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## THE PLACE AND IMPORTANCE OF THE STATE BUDGET IN THE FINANCIAL SYSTEM

### Summary

In modern conditions, the necessity and essence of the state budget is determined by the functions performed by the state and the role of the state in socio-economic life. The formation and development of the state budget, which is an integral part of the country's financial system, has a historical character. In modern conditions, that is, in conditions of new economic relations, the socio-economic content of the state budget is also changing and serves to implement the functions and tasks performed by the state in accordance with specific historical conditions.

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### Intradaction

State finance reflects the system of fundamental monetary relations, which serves the formation of funds and financial resources at the disposal of the state and state enterprises, and is carried out by the distribution and redistribution of the value of a part of the socially necessary product, as well as the national wealth. In this field, the state, enterprises and organizations, associations, and separately resident and non-resident individuals and legal entities, citizens act as subjects of monetary relations.

The budget system, being an important link of the state's financial system, plays the role of the main financial guarantee for the execution of the functions of the higher and local state authorities. The establishment of the budget system and the determination of financial relations between its separate units serve the implementation of the functions of the state and the economic and social development of the state. The state budget and budgets of local authorities are drawn up and executed on the basis of mutual relations and certain financial relations. The establishment of the budget system and the financial relations between them are based on certain principles. These principles form the basis of budget construction in the country. Researching

and studying the principles of budget organization is of great importance.

### Analiz

The dynamic development of the economy in Azerbaijan has created favorable opportunities for the further strengthening of the economic foundations of the state, especially the acceleration of the socio-economic development of the non-oil sector infrastructure, regions, reduction of poverty, provision of food security and the implementation of more effective measures in the direction of solving other issues.

After our country gained independence and switched to a new economic system, a market economy, reforms were carried out in the economy, and the state budget, which is the main financial plan of the state, was reworked, as in many areas of the economy.

Our country has its own budget system, budget structure, budget rights and budget circles, which are regulated by the Law of the Republic of Azerbaijan "On the Budget System".

When talking about the use of budget funds, it is impossible not to talk about the sources of its formation and directions of expenses. The economic power of the state is reflected in its budget. The more perfect the balance between budget revenues and expenses, the more powerful the state is considered. Formation of budget

revenues and expenditure planning are among the most important issues for every state.

In the current period, there is a great need to deeply study the necessity of the budget system and the state budget, which is its basis, its socio-economic essence, the role it plays in economic, socio-cultural construction, as well as the methods of effective use of budget funds in this context, and to conduct scientific-theoretical research.

The budget also functions as a legal state document and is reflected in the supreme legislation of the state. Thus, as stated in the law "On the Budget System" of the Republic of Azerbaijan: "Budget is the main financial document for the collection and use of funds necessary to perform the tasks and functions of the state and municipalities through the appropriate state authorities and self-governing bodies of the Republic of Azerbaijan." This means that the financial guarantee of the performance of the economic, social and other functions of the state and local self-government bodies is a direct budget system.

A significant part of the gross domestic product and national income created in the country through the budget enters the centralized management of the state through the budget mechanism and is used appropriately. [2]

As it is known, the state performs the following important functions, and the formation of the budget is related to the necessity of financial provision of those functions:

- to develop the economy and regulate its balanced development;
- to meet the socio-cultural needs of the population;
- to strengthen the defense capacity of the state;
- to implement the function of public administration, i.e. manage the society make;
- Organizing foreign relations, foreign economic, political, cultural, etc. make connections etc. [3]

In order to fulfill those functions and tasks, the state must concentrate a certain part of the gross domestic product created in the country in the form of money at its centralized disposal. The state budget is an economic form of the creation and use of the monetary fund, which is

concentrated at the centralized disposal of the state in the process of distribution and redistribution of GDP. Being a tool for distribution and redistribution of GDP, the budget consists of a two-way process, that is, it manifests itself in the form of revenue generation on the one hand, and money expenditure on the other hand. In other words, in the process of distribution and redistribution of GDP, a centralized monetary fund of the state is created and used to fulfill the functions and duties of state bodies, to meet the social needs of the population, and to ensure defense duties.

By concentrating a certain part of the gross domestic product in its own hands, the state, at the expense of the state budget, implements capital investment in areas lagging behind the general development speed and level of the economy, finances education, health care, defense and other areas.

