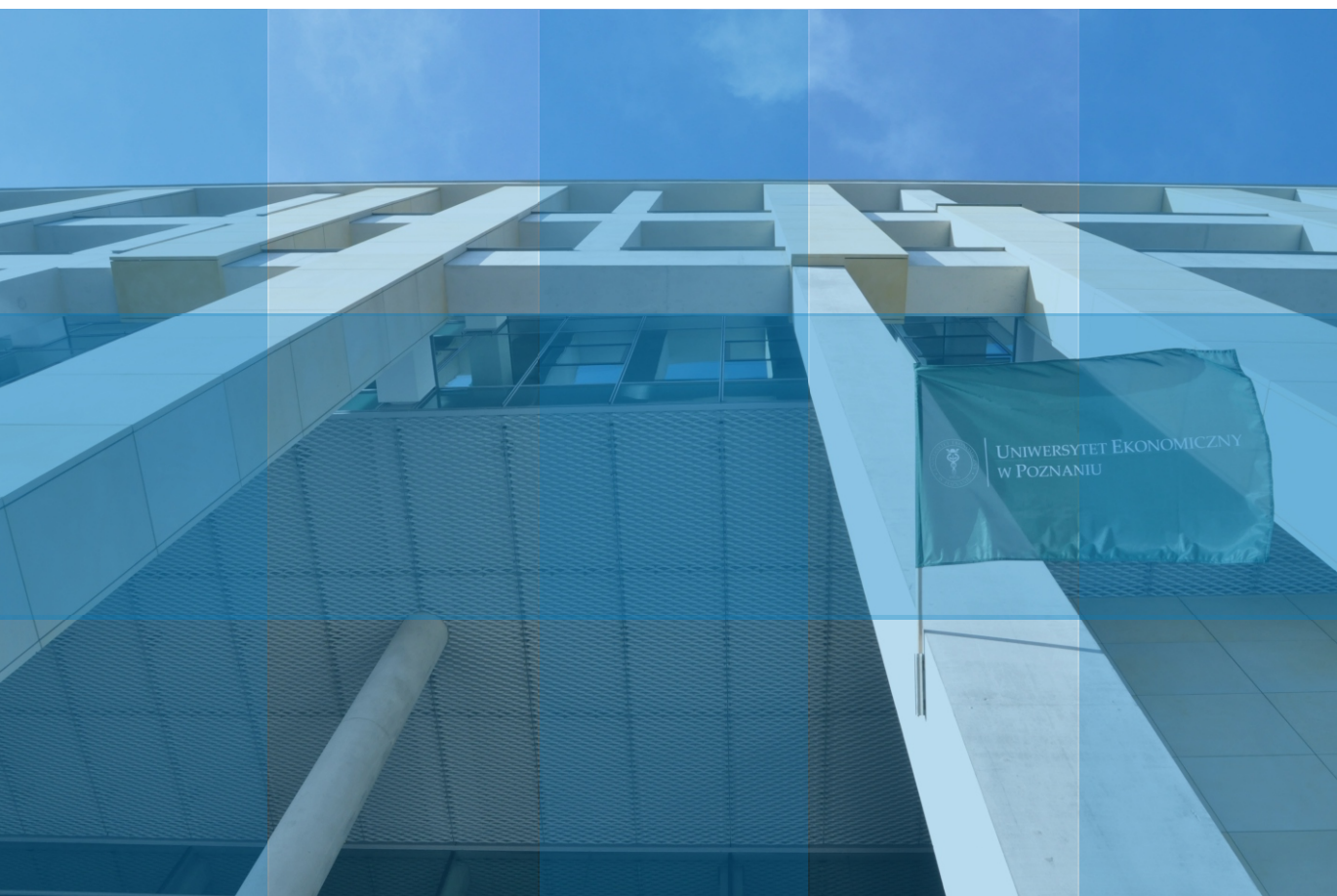


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PREFACE

Dear Readers,

We have the pleasure of presenting to you the following issue of our research journal entitled “Research Papers in Economics and Finance” (REF), published by the Faculty of Economics at Poznań University of Economics and Business. Caring about the highest level of the content of our publications, we publish only the manuscripts which have passed at least two reviews under the “peer review” procedure, after initial verification done by the Editorial Committee. The articles published within REF are available online in English and in an open mode.

REF is a quarterly journal, with the third issue this year containing just two research papers. The first one focuses on the concepts of need, choice and responsibility in the context of the Israeli housing market. The second article presents the system of the Treasury in Ukraine. Let us bring you closer to the outcomes of the works presented in this issue.

In the paper entitled *Housing needs, choice and responsibility as three concepts to understand the role of housing markets and government intervention in Israel* the author, **Avi Perez**, explores and analyses the concepts of need, choice, and responsibility in the context of the Israeli housing market. These concepts are quite important for the understanding of the interactions between households and government intervention on housing markets. In recent years the Israeli government has limited its involvement in the free housing market as well as in public housing. This has resulted in a significant increase in housing prices since the 2008 subprime crisis. These changes have forced the government to redefine the housing needs and government intervention while maintaining the freedoms and households’ abilities to make their own choices. In the conclusions, the author suggests that the government should limit its intervention and allow individuals to define their own needs, to ensure a genuine freedom of choice and to express the responsibility that comes with it.

The article entitled *The system of the Treasury in Ukraine: actuality and prospects of development* by **Eleonora Kurganskaya** presents findings from an analysis of the current state of managing financial resources in the Ukrainian system of the Treasury. The author of the article touches upon several unresolved issues, claiming that the system of the Treasury undoubtedly requires some changes. The introduction of the Treasury Single Account provided an opportunity to have information on the budget. The State Treasury has introduced changes in the institutional structure and legal relations between all the participants of the budget process. Research has shown that free funds have increased to a great extent.

This issue of Research Papers would not have come to fruition if it had not been for the help, work, trust and support of the Reviewers, Authors, the members of the Editorial Committee and others who have been engaged in editing and publishing. Let this issue of our journal become inspiration for scientific research and discovery in the field of contemporary finance and economics.

This issue of Research Papers would not have come to fruition if it had not been for the help, work, trust and support of the Reviewers, Authors, the members of the Editorial Committee and others who have been engaged in editing and publishing. Let this issue of our journal become an enjoyable reading as well as an inspiration for scientific research and discovery in the field of contemporary finance and economics.

