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## METHODOLOGICAL PRINCIPLES OF PUBLIC MANAGEMENT IN THE FINANCIAL SPHERE OF UKRAINE

### МЕТОДОЛОГІЧНІ ЗАСАДИ ПУБЛІЧНОГО УПРАВЛІННЯ У СФЕРІ ФІНАНСІВ УКРАЇНИ

*The study analyzes the methodological foundations of public financial management in Ukraine, considering contemporary challenges such as economic instability, geopolitical risks, inflationary processes, and increasing defense expenditures. It explores the interrelation between crises, corruption risks, and political instability, which complicate effective planning and resource allocation, deepening budgetary imbalances. Theoretical approaches to budget planning are expanded, substantiating the importance of innovative models, particularly program-targeted and crisis-oriented ones, for shaping an adaptive management system. The critical role of integrating digitalization technologies in enhancing transparency, automating budget processes, and ensuring the security of financial transactions is highlighted. A concept of an integrated digital control system is presented, featuring data collection, analytics, and automated reporting modules that connect key financial process stakeholders. The study concludes with the necessity of comprehensive digital transformation, emphasizing anti-corruption mechanisms, transparency, accountability, and results-oriented budgeting.*

**Keywords:** public financial management, digitalization, finance, transparency, anti-corruption mechanisms, transformation.

У даній роботі було досліджено методологічні засади публічного управління у сфері фінансів України з урахуванням сучасних викликів та стратегічних потреб держави. Розглянуто вплив внутрішніх і зовнішніх факторів на фінансову систему, зокрема наслідки економічної нестабільності, геополітичні ризики, інфляційні процеси, зростання оборонних витрат та боргове навантаження. Проаналізовано взаємозв'язок між економічними кризами, корупційними ризиками та політичною нестабільністю, які перешкоджають ефективному розподілу державних ресурсів та стратегічному плануванню. Було розширено теоретичну базу щодо підходів до бюджетного планування, включно з інкрементною, програмно-цільовою, кризовою та гнучкою моделями, а також доведено їхню практичну значущість для формування адаптивної системи управління державними фінансами. Визначено критичну важливість впровадження цифрових рішень для автоматизації бюджетних процесів, моніторингу витрат та аналітики фінансових операцій. Особливу увагу приділено потенціалу використання технологій цифрової трансформації для підвищення прозорості та безпеки фінансових транзакцій. Запропоновано концепцію інтегрованої цифрової системи контролю, яка включає модулі збору даних, аналітики, управління ризиками та автоматизації звітності. Доведено, що така система дозволяє створити єдиний інформаційний простір для взаємодії ключових стейкхолдерів, включно з державними органами, підприємствами, банківським сектором і громадськістю. Зроблено висновок про необхідність комплексної цифрової трансформації системи публічних фінансів України, яка має базуватися на інтеграції інноваційних технологій, антикорупційних механізмів і результатно-орієнтованого бюджетування. В результаті дослідження сформульовано рекомендації щодо розвитку стратегії цифровізації публічного управління фінансами з акцентом на підвищенні прозорості, ефективності фінансових процесів, а також на створенні адаптивної системи управління, здатної реагувати на динамічні виклики зовнішнього середовища.

**Ключові слова:** публічне фінансове управління, цифровізація, фінанси, прозорість, антикорупційні механізми, трансформація.



**Formulation of the problem.** The sphere of public finances in Ukraine is undergoing complex transformations under the influence of internal and external factors. On one hand, these are the consequences of economic instability and prolonged crises; on the other, there is a need to adapt to modern management practices, including process digitalization, enhanced transparency, and accountability. Corruption risks and the lack of transparency in budget spending pose a significant threat, undermining public and international trust in public administration institutions. At the same time, the global digital transformation of financial systems creates opportunities for the implementation of innovative approaches but requires a revision of regulatory mechanisms and the development of new competencies among public officials.