The state budget is reflected in the form of creation and use of funds at the level of various executive authorities. In developed countries, 30-50% of GDP is redistributed through different levels of budgets.

It is a historical-economic category reflecting budget-financial relations. The state uses the budget as the main economic tool to implement its tasks and functions, and at the same time implements economic and social policy. Financing of the country's social sectors is ensured through the state budget; the development of economic regions and separate areas is regulated. The state regulates the development of productive forces in the country through such regulation of economic relations.

The state budget, which is the main financial base of the state, must be fulfilled. This means that all enterprises, departments and institutions, as well as the population, which are related to the implementation of both the income and expenditure parts of the budget, are obliged to unconditionally fulfill their obligations to the budget. [2]

What has been mentioned clearly shows the place and role of economic policy. According to the accepted principles, the most important directions of the budget policy are the collection of budget revenues, the fulfillment of budget obligations, and the state of state finances strongly influence the real economy. Therefore, the main

indicators that determine the main macroeconomic efficiency are:

- level of collection of budget revenues;
- the level of fulfillment of budget obligations;
- amount of budget deficit;
- growth rate of public debt;
- GDP dynamics;
- the level of unemployment, etc. [4]

The budget as an economic category is a part of the financial system and reflects the functions of finance. The budget performs the following functions:

- Redistribution of Gross Domestic Product;
- Financial guarantee of implementation of the social policy of the state;
- Government regulation of the economy;
- Dissatisfaction over the creation and use of centralized cash funds.

All these mentioned functions are important. Thus, during the redistribution of GDP, the main goal of the state is to achieve the financing of unusual production areas, as well as the financial provision of social benefits. Of course, the government must have funds for the implementation of social policy. At this time, taxes collected from individuals and legal entities, as well as non-taxable incomes, act as sources of finance. [5]

The main purpose of control over the creation and use of centralized cash funds is the full implementation of receipts and the allocation of expenses. Redistribution of GDP through the budget is a two-way process:

- creation of budget revenues;
- the use of budget funds (financing of expenses from the budget).

**Revenues of the budget** These are the taxes, fees and other revenues included in the state budget, Nakhchivan MR budget and local budgets in accordance with the relevant legislative acts of the Republic of Azerbaijan, Nakhchivan MR and local self-defense bodies. According to the "Classification of the State Budget" approved by the Ministry of Finance of the Republic of Azerbaijan, the revenues of the state budget are formed from 4 sources:

1. Revenues from taxes (income and profit tax collected from the population and legal enti-

ties, mandatory state social insurance fees, property taxes, taxes collected from goods and services; taxes and revenues related to foreign economic activity);

2. Non-tax revenues (receipts from special funds; receipts from fees, gifts, fines and sanctions, etc.);

3. Basic income (income from the privatization of state property);

4. Officially received funds (current and capital payments; received subsidy; grant; loan, etc.). [1]

In the process of generating budget revenues, a part of the newly created GDP is forced to be redistributed in favor of the state and municipalities. As a result, financial relations arise between the parties, that is, between state and municipal authorities and taxpayers. Incomes from taxes have a special weight in the structure of budget revenues. Thus, the carried out privatization and the created investment environment created fertile conditions for the development of the private sector and the payment of more taxes to the state budget. [4]

**Expenditures of the budget**- from the state budget according to the budget classification; It is the funds allocated from the Nakhchivan MR budget and local budgets to meet the needs. In the budget, the amount of budget expenses for the main items is determined.

Also, budget funds are redistributed at the level of the budget system in the form of grants, subsidies and subventions at the expense of budget expenses. In this case, budget expenses are financed on the principle of non-reimbursement. Budget expenses also mainly depend on the socio-political, economic and social situation and change accordingly. [2]

The state budget has a great role in the development of the national economy, stimulation of production and also in the social development of the society. The role of the state budget is both quantitative; it is also noted in terms of quality. [4]

Quantitative effect means how much money should be directed in which direction. The quality effect is analyzed in two ways. On the one hand, the correct establishment of taxes and efficient spending of funds, on the other hand, control is carried out through the budget. Since the

budget acts as the most important regulator of the economy in every country, one of the most important elements of macroeconomic regulation is the state budget.