Yours faithfully,

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Housing needs, choice and responsibility as three concepts to understand the role of housing markets and government intervention in Israel

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ABSTRACT

In this paper, the concepts of need, choice, and responsibility in the context of the Israeli housing market are explored and analysed. These concepts are significant for the understanding of the interaction between households and government intervention on both private and public housing markets. The following question is formulated: Should the government identify the housing needs and intervene in the free market? And if so, to what degree?

In previous years, by adopting the privatization policy, the Israeli government has limited its involvement in the free housing market as well as in public housing. As a result, housing prices have increased significantly since the 2008 subprime crisis. These changes have forced the government to redefine the housing needs and government intervention while maintaining the freedoms and households' abilities to make their own choices. The author of the article concludes that the government should limit its intervention and allow individuals to define their own needs, to ensure a genuine freedom of choice, and to express the responsibility that comes with it.

Keywords: government intervention, housing needs, housing policy, choice, need, responsibility.

1. Introduction

The primary aim of this study is to analyse and evaluate the transformation of the concepts: housing needs, choice, and responsibility, resulting from the privatization policies introduced in Israel in the early 1990s. Israel is a country that absorbs "Olim" (Jewish Immigration). With the establishment of the State, the Jewish population was estimated at 600,000. Over the last 70 years, the Jewish population has grown to 6.5 million. Together with minority populations of Arabs, Druze, and Circassians, the total population is now estimated at 8.7 million citizens. Most housing properties in Israel, a total of 93%, are publicly owned and managed by the government, with 7% being privately owned.

In general, the evolution of the housing market in Israel can be divided into two main periods: the first period between 1948-1990, and the second period from the early 1990s up to the present. The first period begins with the establishment of the State of Israel and is cha-

racterized by the struggle to absorb large immigration waves of Jews from all over the world, and integrate them into the Israeli society. In this respect, housing provided a particular challenge. To cope with the increased demand for housing, the State of Israel began building public housing. In the first decade, more than 200,000 permanent housing units and 60,000 temporary housing units consisting of small and relatively light construction huts were built. The main concern of the state was to provide immediate and reasonable shelter, without fulfilling all the needs and wishes of the new immigrants. Thus, the apartments built were small and not suitable for numerous family members. Moreover, the planned dispersal of immigrants throughout Israel, as part of the government policy to settle the land, did not take into consideration the immigrants' opinions. Finally, the public housing policy in Israel was motivated by political considerations, such as creating Jewish territorial contiguity, populating uninhibited areas in the periphery and

promoting a Zionist-socialist agenda.

The second period began in the 1990s with the collapse of the Soviet Union. The State of Israel absorbed an immigration wave of one million immigrants, which created an excessive demand for housing. In contrast to the first period of the establishment of the state, in the 1990s, the State of Israel was already sufficiently economically developed to prepare for the allocation of resources for absorbing immigrants, in terms of housing and financial grants for households. Immigrants to Israel are entitled to financial benefits named an "absorption basket". Over time, in the early 2000s, as immigrants settled economically in Israel, they were able to buy apartments of an average size.

However, today, buying an apartment in Israel is a complex and difficult process, especially for young couples. As part of the lessons learned from the subprime crisis in 2008, the central bank in Israel determined that a person who wants to purchase an apartment must pay 25% of the value of the apartment from private capital and the rest will be completed through a mortgage from a bank. This fact, in addition to a very sharp rise in apartment prices in Israel, has driven a large part of the population away from fulfilling their dreams of purchasing an apartment and turned them towards the rental market (the rental market in Israel operates as a free market, without government intervention and through the relationship between landlords and tenants). Furthermore, the Israeli government did not allocate land for construction in a manner that satisfies the demand. Consequently, there was a significant increase in housing prices in Israel, which also led to rising prices on the rental market.

In the discussion of housing in general and in Israel in particular, a number of questions arise: Should the government intervene in the housing issue? If so, to what extent and how? Is it right for the government to intervene? Should the housing issue be left to the free market? Is the free market by its very nature capable of addressing the housing problem in Israel? Israel suffers severe housing market failures in both residential and public housing, and some housing issues in Israel are deeply linked to geopolitical problems. With respect to the population size, Israel is larger than Austria, Switzerland, Denmark, Finland, Norway and Ireland. The annual growth rate of the population in Israel is 1.8% per annum, which is higher than other Western countries. This data poses many challenges, especially for housing planning.

2. Literature review

The concepts of need, choice and responsibility provide an integral part of the discussion regarding the role of the free market and the state. The need and choice could justify the state intervention in housing, while personal responsibility could bolster the role of the markets [King, 2009, p. 16]. Contemporary literature on the housing needs is scarce and certainly addresses the fundamental concept to a relatively small degree. The key studies relating to housing needs originated in the 20th century. According to Krzekotowski [1939], housing occupies a leading position in the hierarchy of human needs as one of the most important items of individual consumption, and at the same time is a social need. Levin [1995, pp. 31-32] stressed that needs are things (imperatives) imposed upon a person independently of their will, while wants are things (aspirations) people choose for themselves as a way of expressing who they are.

The formation of housing needs can be assessed as a social process from the perspective of a macro-social and macroeconomic scales. Analysing the impact of factors such as demographic changes, socio-economic development, technological progress and residential building deprivation, enables a balance sheet of the whole country, regions, cities, towns or villages, which statistically shows the number of dwellings needed and their average, socially justified standards [Czeczera, 1974, p. 121]. The formation of housing needs can also be assessed by the same factors, but from the perspective of an individual, household or family, stressing the individualization of needs, the diversity that characterizes them and the volatility of the needs over time. These criteria set out various requirements regarding e.g. housing standards, forms, types of buildings, size of apartments and their layout. They allow determining the quality structure of a statistical balance sheet of housing needs. In economic terms, individual housing needs are identical with individual preferences determining the structure of the demand for housing [Czeczera, 1974, p. 121].

Robinson [1979] provides a geographical definition of need. Corresponding to this definition, the state must identify the housing needs of a defined population (the state or a certain district within it). The scope of the need is determined by the size of the population in need of assistance (calculated by a formula which accounts for all households unable to pay for housing through the private market) and the standard of housing determined by the

state (which is included in the need for each housing unit).