**Analysis of recent research and publications.** The analysis of works by domestic experts highlights current issues in the management of public finances in Ukraine amid ongoing transformations. Abdullaeva A. and Kharkovenko O. [1] emphasize the need to enhance financial transaction transparency and implement new management practices to counteract crises. This approach is complemented by the concept of Shainoha A. E. [2], who considers public finance as the foundation of macroeconomic stability and underscores the necessity of a balanced financial policy that accounts for internal and external challenges. The methodological aspects of effective management are explored by Khomutenko A. V. [3], who proposes the modernization of regulatory tools as a key factor in increasing the adaptability of the state financial system. Pasichnyi M. [4] focuses on strategic planning in financial policy, which is critically important for long-term stability. In contrast, Blishchuk K. M. and Kozak I. I. [5] concentrate on the impact of digital technologies, highlighting their role in improving financial management efficiency. The research of Blishchuk K. M. [6] is particularly relevant, as it examines financial management during wartime, identifying challenges in ensuring defense expenditures and strategic planning under resource constraints. Meanwhile, Kutsenko T. F. [7] analyzes the structural aspects of the financial system, emphasizing the need for its adaptation to modern challenges. Moldovan O. O. [8] argues for the importance of financial system modernization through the integration of new management models. Marchenko S. M. [9] summarizes the international context of reforms, stressing the necessity of harmonizing Ukraine's financial policy with European standards and adapting to global trends. Collectively, these expert studies form a multidimensional perspective on the challenges and opportunities in public financial management, highlighting the need to balance domestic reforms, digital transformation, and international integration processes. However, the methodological foundations for resolving these issues through legal reforms and the introduction of an integrated digital control system have not been previously explored.

**Formulation of the purpose of the article.** The purpose of the study is to develop a comprehensive model for managing public finances in Ukraine that can adapt to dynamic economic, political, and technological challenges. The research focuses on identifying critical issues in budget planning, corruption risks, and transparency deficits, as well as developing effective solutions through the integration of digital technologies, automation of financial processes, and the implementation of results-oriented budgeting. Special emphasis is placed on building an integrated digital control system that ensures financial flow monitoring, prevents the misuse of resources, and enhances the accountability of government institutions to society.

**Presentation of the main material.** Public finance management is a strategic tool of the state to ensure economic stability and the social well-being of citizens. The successful functioning of this system depends not only on effective administrative decisions but also on the presence of methodologically sound approaches that allow adaptation to dynamic environmental changes. Modern challenges require a reassessment of traditional management models, which are often based on outdated principles of centralized control and insufficiently account for the importance of analytics, digital technologies, and transparency. The issue is not only about promptly responding to crises but also about building a flexible, adaptive system capable of ensuring long-term stability.

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To begin with, let us examine the internal and external factors influencing public finance management in Ukraine (see Fig. 1).

As shown in Table 1, the interaction of external and internal factors creates a complex system of influences, where even minor changes can lead to significant consequences, increasing financial turbulence. Economic crises, as key triggers of budgetary instability, lead to revenue reductions, GDP declines, and market instability, which are further exacerbated by geopolitical risks. The rise in defense expenditures in response to external threats creates budgetary imbalances, forming a vicious cycle [2]. At the same time, the digitalization of financial processes, while enhancing transparency, requires institutional transformations and changes in financial control approaches, which may face resistance from vested interest groups.

Legislative reforms necessary for harmonization with European standards are complicated by demographic changes, which increase pressure on the pension system and social expenditures. In this context, corruption and political instability act as additional catalysts of budget inefficiency, undermining strategic planning and creating high risks for investors [9]. Inflation, influenced by both internal and external factors, directly reduces the purchasing power of the population, which, through the multiplier effect, slows down economic activity [3].

