotes the rational allocation of resources.

Government-funded and extra-budgetary funds play a key role in ensuring social stability and sustainable economic development. They help reduce social inequality, improve the quality of life, and strengthen public trust in the state. Furthermore, these funds serve as an important instrument for implementing financial policy, allowing the state to flexibly respond to changing economic conditions and demographic processes.

The effectiveness of state target and extra-budgetary funds largely depends on the quality of financial management and control. Control over the formation and expenditure of funds is exercised by state financial oversight bodies, including the Accounts Chamber and tax authorities.

The main forms of financial control are:

- preliminary control during revenue and expenditure planning;
- ongoing control during fund budget execution;
- follow-up control aimed at identifying violations and assessing the effectiveness of fund use.

Improving the fund management system is a prerequisite for the sustainability of the state's financial system.

Problems and areas for improving state target and extra-budgetary funds

Problems and areas for improving state target and extra-budgetary funds

Despite the important role of state target and extra-budgetary funds in the state's financial system and social policy, a number of serious problems arise in their operation. One of the key challenges is demographic changes, particularly the aging population and the decline in the working-age population, which leads to an increased burden on the social security system and a decrease in insurance premium revenues.

The growing state social obligations associated with the need to ensure adequate pensions, benefits, and healthcare significantly impact the funds' operations. Given limited financial resources, this often leads to budget deficits for individual extra-budgetary funds and the need for additional funding from the state budget. Furthermore, uneven insurance premium revenues, caused by informal employment and evasion of mandatory payments, reduce the funds' financial sustainability.

To improve the efficiency of state target and extra-budgetary funds, it is advisable to implement a range of measures aimed at improving them. First and foremost, it is necessary to improve the fund's revenue generation mechanism by expanding the insurance premium base and increasing the collection of mandatory payments. A key area is the digitalization of financial processes, including the implementation of electronic accounting, control, and reporting systems, which will enhance transparency and reduce administrative costs.

Of particular importance is strengthening oversight over the targeted use of fund resources, which will prevent inefficient spending and financial irregularities. Furthermore, a pressing task is the implementation of modern financial planning and forecasting methods that ensure more accurate assessments of future revenues and expenses, taking into account demographic and economic factors.

Implementation of these areas of improvement will ensure the long-term financial sustainability of state target and extra-budgetary funds, increase the efficiency of financial resource use, and improve the quality of social protection for the population.

Conclusion: Thus, state target and extra-budgetary funds are an integral part of the state's financial system. Their functioning ensures the targeted use of financial resources and the state's fulfillment of its social obligations. In today's environment, improving the management mechanism for these funds is particularly important, as this will enhance the efficiency of the entire public finance system.

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