On the other hand, Bradshaw [1972] distinguishes between four types of need, which provide a distinction between different households according to a social criterion that identifies the existing shortage as a social problem. The first category is the normative need. The government defines the need according to a certain situation. In other words, this definition of need makes it possible to differentiate between different populations according to the norms that exist in a specific society. A normative need is a relative need, which can vary from period to period and from place to place. The second category is the emotional need. This need is subjective for every person and refers to the private definition of need. This definition can cause confusion between a person's real need and his or her desires. The third category is the explicit need. This is a category similar to the emotional need with the difference that the person is working to fulfil this need. The need is learned from the consumer behaviour of individuals in the society. It is also difficult to distinguish between a real need and consumers' desires, but it is possible to learn consistently what consumers are prepared to invest in. According to the data, the state can allocate limited choices that meet the specific needs of consumers. Bradshaw's last category focuses on the comparative need. This need is learned from a comparison between various segments of the population, between those who can afford to pay for housing on the private market to weaker individuals in the society. By comparing what exists on the private market, the state can understand what citizens of varying means are willing to invest on the housing market, and according to these results, it is possible to fulfil the needs that are not naturally satisfied by the free market to help weak consumers by defining the need and implementing the government activity accordingly.

Choice, as discussed by Brown and King [2005], is described in a rational model for the expression of the right to choose on the housing market. The ability to choose increases according to personal beliefs, wishes and the amount of information available to the decision-maker. This is a definition that restricts the person's ability to make the best decision for them, and therefore the term „right of true choice“ has evolved to describe a situation in which the person has to choose between a preferred option among a number of distinctly exist-

ing options. Thus, the choice of the housing market is a choice between a small number of real options available to the household according to the needs, preferences, resources and limitations of the private household combined with the opportunities offered on the housing market.

Elster [1986] characterizes the selection process as a subjective process that is influenced by the subject's ability to be rational and gain access to the information. Hence, a person can be rational by his or her choice and still make a bad decision. Brown and King [2005] characterize effective decision-making in the existence of three principles: limitation, control and accessibility. The state should not set tough rules on the housing market but rather set limits and parameters for households to operate. The restrictions should enable the maximization of profit and self-fulfilment for the citizens of the state. Mulder [1996] estimated that beyond the rational connection of the right to vote, choice is continuous. Usually the need to make a choice stems from a preliminary event that is a trigger for the need to choose new housing, for example, a change of workplace. Buying a new apartment and moving to another place of residence is not a minor decision, and households tend to compromise on their wishes as individuals for the benefit of the family unit.

There are two responsibility regimes that should be examined in relation to the housing market. In the first regime the decision-maker is held responsible for the outcome, and in the second regime the best strategy is damage prevention. In the first regime, responsibility is attributed to the person who created the damage. The connection is made by a causal link between the decision-maker and the result, and thus responsibility is linked to the choice (if the government makes the choice, the responsibility lies at its feet). The division of responsibility obligates the agent to perform future tasks and obligations according to past actions.

The second regime of responsibility proposes separating the damage from the future task. Goodin [1998], suggests an approach that examines who can restore the situation most effectively. According to Goodin, it may be that the responsible party for the situation in the first place is someone who can restore the situation to its previous state in the most efficient manner, however, this may be unnecessary because sometimes government officials can alleviate the suffering and improve the situation while wasting less resources.

3. Housing needs, choice, and responsibility

3.1. Housing needs

To explain the need on the housing market of Israel, the discussion is divided into two aspects: the private housing market and the public housing market. Economic motives of households typically encourage trade on the free, private market. Apartment owners and buyers are actively looking for housing solutions that suit their financial capabilities. However, on the public housing market, social motives are high priority. Consequently, the state's policy implies that in case of a specific need, it is not appropriate for the landlord to prioritize his or her private profit at the expense of the tenants' interests [Resident's rights law, 1972].

In the first period since the establishment of the State of Israel, housing needs were significantly different from those of the second period between 1990 and 2017. During the first period, the private housing market in Israel was operating according to the normative need. The standard was poorly constructed buildings which provided minimum conditions for tenants, such as dwellings of small sizes, without heating or cooling, and proper facilities [Ginur, 1968]. Furthermore, some immigrants lived in temporary housing with outdoor facilities. Since most immigrants arrived without their belongings, the State had to provide basic equipment such as plain mattresses, iron beds and blankets, ovens for cooking and more. Israel, as a young country was undeveloped in terms of assimilation, institutions and the economy.

In the second period which began in the early 1990s, the normative needs in Israel changed considerably. On the private market, the average size of an apartment was 180 square meters, with a higher standard of construction. The new apartments incorporated heating and cooling systems, and individual households were able to choose where to live according to their financial status [BOI Research report, 2004].

Concurrently, on the public market there has been a fundamental change in housing requirements due to the explicit need of households. The state relocated the entire population living in the „Ma'abarot" (temporary huts) into apartments with reasonable standards, while offering appropriate infrastructure for each apartment and matching the number of persons to the size of the apartment. Furthermore, the State allowed a choice between two alternative apartments, and a third alternative lined up, if necessary. However, in the past two decades, the government of Israel has reduced

its involvement on the public housing market significantly and focused on assisting the weak population through participation in rent according to the economic criteria of each family. Families in need could choose where to rent an apartment within the private market.

Israel was established from the memory of the holocaust and the emotional sentiment that Israel is the only Jewish state. For Jews returning to their ancestral land after two thousand years of exile, there is an emotional need to own a property in the so-called Holy Land. Even if housing conditions do not meet their needs, this emotional dimension provides a significant motive.

On another notion, the government policy to enable free choice in public housing for those in need is aimed at creating a sense of social equality and preventing negative stigmatization. For example, in the mid-1990s after the enactment of the Basic Law: Human Dignity and Liberty 1992, the Supreme Court of Israel took a comparative look at the law and anchored the right to a shelter as a fundamental right to which all citizens are entitled. The lack of a shelter is a violation of the individual dignity, „A person without basic housing is a person whose human dignity has been violated" „[LCA 4905/98 Yossi Gamzu v. Naama Yeshayahu, given on March 19, 2001].

3.2. Choice

The possibility of choice morally connects to the idea of autonomy, freedom and responsibility [King, 2003]. In a capitalist society, we celebrate the individual's freedom to choose how to shape his or her life. Free choice can empower households and enable them to meet their specific needs. The right to choose implies that households can choose between different alternatives and can explain the reasons for choosing one option at the expense of another. Households make their decisions and choices in relation to the amount of information available to them; without this information it is not possible to make rational decisions.

Today, there are a variety of choices within the private market in Israel, from the place of residence to the unique characteristics of housing, on the buyers' market and renters market alike. Nonetheless, high prices pose the biggest limitation on choice, though infrastructure allows mobility both in the location and quality of housing. On the public housing market, the choice is restricted. For example, the State of Israel allows households entitled to public housing to choose between two options and a third possibility is given to the Population Ad-

ministration.