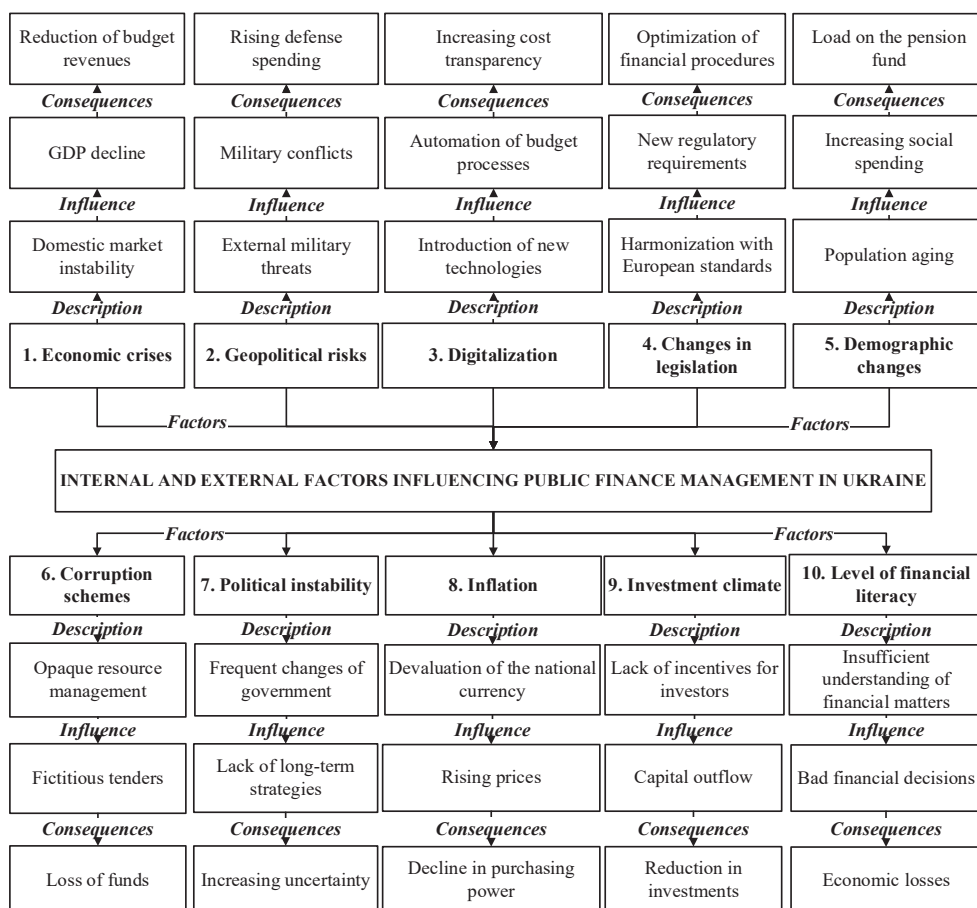


Figure 1. Internal and external factors influencing public finance management in Ukraine

Source: formed on the basis of sources [2; 3; 9]



The lack of incentives for investors leads to capital outflow, further reinforcing stagnation trends. At the same time, the low level of financial literacy among the population exacerbates the problem, as poor economic decisions create additional risks at both the micro and macro levels.

Let us examine the risks in public finance management in Ukraine (see Fig. 2).

According to the data in Fig. 2, the analysis of risks in public finance management in Ukraine reveals a complex set of interrelated factors that undermine financial management efficiency. Corruption, entrenched at all levels of decision-making, creates systemic opacity in budgetary processes, erodes trust in public institutions, and leads to inefficient resource allocation. Combined with political instability, this makes long-term planning impossible, exacerbates budget deficits, and forces the state to adopt a reactive financial policy.

Significant threats arise from external economic shocks and debt burdens, which limit financial flexibility and necessitate cuts in social expenditures, increasing social tensions. Inflation, driven by both internal and external imbalances, devalues the national currency, reduces household purchasing power, and complicates investment attraction. The low level