Financial relations between the state and enterprise, administration, organization and population are called budget relations. Budget relations have important features. Initially, they are created during the division process. Here the state becomes the leading participant. Secondly, these relations are related to the creation and use of centralized monetary funds for meeting state needs. [1]

In the new conditions, the characteristics of the formation of budget revenues are based on property relations and the economic system of the state. Budget revenues are the funds received free of charge (non-refundable) in the form of taxes, duties and other payments and receipts at

the disposal of state authorities and local self-government bodies based on the legislation of the Republic of Azerbaijan. [2]

In the process of generating budget revenues, a part of the GDP generated in the process of public production is forced to be paid to the state. This creates mutual financial relations between the state and taxpayers. [4]

The gross domestic product is distributed and redistributed between the economic regions and separate regions of the country with budget funds. To develop the economy in separate economic regions, to achieve the development of productive forces and to develop local infrastructure, etc. budget is used as an economic tool for the purposes. The role of the budget in the distribution of the gross domestic product can be shown in the following table:

**Table 1.**

**The specific weight of state budget revenues and expenses in GDP (billions of manats)**  
(source [7, 31, 32]: finz.gov.az)

Indicators	2017	2018	2019	2020	2021	2022
Gross Domestic Product (million AZN)	42465.0	52082.0	53995.0	54740.8	58568.9	59380.4
Budget revenues (million AZN)	11403.3	15700.7	17281.5	19496.3	18400.5	19438.0
<i>Special in GDP weight (%)</i>	26.8	30.1	32.0	35.6	31.4	32.7
Budget expenses (million AZN)	11765.9	15397.5	17416.4	19143.4	18709.0	21100.0
<i>Special in GDP weight (%)</i>	27.7	29.5	32.2	34.9	34.3	35.3
The budget deficit (million AZN)	-3628.8	3031.2	-1349.4	3528.3	-3084.4	-1662.0
Special in GDP weight (%)	8.5	5.8	2.4	6.4	5.2	2.7

In Table 1, the reforms carried out in the field of finance and credit during 2017-2022 show their impact on the state budget. Thus, the revenues of the state budget were calculated to be 11403.3 million manats with an increase of 5.54 times compared to 2005, and 19438.0 million manats with an increase of 1.70 times compared to the initial indicator in 2022. Accordingly, the budget deficit was realized as 1662.0 million manats for 2015 and was planned to be 1698.0 million manats for 2016. [7]

In developed countries, the special weight of the state budget in GDP is in the range of 30-50 percent. The increase in the specific weight of

the state budget can be seen as a positive thing. The more the revenue and expenditure of the budget, which is the centralized cash fund of the state, increases, the more its role in fulfilling socio-economic tasks increases. Budget revenues differ according to taxpayers, taxation objects, methods of receipt, term of payment and other features. However, they have one thing in common, which is the organization of the revenue part of different levels of budgets. Cash and non-cash receipts of those revenues are common to all budget levels. Budget revenues consist of tax revenues and non-tax revenues, capital revenues and officially received funds (transfers). [8]

The totality of specific types of state expenditures, which are closely related to each other, constitutes the system of state expenditures. The organizational structure of this system is based on certain principles set by the state, purposeful direction of funds, spending according to their purpose, irreplaceability of the use of state resources, and compliance with the saving regime.

During the globalization of the economy in the conditions of the market economy, the state gradually becomes the entrepreneur and investor of the means of production, an integral participant in the production, distribution and consumption processes. In accordance with the requirements of market relations, the state should be able to influence the reproduction process only through economic methods and tools, not through direct intervention. State regulation of the economy through financial mechanisms will allow to significantly reduce state expenses, update their composition and structure, and increase decentralized expenses carried out by enterprises and organizations.

The budget system of the republic is an important component of the financial system and is the main financial guarantee for the implementation of the functions and duties of the relevant state bodies. All budget circles belonging to the budget system operate in a state of interaction, and the totality of all budgets constitutes the budget system of the country. The budget system of the Republic of Azerbaijan is based on a number of important principles, and there is a single classification in the budget system in our country, and all expenses and revenues of the budget are carried out according to this classification.

As we know, direct regulation of the economy by the state is carried out through budget-tax policy instruments. As the final product of this policy, the state budget, its income and expenses always reflect the balance between different classes that are carriers of social and economic interests. Regardless of the level of development of the economy and its existing capabilities, the efficient management of budget expenditures in any country is considered one of the most important problems in all times. First of all, this is due to the fact that the funds allocated by the state for financing the social life of the country and the activities and development of

separate areas do not correspond to the real demand. Therefore, cost management should be carried out in accordance with the tasks facing the state as a whole, including the state budget.