Since 1999, the government has limited its involvement on the private market in general and on the public market, in the light of the privatization policy adopted by the Israeli government, which believed that the free market would function more efficiently. On the public market, the government of Israel stopped building new apartments. Moreover, the state sold the existing apartments in the public housing stock at very discounted prices („liquidation sale”), despite the fact that, according to the Public Housing Law (Acquisition Rights) the government is supposed to set up a fund to be managed by the Ministry of Construction, and the proceeds of the sale should be transferred to the construction of new public apartments. While public housing in Israel has shrunk, the opposite trend has taken place in the OECD countries and resources have been allocated to increase the supply of public housing. Control of the housing market can be in the hands of the state or the households. When the control is transferred to the citizens (who are the direct beneficiaries of housing), they can plan and obtain quality housing. The more households can invest in housing, the more options they have for housing, and the possibility of preferring certain types of apartments at the expense of other apartments. Accordingly, the Israeli government launched the „Price Per Occupant” initiative (“Me’chir La’Mishtaken”) - young couples are entitled to a discount and obtain a choice for good quality housing at affordable price in many cities. Eligible couples can apply for as many cities as they like, and thus control their future place of residence if they win the raffle.

Another instrument that enables households to make effective choices is access to information mainly through information available to government officials. The housing market consists of sellers and buyers. The group of sellers usually has more knowledge of the nature of the market, and the true value of the sale. When buyers obtain reliable information regarding the apartment relative to other apartments on the market, they can make better decisions that will benefit them in the long run. For example, in Israel, it is possible to apply to the Israel Land Administration and pay only a nominal fee for documentation of activities carried out within specific land. Access to information enables households to control the negotiations with the sellers and to better assess their needs. Another issue of significance is access to legal advice and legal proceedings. The gap between the seller and the buyer is reduced when households gain legal advice. In 2011 there was

a mass demonstration in Israel, and over half a million people went out to the streets to protest about the high cost of housing and renting. The owners of apartments, who typically own multiple apartments, raised the rent significantly after the 2008 subprime crisis. The protest aimed to encourage transparency and improve the information flow between landlords and tenants.

When considering the right of choice in the broad sense one should also examine the right to freedom, autonomy and even the responsibility linked to choice. Additionally, we must consider external constraints that affect the manner of selection. Even if these restrictions allow only a partial solution to the problem in relation to the order of subjective preferences of the recipient of the right to choose. Since the choice is between a limited number of options, the selection cannot be defined as a circumvention of market preferences. Rational households must compromise on the characteristics of apartment size, quality of construction, design and others.

3.3. Responsibility

In order to examine how Israel’s responsibility policy is affected, attention is drawn to the problem of homelessness in Israel, as this issue provides an insight into how the government addresses responsibility which is directly linked to the choice of individuals. In Israel today, more than a quarter percent of Israel’s population (some 21,000 citizens) live without shelter, in abandoned buildings, on benches in public gardens and in stairwells. What is the policy of the government? Are the dimensions of the phenomenon known to institutions and government agencies? Is it possible to eliminate homelessness? How does the phenomenon correlate with the basic and legal right to adequate housing?

At the beginning of the 21st century, there was an agreement among leading researchers that the cause of homelessness is a combination of two reasons – structural and personal [Main, 1998]. Accordingly, a review of the policy on homelessness may discern two main issues: social exclusion and response to the housing needs of the homeless. Most countries struggle to eradicate or reduce the phenomenon while putting an emphasis on prevention, early intervention, emergency intervention and strategies for long-term support. In Israel, following the 1996 legislation, the government allocated financial resources to the Ministry of Social Affairs and municipal authorities, specifically for

citizens who did not live in proper housing. As part of the implementation of the government policy, shelters were established, which provided housing, food and professional assistance. The risk of such an approach is that by not imposing responsibility, it can lead households to unwanted outcomes. A person who knows that there is no effect on his or her behaviour can act lightly and not take reasonable measures to avoid the risk. In the early years of the State, the level of public housing deteriorated because the tenants had no reason to invest in property and left the maintenance to state representatives.

4. Results and Discussion

The deliberate policy of the Israeli government to reduce its involvement in public housing led to increased gaps between the low supply and high demand. Privatization of public housing on the part of the government was reflected, *inter alia*, in stopping new public housing constructions. Expanding the number of people who own their apartments was perceived as a step to reduce social gaps and instil more equality in the Israeli society.

However, Israel's housing policy has led to the sale of public housing and the cessation of public construction. As a result, the number of public housing apartments shrank significantly. During the first two decades of the establishment of the State of Israel public housing accounted for 23% (206 thousand apartments), whereas at the beginning of 2006 public housing accounted for only about 2% (76 thousand apartments) [Feldman, 2011]. At the same time, however, the government adopted a policy of subsidizing rent on the free market to low-income population that could not afford to pay the rent. In this sense, the government furthered the freedom of choice in respect of where households choose to live.

Housing is expensive, yet owning a house is essential and very important to every person. The right to adequate housing is one of the uni-

versal and fundamental human rights and is recognized both in the international law and the Israeli law. The State of Israel adopted and ratified the Universal Declaration of Human Rights [Universal Declaration of Human Rights, 1948], Article 25, according to which, every person, citizen has the right to adequate and affordable housing, and the obligation of the State is to ensure the fulfilment of the basic rights, *i.e.* infrastructure, welfare, security, education, health, funded by the taxpayer. The government directs the budgets to meet the residents' needs in the most appropriate and efficient manner, because if it were not for the state, some of the needs would not exist [King, 2005].

In the author's opinion, the Israeli government should redefine the concept of need, limit government spending and redirect existing resources to support a responsible regime that helps the disadvantaged. The state should ensure a better distribution of the population geographically, as was the case in the early years (the 1950s), alongside the improvement of infrastructure for employment and equality. Moreover, the government should adopt a responsible and proactive approach to the public housing market, ensure sufficient quality of construction and the fulfilment of tenants' needs, while expanding the freedom of choice. Regarding the homelessness, the government should work together with the municipal authorities to take responsibility and address the problem to its fullest extent. Permanent housing solutions for the homeless and/or management of public shelters should be provided.

Finally, the government should maintain the separation between the private market and the public market. To ensure that the government does not interfere with the economic motives of the free market and upholds individual freedoms, the free market requires responsibility. On the other hand, the public market that follows social motives forces the government to resume more responsibility.