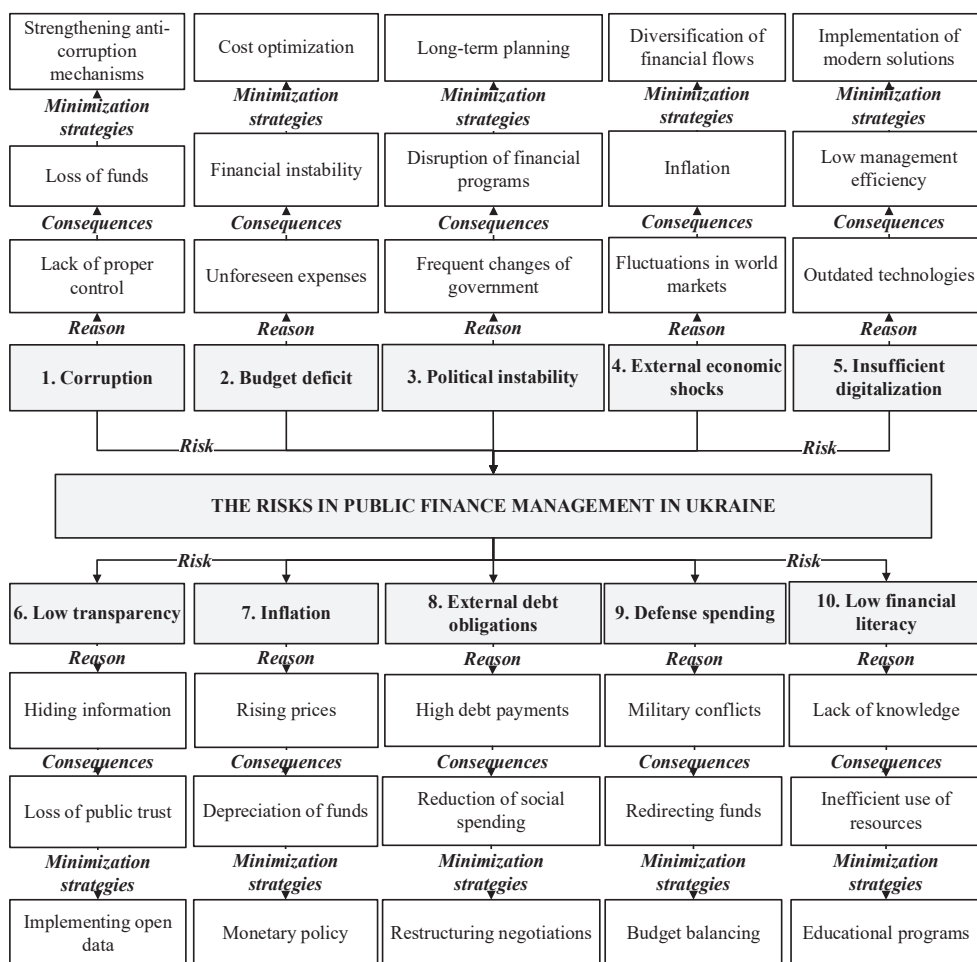


Figure 2. The risks in public finance management in Ukraine

Source: formed on the basis of sources [4; 6; 8]



of financial literacy further amplifies these issues by promoting irrational financial decisions and increasing the overall vulnerability of the country.

Another major challenge is the insufficient level of digitalization in financial processes, which weakens expenditure control, slows down budget planning automation, and creates conditions for financial abuses. The absence of modern regulatory mechanisms further restricts the state's ability to respond swiftly to macroeconomic changes, intensifying crisis phenomena [4].

Thus, addressing these challenges requires a strategic approach that combines anti-corruption measures, increased transparency in budget processes, debt policy optimization, and the digital transformation of financial management.

Let us consider the main stakeholders of public financial management in Ukraine, see Table 1.

As shown in Table 1, the Ministry of Finance holds a central position among the stakeholders in public finance management in Ukraine. It formulates budget policy, oversees its implementation, defines strategic spending priorities, and coordinates the activities of other institutions. The State Treasury of Ukraine, while primarily performing technical functions, plays a critical role in the implementation of government programs through the management of budgetary operations. The Verkhovna Rada not only approves the state budget but also establishes the legal framework for financial control, ensuring a balance of interests among different influence groups.

The Accounting Chamber enhances the transparency of financial processes and prevents violations through audits of budget expenditures, although its functions are mainly retrospective. Civil society organizations play an important role in ensuring accountability, but their influence is limited due to weak institutional support. The business sector, as the main taxpayer, contributes to the country's financial stability; however, its interests require a balance between fiscal demands and a favorable investment climate.