A number of important steps have been taken by the state and laws have been adopted in the direction of ensuring the balance (balancing) between the revenues and expenses of the state budget. These laws, including the law on the budget system, are of particular importance. This is reflected in the state budget, which is the main financial plan of the state.

### **The result**

In modern times, further strengthening of the budget's income base, directing its expenses to the development of more priority areas of the socio-economic sphere, and using funds more efficiently according to their intended purpose is one of the important tasks facing us. In order to successfully implement those tasks, we consider it appropriate to take the following measures:

- carrying out necessary reforms to strengthen the state financial control system and financial discipline;
- achieving an increase in GDP in order to increase state budget revenues;
- to maintain the profile of social and investment expenses of the state budget;
- strengthening the mechanism of financial control over the allocation and effective spending of budget funds;
- determination of the part of the state budget allocated for the development of the economy, according to specific purpose programs, as well as the restructuring of enterprises based on modern equipment and advanced technology, and the improvement of their supply with modern equipment;
- in order to stimulate capital investments, the tax deduction from the part of the profit used for investments is reduced and it is abolished in the most important production areas;
- a number of structure-forming indicators in the field of macroeconomic forecasting, including the inflation level, deflationary policy, customs and bank accounting, etc. such as enhancing synchronization between interacting parameters, etc.

As we mentioned above, the activity of the State Treasury Agency is of particular importance in the effective use of the budget's expenses. It is precisely because in the future, purposeful and successful measures are being taken to strengthen the control of the Treasury over the organizations financed from the budget in order to ensure the stable economic development of the country in the future.

### Conclusion

In order to improve the implementation of the state treasury in the direction of strengthening the control over the use of budget funds, the tender proposals regarding the creation of the Treasury management information system were accepted by the system integrator, and a contract was signed with the winning organization. In connection with the computerization of the treasury, the relevant areas were provided with the necessary equipment, and work in this direction is ongoing. Carrying out successive reforms in the treasury system plays a positive role in terms of strengthening the control over the income of budget organizations, increasing the efficiency of financial programming, and ensuring the management of all state-owned financial resources from a single center.

In conclusion, we would like to note that Azerbaijan is a country with a bright future in every way. There is no doubt that the budget policy has been the number one helper of the state

in accelerating the transition to such a future, and it will continue to be so from now on.

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## MALİYYƏ SİSTEMİNDƏ DÖVLƏT BÜDCƏSİNİN YERİ VƏ ƏHƏMİYYƏTİ

### Xülasə

Müasir şəraitində dövlət büdcəsinin zəruriliyi və mahiyyəti dövlətin həyata keçirdiyi funksiyalarla və dövlətin sosial-iqtisadi həyatdakı rolu ilə müəyyən edilir. Ölkənin maliyyə sisteminin tərkib hissəsi olan dövlət büdcəsinin formalaşması və inkişafı tarixi xarakter daşıyır. Müasir şəraitdə, yəni yeni iqtisadi münasibətlər şəraitində dövlət büdcəsinin sosial-iqtisadi məzmunu da dəyişilir və konkret tarixi şəraitə uyğun olaraq dövlətin yerinə yetirdiyi funksiyaların və vəzifələrin həyata keçirilməsinə xidmət edir.

**Açar sözlər:** ÜDM, maliyyə sistemi, büdcə, dövlət

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## **МЕСТО И ЗНАЧЕНИЕ ГОСУДАРСТВЕННОГО БЮДЖЕТА В ФИНАНСОВОЙ СИСТЕМЕ**

### **Резюме**

В современных условиях необходимость и сущность государственного бюджета определяются функциями, выполняемыми государством, и ролью государства в социально-экономической жизни. Формирование и развитие государственного бюджета, являющегося неотъемлемой частью финансовой системы страны, имеет исторический характер. В современных условиях, то есть в условиях новых экономических отношений, социально-экономическое содержание государственного бюджета также меняется и служит реализации функций и задач, выполняемых государством в соответствии с конкретными историческими условиями.

**Ключевые слова:** ВВП, финансовая система, бюджет, государство.