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RESEARCH PAPERS IN ECONOMICS AND FINANCE

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The System of the Treasury in Ukraine: actuality and prospects of development

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ABSTRACT

An analysis of the current state of managing financial resources in the system of the Treasury showed that a number of methodological issues are not resolved. Not surprisingly the system requires an adequate solution. The introduction of the Treasury Single Account provided an opportunity to have information on the budget, which has financial levers of macroeconomic regulation, including putting into effect the alignment of potentially financial areas. The State Treasury has introduced changes in the institutional structure and legal relations between all participants of the budget process. Research has shown that free funds have increased to a great extent.

Keywords: System of the Treasury, Treasury Single Account, Ukraine.

1. Introduction

In the context of the economic crisis, the issue of managing balances on a Treasury Single Account and controlling the targeted use of budget funds require special attention.

In determining the direction of economic policy it is necessary to improve the prospects of establishing control over earmarked funds of the treasury single account. However the question of developing effective management mechanisms preliminary and a current control department of the State Treasury is not developed enough. Therefore, further development of the Treasury may be associated with the monitoring, search and creation of new instruments or their further improvement towards concentrating financial resources in a unified structure for the successful implementation of the fiscal policy. Because of the state budget the government organizes the redistribution of financial resources between productive and non-productive areas of activity between administrative and territorial units, branches, etc.

strengthening the oversight functions of the state for the timely and complete arrival of financial resources to the budget and their effective use in it.

2. Literature review and problem statement

The analysis of scientific works in the field of managing budget funds in the system of the treasury showed that such scientists as Ogdansky M.I., Pasichnik Yu, Pavlyuk K.V., Sushko N.I. Stoyan V.I. and others have engaged in studying theoretical and practical issues of functioning of the treasury system and control over the purposeful use of budgetary funds. The efficiency of the operation of a treasury single account is considered in the writings of Ukrainian scholars: R.T. Makutsky, P.G. Petrashko, V.I. Rakitsky, O.O. Chechulina, SI Yuri, as well as foreign scholars: Jean-Marc Servat, Arto Sirvio, Tarryn Hoare, Ivo Vesselinov, Max Alyer, Aman-turov E., Demidov O., Zhyber T., Sehinashvili K. and others. The foregoing thoughts and studies have been really weighty and informative.

3. Research results

The author of the article has used methods of analysis and synthesis, graphical, economic-mathematical, historical, statistical and other methods. Functions of the treasury system have been changing within the development of economic relations. For historical reasons, the treasury system has performed a number of functions including wealth accumulation, coin issuing, accumulation of payments and state dues. Along with expansion of the treasury tasks there have been changes in its functions; they were transformed and restructured due to its national activity features and some tools were terminated. Wars have decreased treasures and treasure houses have widened their functions via the issuance of internal and external obligations, extension of financial monopolies, which made it possible to accept their shares, and the foundation of banks lead to relevant transformational changes in the treasury system. The implementation of the state budget management function became possible due to consolidating financial resources on the unitary treasury account.

Today, the State Treasury Service of Ukraine performs the following basic functions:

- cash execution of the state budget and self-government budgets for income and expenditures;
- management of state budget resources;
- control of budget distribution;
- auditing, servicing and liquidation of internal and external state debts;
- payment of bills in the service of state in compliance with the law that is currently in force. Meanwhile, the treasury house does not bear responsibility for the duties undertaken by the budget holder;
- collection of funds that belong to the state budget in clearing payments between the budgets;
- maintenance of information system operation;
- management of current residual treasury accounts in order to obtain income and transfer it to general and special funds of the state budget.

The treasury system undertakes to perform control functions over a targeted use of resources of the state budget and management of available funds that are consolidated on the uniform account of the treasury house. It unites the system of accounts that act in a unified regime and that serve for the treasury system to perform operations within the income and expenditure of all the level budgets. It provides an opportunity to obtain real time data on transactions and availability of funds on a uniform

treasury account, as a result of performed operations on all its accounts.

The current order in the treasury system for opening and functioning of accounts, asset managers and receivers of budget funds, allows to concentrate state budget assets on a uniform centralized account, provide electronic bank-to-bank transactions in a decentralized regime and report them in the treasury system. Therefore, the treasury system of Ukraine accumulates income and serves expenditures from a uniform treasury account; in the Russian treasury system – from a uniform account; financial resources of the treasury system in France are shown on a uniform treasury account; the Financial Agency of the treasury system in Germany performs management of financial liquidity on a uniform treasury account.

The State Treasury Service is a special body of macroeconomic regulation of financial resources, taking into account a number of factors, among which it is possible to distinguish the following: high turnover of budget funds, high concentration and mobilization. Accumulation of funds on a treasury single account as a method of their management allows not only to accumulate financial resources, control their purposeful use, predict future balances or lack of budget funds, but also shows its role and economic essence. The presence at the central level of information on the state and movement of financial flows provides the Ministry of Finance and the main spending units with broad opportunities for flexible maneuvering by the state budget funds and control of the budget funds. Concentration on a treasury single account allows to accumulate budget funds, control their target use, predict future balances or lack of budget funds, and, most importantly, shows its role and economic essence. The introduction of a treasury single account, which includes all income, and from which all subsequent budget expenditures are made, allows to concentrate financial resources on the correspondent account of the State Treasury Service of Ukraine.

The task of the State Treasury Service of Ukraine is to control treasury services of state and local budgets by keeping revenues and expenditures of the appropriate budget bills through business entities that performed works have spent money for further control over the proper use of public funds.

The bodies of the State Treasury Service of Ukraine carry out their activities mainly through the provision of treasury services that are free of charge to local budgets, managers and recipients of budget funds. Partly they are paid to the state budget of Ukraine, which funds the activities of the State Treasury Service of Ukra-

ine. The development strategy of the state executive body, which is the State Treasury Service of Ukraine, must meet the aim of its establishment and the political and economic situation in the country. Cash flows in the treasury single account is about 20-25 billion UAH every day. Research has shown that today the balance of the Treasury accounts is a much more limited volume of the cash flows. Operations on the financial markets consisting in temporary depositing free budget funds in the National Bank of Ukraine and commercial banks will provide an additional source of income. This will en-

able reduction in state spending. The centralized model calculations require the development of new relationships between the levels of the State Treasury Service of Ukraine, which should result in the changes in the legal and normative acts of general issues of creation and existence of the State Treasury. Table 1 demonstrates absolute indicators of the incoming balance of the treasury single account of the State Treasury Service of Ukraine for the years 2003-2016, (at the beginning of the month), million uah and Table 2 for the years 2003-2017, (at the beginning of January).