Citizens, while having limited direct influence, remain the primary beneficiaries of budget decisions, making their interests key to socially oriented financial policy. International

Table 1

**The main stakeholders of public financial management in Ukraine**

№	Stakeholder	Role	Interests	Impact on processes
1	Ministry of Finance	Budget formation and control	Budget Expenditure Optimization	High
2	Treasury of Ukraine	Budget operations implementation	Effective Fund Management	Medium
3	Verkhovna Rada	Legislative regulation	Budget Adoption	High
4	Accounting Chamber	Audit of budget expenditures	Prevention of Violations	High
5	Civil organizations	Public control	Transparency of Financial Processes	Medium
6	Business sector	Payment of taxes	Stable Financial Conditions	Medium
7	Citizens	Users of budget services	Efficient Use of Resources	Low
8	International organizations	Provision of financial assistance	Transparency and Accountability	Medium
9	Local self-government bodies	Management of local finances	Cost Optimization	Medium
10	Banking sector	Servicing of financial transactions	Financial Stability	Medium

*Source: formed on the basis of sources [1; 2]*



organizations enhance transparency and accountability by providing financial support and setting reform requirements. Local governments, due to limited resources, face challenges in effectively managing finances at the municipal level. The banking sector plays a vital role in ensuring liquidity and financial system stability.

The interaction among these stakeholders requires coordinated actions to improve transparency, efficiency, and stability in public finance management.

Thus, the structure of stakeholders in Ukraine's public finance management demonstrates a complex interdependence of roles, where coordination, shared responsibility, and increased transparency at all levels of the financial system are of particular importance.

Next, we will examine budget planning models in public finance management and their comparison (see Table 2).

As shown in Table 2, a wide range of budget planning models is presented, reflecting different approaches to public finance management. Each model addresses challenges related to stability, expenditure efficiency, and budget process transparency.

The incremental model ensures ease of implementation but reinforces inefficient financial decisions due to the gradual increase in expenditures. The program-targeted planning model focuses on achieving specific results but requires significant resources for monitoring program effectiveness. The zero-based budgeting model allows for budget optimization by reviewing all expenditures from scratch; however, its implementation is resource-intensive and time-consuming.

Crisis planning provides rapid support for priority areas during economic shocks but reduces the long-term stability of the financial system. Prospective planning contributes to the development of long-term financial strategies but has low adaptability to change. Flexible planning allows financial decisions to be updated in response to new challenges but creates risks of fragmented priorities.

Comprehensive planning ensures a balanced distribution of resources across sectors but is accompanied by high implementation complexity. Socially oriented planning aims to support social stability but is constrained by resource deficits. Performance-based budgeting

Table 2

### Budget planning models in public finance management and their comparison

№	Model	Features	Advantages	Disadvantages
1	Incremental	Planning based on a preliminary budget	Ease of implementation	Cost inefficiency
2	Program-targeted	Focus on achieving specific goals	Clarity in defining results	Complexity of monitoring
3	Zero-based	Reviewing all expenses from scratch	Cost optimization	High time costs
4	Crisis planning	Focus on priority expenses	Flexibility in times of crisis	Short duration of effect
5	Forward planning	Planning for several years ahead	Financial policy stability	Low adaptability
6	Flexible planning	Quick response to changes	Budget relevance	Instability of priorities
7	Integrated planning	Consideration of all areas of financing	Budget balance	High complexity
8	Socially oriented	Priority on social expenses	Social stability	Resource shortage
9	Results budgeting	Focus on measurable results	Expenditure transparency	Requirement of quality data
10	Modular planning	Grouping expenses by modules	Planning flexibility	Difficulty of integration

Source: formed on the basis of sources [1; 2; 5; 6; 8]



increases expenditure transparency and facilitates efficiency measurement but requires high-quality analytical support. Modular planning groups expenditures by functional blocks, providing flexibility but facing challenges in module integration.

Thus, the analysis of budget planning models highlights the need to combine strategic vision with operational adaptability to change, where the effective use of resources and a balance between simplicity and complexity of decisions become key factors for successful public finance management.

Next, we will examine the fundamental principles of public financial management reform and ways to address them (see Fig. 3).

As shown in Fig. 3, the proposed approach to public financial management reform demonstrates a commitment to deep transformations, where key elements include innovative technologies, adaptive practices, and enhanced accountability of government institutions. Financial process transparency requires not only technical solutions, such as the creation of digital platforms or the publication of budget reports, but also a fundamental revision of the relationship between the state and society, where data openness can activate public oversight.

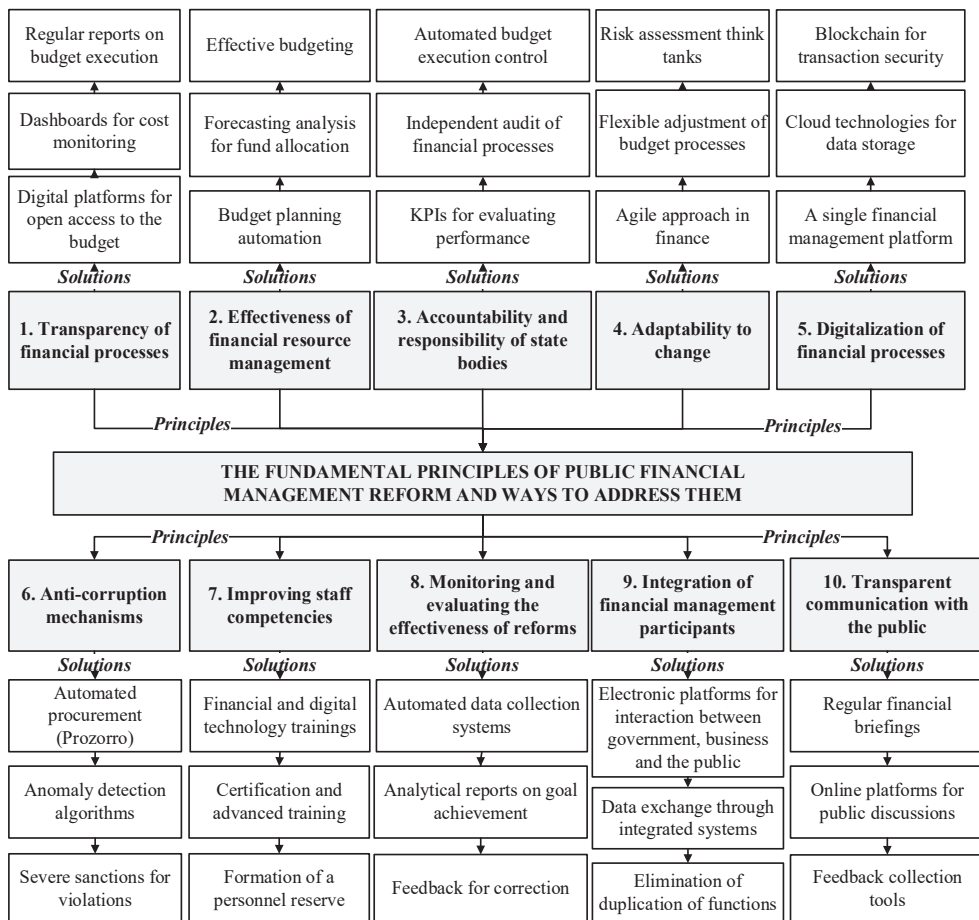


Figure 3. The fundamental principles of public financial management reform and ways to address them

Source: developed by the author independently



The efficient use of resources through planning automation and predictive analytical models allows for financial flow optimization and supports the implementation of results-oriented budgeting. However, high requirements for data quality and staff competencies remain a significant challenge. Strengthening accountability through KPIs and independent audits contributes to the formation of a transparent financial system, while the automation of budget execution control minimizes corruption risks.