Table 1: Indicators of the incoming balance of the treasury single account of the State Treasury Service of Ukraine for the years 2003-2016, (at the beginning of the month), Billions uah

Index	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16
January	452	2 205	4 950	17 015	9 084	4 378	7 715	10 55	2 724	2 062	458	1 739	3 008	9 017
February	1 811	4 005	6 750	19 480	11 220	10 015	7 946	1 835	6 036	4 255	4 047	4 721	8 792	16 718
March	1 637	5 433	6 957	19 357	13 834	14 141	5 988	1 334	7 755	4 703	2 773	3 590	14 615	16 826
April	903	5 652	6 866	16 323	14 865	15 571	5 453	5 412	6 158	5 726	3 579	4 209	26 674	21 049
May	740	4 749	5 342	15 053	14 539	12 361	3 363	6 312	9 441	5 640	3 766	3 811	23 560	16 245
June	1 180	5 573	7 685	16 415	16 557	18 085	4 966	5 478	17 182	7 878	4 108	8 053	27 746	18 413
July	594	9 651	5 549	13 767	13 680	14 376	4 134	7 352	7 797	5 632	3 754	3 729	25 446	17 996
August	341	13 194	7 797	13 338	15 508	14 212	2 583	8 713	8 180	3 644	3 925	6 570	33 271	10 997
September	752	15 242	10 270	16 121	17 121	19 165	6 576	13 806	11 053	6 608	3 990	13 412	45 853	23 763
October	2 508	12 883	8 267	15 091	13 217	15 857	3 544	8 751	6 307	2 311	4 073	10 055	47 128	13 472
November	3 092	9 603	7 148	13 840	13 340	11 430	3 311	5 749	5 332	1 762	410	8 476	43 624	15 865
December	4 475	8 703	27 350	15 149	15 229	16 995	3 291	10 926	6 217	8 834	1 197	6 767	47 957	27 564

E-resource: Access: <http://www.treasury.gov.ua>.

Table 2: Indicators of the incoming balance of the treasury single account of the State Treasury Service of Ukraine for the years 2003-2017, (at the beginning of January), Billions.uah

Index	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17
January	452	2 205	4 950	17 015	9 084	4 378	7 715	10 55	2 724	2 062	458	1 739	3 008	9 017	14 258

E-resource: Access: <http://www.treasury.gov.ua>.

As shown in Figure 1, the peak values of the treasury single account in the State Treasury Service of Ukraine for the years 2003-2016, (at the beginning of the month) fall during their periods from 2005-2006 and 2014-2015. However, the situation in the following year – 2016 – is diametrically different. In these periods of peak load, the flow of financial flows increases significantly, requiring more rigorous control over their management and purposeful use. At the same time there is an increased need for additional staffing resources to ensure continued funding for all items of the expenditure. However, there are no legislative and legal norms for regulating the activity of the treasury bodies in the indicated direction.

The balance of funds on the sub-account of the treasury single account in the State Treasury Service of Ukraine for almost the entire analyzed period of 2003-2016 allows the funds

to be raised in excess of the maximum amount (from 10 billion UAH in 2014). Legislation on attracting and using them has not yet been amended. The centralized model calculations require the development of new relationships between the levels of the State Treasury, which should result in the changes in the legal and normative acts of general issues of creation and existence of the State Treasury Service of Ukraine. Actions for the creation of a centralized model are justified by the fact that the existing schemes of the state budget payments are rather cumbersome and need simplification. There is an urgent need to speed up their use by the general revenue resources by backing the regional level. Figure 2 demonstrates the dynamics of the treasury single account growth indices. We can see a positive trend. This means that there is an opportunity to attract temporarily free funds.

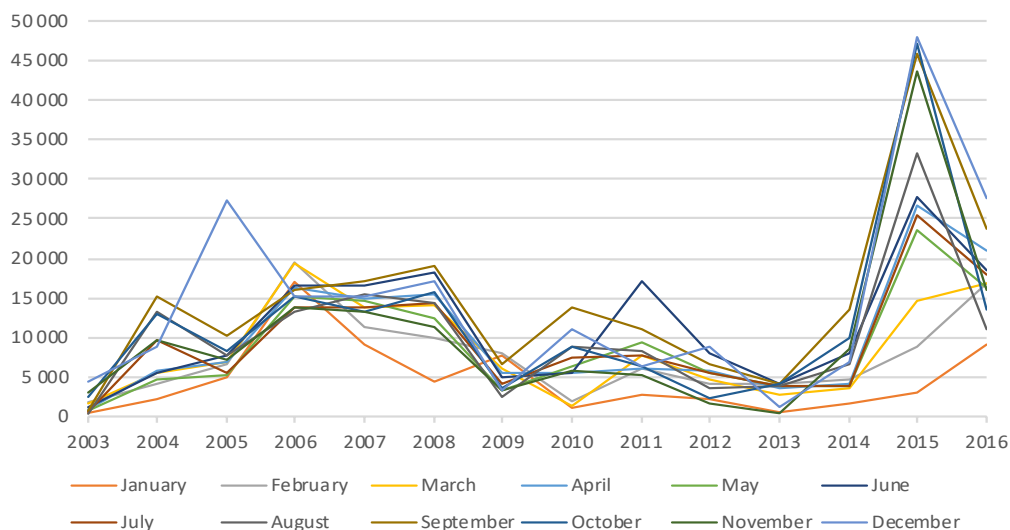


Figure 1. Dynamics of average incoming balance of the treasury single account of the State Treasury Service of Ukraine for the years 2003-2016, (at the beginning of the month), million uah

Source: own study, <http://www.treasury.gov.ua>

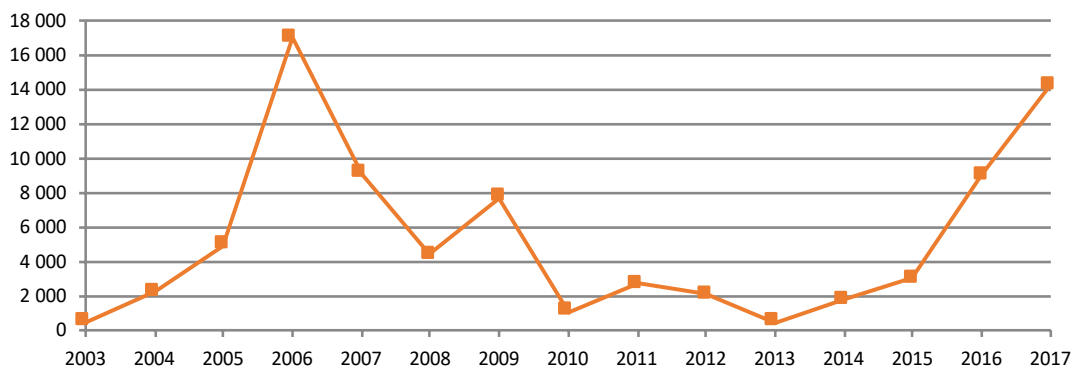


Figure 2. Dynamics of average incoming balance of the treasury single account of the State Treasury Service of Ukraine for the years 2003-2017, (at the beginning of January), million Uah