The flexibility of management approaches, including Agile methodologies, enables timely responses to changes and risks. Digitalization is becoming a key driver of transformation, with cloud technologies and blockchain enhancing security and the speed of data processing. Anti-corruption mechanisms, such as Prozorro and anomaly detection algorithms, reduce the risks of financial misconduct but require stricter sanctions for violations.

Improving staff competencies through certification and regular training lays the foundation for the effective use of modern financial tools. The synergy between human potential and technology becomes a decisive factor for success. Reform monitoring using analytical systems helps adjust processes, while the integration of management participants through electronic platforms eliminates functional duplication and improves efficiency. Transparent communication finalizes this process by engaging citizens in discussions on key financial policy issues.

Thus, a balanced combination of technological, managerial, and social aspects will enable the creation of a stable, transparent, and accountable public financial management system capable of effectively responding to modern challenges.

Next, we will define the requirements for implementing an integrated digital control system in Ukraine's public financial management (see Fig. 4).

According to the data in Fig. 4, the implementation of an integrated digital control system in Ukraine's public finance management represents a multifaceted transformation strategy that fundamentally changes approaches to financial flow administration and public accountability. This system operates as a complex architecture where multi-level information circuits interact through innovative digital modules, integrating government institutions, enterprises, the banking sector, and other financial entities into a synergistic environment. This approach enables the real-time processing of large volumes of data, combined with comprehensive analysis and continuous monitoring of key financial process participants.

At the initial stage, the system aggregates diverse data through automated information collection modules, which integrate with external sources and internal registers. By utilizing Big Data technologies, it enables in-depth real-time transaction analysis, creating conditions for anomaly detection and enhancing transparency at early decision-making stages. Thus, the platform not only aggregates but also structures information, forming a foundation for predictive analysis and adaptive financial flow management.

The second strategically important component of the system is the analytics and risk management modules. These modules not only track anomalous financial transactions but also use artificial intelligence algorithms to assess the probability of violations, providing recommendations for immediate countermeasures. This approach allows government agencies to adapt their actions in real-time and improve the efficiency of financial resource allocation. The use of dashboard analytics enables interactive monitoring of budget expenditures, facilitating the detection of potential deviations from approved financial plans.

The third level of integration concerns the automation of reporting and the establishment of public accountability. Blockchain technology, used for recording financial transactions, eliminates the possibility of report falsification and data manipulation. Reports are generated without human intervention, minimizing the risk of financial abuse. Additionally, open portals provide the public with access to key budget execution indicators and signed agreements, fostering greater trust between society and the state.

The control of financial entities is implemented through specialized functional system blocks. Government institutions are monitored via budget execution tracking modules, which