Source: own study, <http://www.treasury.gov.ua>

The overall trend of the balance of funds is clearly followed in the years 2003-2017 as of the beginning of the year (January). The overall trend over the past three years shows an increase in the balance of funds on the treasury single account of the State Treasury Service of Ukraine in the years 2003-2017. Let us consider similar indicators on the example of the treasury single account of the State Treasury Service of Ukraine in the Odessa region, which are presented in Fig. 3,4, Table 3).

Consider the advice and experience of scientists from other countries. The ideal model of the treasury system is represented in America, where the function of storing cash is added. The US Treasury System has its own aircraft hangars and helipads. The United Sta-

tes Treasury maintains all military bases and units. Ukraine still needs a lot to learn to adapt America's experience. The Treasury of the U.S. is responsible for such things as issuing new securities. Exempt from state and local taxes, U.S. Treasury Securities are issued by the U.S. government in order to pay for government projects. The money paid out for a Treasury bond is a special loan to the government. Additionally, the interest earned on U.S. Treasury Securities is exempt from state and local taxes. Federal taxes, however, are still due on the earned interest. The government sells U.S. Treasury Securities by auction in the primary market, but they are marketable securities, and therefore can be purchased through a broker in a very active secondary market. A broker will charge

a fee for such a transaction, while the government charges no fees to auction participants. The prices on the secondary market and at auction are determined by the interest rates. U.S. Treasury Securities issued today are not callable, so they will continue to accrue interest until the maturity date. One possible downside to U.S. Treasury Securities is that if interest rates

increase during the term of the bond, the money invested will be earning less interest than it could earn elsewhere. Accordingly, the resale value of the bond will decrease as well. Because there is almost no risk of default by the government, the return on Treasury bonds is relatively low, and a high inflation rate can erase most of the gains by reducing the value of the principal

Table 3: Indicators of the incoming balance of the treasury single account of the State Treasury Service of Ukraine in the Odessa region for the years 2007-2016, (at the beginning of the month), million uah

Index	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
January	396.5	504.7	384.2	33.5	33.3	25.6	7.2	4.4	0.7	0.8
February	455.3	779.5	467	41.3	81.8	8.3	3.3	9.4	10.5	9.8
March	487.4	870.3	406	118.7	73.7	25.3	7.4	43.2	15.8	22.6
April	524.2	1 569.10	530.3	15.1	103.5	75.8	4.8	8.9	10.6	4.5
May	601.8	787.5	226.4	6.7	173.7	101	12.2	45.3	0.9	0.3
June	619	882.5	347.9	3.8	150	136.6	9.1	12.1	0.5	2.5
July	647.6	757.4	317.3	146.7	126.7	136.7	15.3	3.7	2	1.6
August	704.6	810.1	291.6	90.4	219.1	56	25.6	3	5.5	3.2
September	819.9	1 047.40	457.6	154.6	205.6	81.2	8	193.6	1.9	0.6
October	876.6	1 104.20	587.9	145.2	260.3	46.2	30.3	5.4	1.9	0.5
November	938.9	952	641.2	232.3	166.7	62.6	35.8	0.6	8.6	2.4
December	882.1	849.7	527.1	231.5	130.4	25	41.5	5.3	7.6	1.1

E-resource: Access: <http://www.treasury.gov.ua/reg/control/ode/uk/publish/category/197227>.

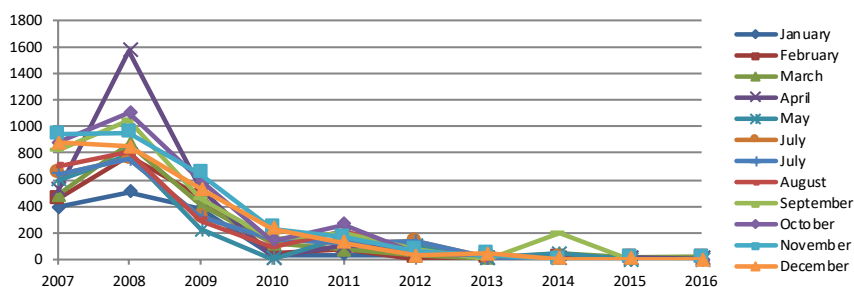


Figure 3. Indicators of the incoming balance of the treasury single account of the State Treasury Service of Ukraine in the Odessa region for the years 2007-2016, (at the beginning of the month), million uah

Source: own study, <http://www.treasury.gov.ua/reg/control/ode/uk/publish/category/197227>

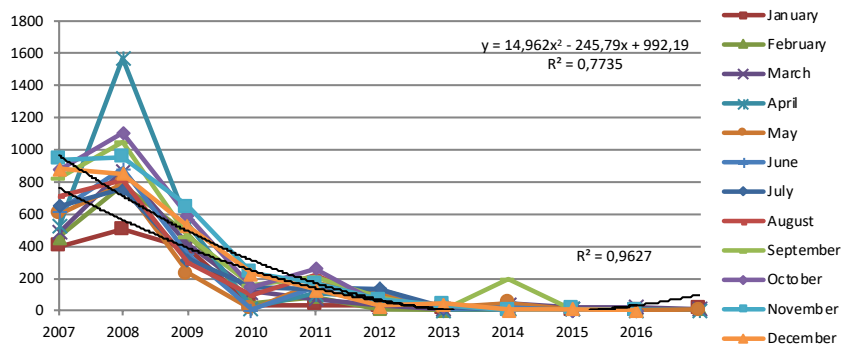


Figure 1. Indicators of the incoming balance of the treasury single account of the State Treasury Service of Ukraine in the Odessa region for the years 2007-2016, Polynomial trend line 2 and 3 degrees (at the beginning of the month), million Uah

Source: own study, <http://www.treasury.gov.ua/reg/control/ode/uk/publish/category/197227>

and interest payments. There are three types of securities issued by the U.S. Treasury (bonds, bills, and notes, also called Treasuries), which are distinguished by the amount of time from the initial sale of the bond to its maturity.