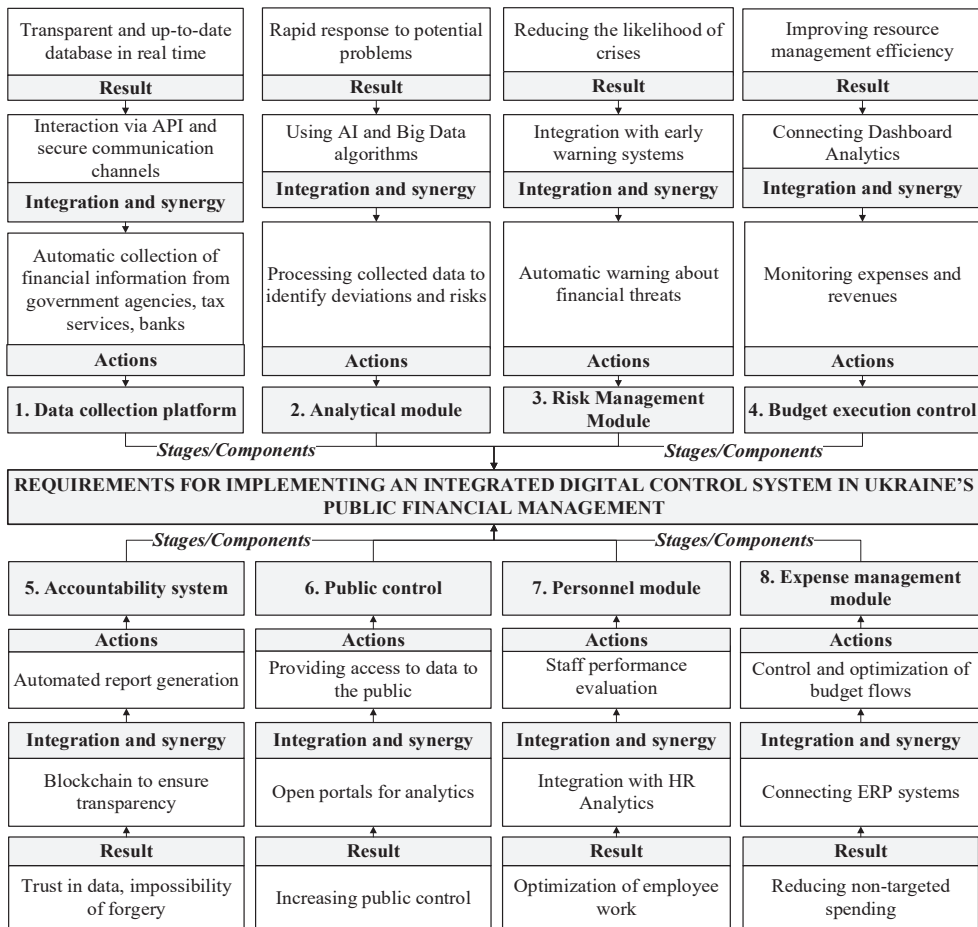


Figure 4. Requirements for implementing an integrated digital control system in Ukraine's public financial management

Source: developed by the author independently

automatically detect misallocated funds or overspending beyond approved limits. State-owned enterprises are integrated through ERP systems that analyze financial flows, preventing inflated procurement and fictitious transactions. Meanwhile, banks are monitored through automated financial oversight modules that can block suspicious transactions at the execution stage.

A particularly crucial role is played by anti-corruption safeguards. The system analyzes tender proposals for price collusion and inflated contracts, automatically flagging violations. Blockchain technology eliminates the possibility of altering data without a trace, while artificial intelligence algorithms compare prices with market indicators to prevent excessive spending. Civil society organizations receive tools for monitoring expenditures and concluded agreements, further enhancing transparency.

Thus, the integrated digital control system becomes a strategic lever for the comprehensive optimization of public finance management. It not only creates conditions for improving transparency, efficiency, and accountability in financial processes but also establishes a foundation for the long-term reduction of corruption risks, ensuring adaptability to new challenges in public administration.



**Conclusions.** Summarizing the results of the study, several key issues affecting the effectiveness of public finance management in Ukraine have been identified. Among them, corruption risks, a lack of transparency in budget processes, an insufficient level of digitalization in administrative procedures, and limited financial literacy of the population stand out as major challenges, complicating the implementation of financial reforms. The analysis has shown that overcoming these challenges is unlikely without structural changes in the approaches to managing state resources.

It has been established that the implementation of modern digital technologies is critically important for improving financial management efficiency. Special attention should be given to automating monitoring and control processes, developing Big Data-based analytical platforms for predictive analysis, and using Blockchain technology to ensure transparency and security in financial transactions. Equally important is the adoption of results-oriented budgeting, which allows for resource optimization and increases the accountability of government institutions in achieving defined objectives.

The study also emphasized the need to integrate key stakeholders into a unified information environment. Such an approach would enhance coordination between government agencies, businesses, civil society organizations, and financial institutions, enabling more effective management of budget flows and reducing the risks of inefficient use of state resources.

Future research directions should focus on developing a comprehensive strategy for the digital transformation of the national financial system. This strategy should include innovative control models adapted to the dynamic changes in the external environment, improvements in the professional competencies of public administration personnel, and the introduction of feedback mechanisms to enhance accountability to the public. Only a comprehensive and systematic approach will allow for the creation of a stable, transparent, and efficient public finance management system that meets modern challenges and societal needs.

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