As we see, all of the above shows that the treasury system of Ukraine should develop and rely on the treasury of the United States.

By Ivo Vesselinov, CFO and Nirpal Bharaj, Treasurer, Inchcape Shipping Services: "The Treasury has evolved substantially in recent years from effectively being a cash management function that operated in a largely siloed way from the rest of the organisation, to being a strategic and connected business enabler, whether across cash, liquidity, risk or financing. However, to achieve this transition, the Treasury needs the right tools to provide automation and control of treasury processes, visibility over cash and risk, and analytical tools to navigate the uncertain environment in which we operate. The new treasury organisation and infrastructure would also enable a consistent approach to control and standardised processes for managing transactions and information. This needs to be supported by appropriate documentation, processes and business continuity planning. Ultimately, the aim is to deliver value by reducing operating costs, enhance control. That is, every day the territorial departments of the State Treasury Service of Ukraine submit to the central administration of the State Treasury Service of Ukraine data on the need to reinforce the treasury single account to carry out budget expenditures and make payments to other clients".

According to Tarryn Hoare, the Executive Head of Department, Vodacom Group Treasury: *"...we deconstruct our existing reports and rationalise each section to ensure it is still relevant. We consolidate reports wherever possible to reduce the number of emails distributed, as we are in an era where managing incoming emails is a task all on its own. We also make updating of the reports as automated as possible so they are readily available and usable by the audience to make informed business decisions [...]. We audit and cleanse our policies and procedural documents and ensure they are aligned to our existing and new processes within the treasury and that they continue to uphold the strict segregation of duties we follow. Policies should be clear and simple and seen as the recipe to guide and support all of the treasury's major decisions and actions. Procedural documents are seen as the kitchen appliances to carry out the heavy-lifting work, and they provide step-by-step guidance as to how each policy will be put into action"*.

The article from May, 2017 by Jean-Marc Servat Chairman, EACT, runs: "The Treasury's

approach has changed since the late 1990s. In particular, treasurers take far less of a 'view' of the market, and are now more policy-driven rather than trying to second-guess market changes. This is a positive shift, and allows treasurers to engage with the needs and risks of the business, rather than becoming distracted by the potential to generate returns through the financial markets".

Why not take the experience of the treasuries from other countries in the treasury system of Ukraine and take the advice? The main problem that the Ukrainians always face is insufficient financing of treasury programs.

We continue our research. Reducing the balance of funds on the sub-account of the State Treasury Service of Ukraine in the Odessa region is caused by the measures to save budget funds in pursuance of the CMU Decree of October 22, 2008 No. 943 "On the savings of public funds", which expired with the adoption of the CMU of 01 March 2014, No. 65 "On saving state funds and preventing budget losses".

With the introduction of budget savings in 2008, as shown in Fig. 3, funds for the implementation of expenditures on the sub-account of the treasury single account of the territorial bodies of the State Treasury Service of Ukraine do not accrue, but are spent on the day of receiving the reinforcement of the treasury single account, except for those moments when for technical or organizational reasons it is not possible to be spent on one operating day.

Unfortunately, this process of preparation of data on the need to support the treasury single account is not automated and takes a lot of working time.

As shown in Fig. 3 and Fig.4, the general tendency of the balance of funds on the treasury single account of the State Treasury Service of Ukraine increases in 2015, but decreases in 2013.

Such a general tendency of the minimum balance on sub-accounts in territorial bodies of the State Treasury Service of Ukraine allows to accumulate significant resources of the treasury single account at the central level for making administrative decisions and directing budget funds, providing loans to local budgets and to the pension fund of Ukraine.

One of the problems of the functioning of the treasury single account is the imperfection of the system of accounts for the receipt of budget revenues, namely, their large number and complexity of the procedures for transferring funds to the payers to the treasury single account. As a result, payers are mistaken and transfer funds to the wrong account.

In addition, if the payment of taxes is not

carried out on that account, the tax authorities believe that tax has not been paid at all.

The accumulation of funds is not ensured on sub-accounts of the treasury single account in the territorial bodies of the State Treasury Service of Ukraine, the treasury single account resource is used to the actual need.

The treasury system performs control functions over the targeted use of resources of the state budget and management of available funds that are consolidated on the uniform account of the Treasury.

Using the budget must be accompanied by supervision of their effective, targeted and rational direction within the legislative support. This necessitates strengthening of the government's accountability and management, and strengthens financial control for the expediency of spending and targeted use of funds. In this regard, the task of monitoring the development of systems and methods of the state budget is a very relevant and important factor of the economic development.

Today, the State Treasury Service of Ukraine is the only body charging with the maintenance budget execution of income and expenditure.

For quality monitoring, the State Treasury Service of Ukraine needs to have information on:

- the revenue forecast of daily adjustments according to the actual status of the revenue part of the budget;
- the projections of funds on:
 - the expenditure on the basis of financial obligations;
 - the repayment of external and internal debts including interest;
 - the return or compensation of income.

Such information should be consistent and matched for different periods and provide an opportunity to make decisions in a given period of time.

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4. Conclusions

On the basis of the above facts, for better results in this field it is possible to recommend the following:

1. Further centralization of resources on accounts of the Treasury single account.
2. Completion of the introduction of single full-featured software and creation of a system of information and accounting in general.
3. Strengthening and expanding methods of monitoring the expenditure of budget funds.

The situation in Ukraine states: originally (before the Soviet collapse) much attention was paid to planning and business analysis and less to perfect control (had some margin of safety and stability of the economy). Today we face the fore purely technical issues: implementation of the budget process tools (chart of accounts, accounting, software, etc.). However, at present there are no recommendations for specific mechanisms, the system of assessments, standards that could be used by institutions and organizations, regulatory authorities to analyze the efficiency of budget funds.

Given the importance of the issues studied, the real economy deems it necessary to reveal the essence of the proposed measures. All listed advantages create conditions for the effective management and the targeted use of budgetary funds.

What should be taken into account is the Swedish positive experience, where all departments' activities and their work results are analyzed once every three years. A further budget allocations approval depends on the results of the analysis of a particular program and the cost of achieving it. In terms of destabilization of the financial state of the economy, reduction in state revenues forces the government to seek and raise funds for timely cost from other sources. Temporarily free funds of public and other clients within local budgets should become these additional sources, which can serve in the Treasury system. Access to them must become operationally and technically possible. In our opinion, the management of budget funds should be addressed by effective combining of the interests of fiscal and monetary policy.

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