

# **Relevance Of Public Budget Management, Use And Allocation Of Resources**

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## **Summary**

*The present research emphasizes the analysis of the different variables of the budget, its use and applicability; organizational information systems, supporting the decision-making process and foundation, in terms of the construction of development scenarios of the Colombian State; reason why the learning and teaching of public finance is essential for the proper understanding of public budget and the importance of fulfilling state purposes.*

*The continuous training of information systems in the public sector, allows a better understanding by the students of the School of Public Accounting, Sogamoso Section, which leads to an analysis in the generation of information in public finances.*

**Key words:** *management of the public budget, use and allocation of resources, Public Accounting.*

## **Introduction**

### **1. Problem statement**

#### **1.1 Description of the Problem**

One of the main reasons at the time of the elaboration of this guide, is that as already mentioned above, is that students have access and achieve a clearer theoretical concept of the public budget, its management and the correct form of its application, the <sup>1</sup>processes that must be handled and something very important the regulations that follow this process.

This joint work seeks to mitigate some of the bad applicability that in some cases can be given by misinformation or not knowing its applicability.

This material is of great support for students since in their eagerness to start exercising they will be able to find in a specific and clear way much of the theory that soaks the public budget, in the same way a slightly simpler form of its understanding and its applicability, since it consists of a macro work where it will seek to reach the goal of the elaboration of the same.

In accordance with the generation of public accounting information, it is necessary to analyze, agree, dissertate and train students of the Pedagogical and Technological University of Colombia-UPTC, Sogamoso Section. In order to strengthen the academic processes of the students of the School of Public Accounting for the analysis of budget information so that the understanding of the public budget is guaranteed, it is necessary to synthesize and express through diagrams and concepts the relevant and fundamental aspects of each topic, in such a way that it is much easier to learn and remember each of them.

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There is a deficit in the management of the public budget, its uses and how the allocation of resources is carried out, starting with the process of understanding the stages, objectives and components and finally the relevance, because the regulations and / or concepts provided by the different entities are extensive and at the time of their interpretation by the students is confusing.

## **1.2 Problem Formulation**

How to strengthen the understanding of the management of the public budget in the academic training process of the students of the School of Public Accounting of the UPTC, Sogamoso Section?

## **1.3 Systematization of the Problem**

- Is it necessary to know the use and allocation of the budget?
- What are the stages, objectives, and components of a budget?
- What is the relevance of the process for the realization of a budget?

## **2. Justification**

It is important for the students of the School of Public Accounting of the UPTC, Sogamoso Section to know the concepts of the budget process and identify each of the factors that influence within the public budget in the municipalities of the different categories. It seeks, fundamentally, to consolidate this information in a guide that facilitates the learning work of public accounting students. The public economy is a discipline that is in a process of transition and refers, according to Fernando Rojas (1996), generally to the way in which goods and services of collective interest are prioritized and satisfied with scarce resources. Thus, faced with the dichotomy between the public and the private of the economy, the State must ensure that regulatory frameworks guarantee the rights and duties between civil society, its particular interests and those of the collective. It is a question of combining the institutional resources of a society and not only those of the public apparatus, which are characterized by production functions and constant changes. For this reason, this guide seeks that users of information can understand from the perspective of human relations, and of these with the environment, economic theories, the implications of public policies and regional and territorial economic processes, through the foundation of economic sciences and the approach of economic thought that has historically evolved to new conceptions of production processes, distribution and exchange.

The municipalities of the different categories as a fundamental entity of the political-administrative division of Colombia have the task of solving the problems that the community lives and feels every day, through the provision of public services, the construction of infrastructure and the regulation of activities, in order to tend to the welfare and improvement of the quality of life of the population. In this regard, public finances

It contributes to the achievement of the pertinent purposes of the municipality through revenues, expenses and public debt, a situation that requires effective and real local management. Through timely decision-making, the efficient allocation of resources, the provision of public goods and services, the equitable distribution of income and wealth, must be carried out, to finally tend to the economic, social and environmental development of the municipality.

The preparation of budgets for each of the departments, allow to appreciate if each of them performs the established functions. That is why in a conjunctural way between the students and

the people in charge of the planning, execution and application of the public budget, it will seek to eliminate the gap in its elaboration, having strong bases in its theoretical part and much better in an easy and understandable way.

In this way, that common good will be achieved and for society, which is finally what the public budget seeks, to generate for a specific community that equity and social stability; The budget is also a very useful tool for decision making, administration by exceptions, policies to follow, overall vision, etc., that is, the budget leads to a good management of the organization.

The controlled action of the budget is established by making the comparison between it and the results obtained, which leads to the determination of the variations or deviations that have occurred; While the mere determination of differences is not a solution, it will be necessary to analyse them in order to take appropriate measures to correct, in a timely manner, existing deficiencies or to stimulate the resulting shortcomings.

Through its preparation, it is important to highlight that with this guide the students of the Pedagogical and Technological University of Colombia of Sogamoso of the Public Accounting career will have a theoretical support too important to complete and reinforce their learning in terms of the preparation of the public budget, not only for their educational field but it will be of great help at the time of putting into practice those bases acquired in the university.

### **3. Objectives**

#### **3.1 General objective**

Identify the process of budget management, allocation of resources with their stages, objectives and relevance.

#### **3.2 Specific objectives**

- Recognize the use and allocation of budget resources.
- Describe the stages, objectives, and components of a budget.
- Establish the relevance of the process in the preparation of the budget.

### **4. Frame of reference**

#### **4.1 Theoretical framework**

##### **4.1.1 Theory of Public Administration**

The science of public administration is a social science that aims at the activity of the executive body managing resources, when it comes to the realization or provision of public services for the benefit of the community, always seeking that its provision is carried out efficiently and effectively, so that the means and instruments of the same are applied in an ideal way to obtain the most favorable in order to improve the quality of life of the community.

Alejandro Carrillo Castro defines public administration as "The dynamic system composed of rules, objectives, structures, organs, functions, methods and procedures, human elements and economic and material resources through which the policies and decisions of those who represent or govern a politically organized community are executed or implemented." The public administration is considered from two aspects: the first goes with the execution of norms, and the provision of functions and services that are in charge of the State, that is, the administration is based within legal issues, where each of the actions of the same must be framed in norms. The second is the implementation of activities that support

economic and social development, as a technical matter. Within the policies that are proposed, it is necessary to contemplate the economic and social dimension that will contribute to the development of the region through the promotion of investment. The Public Administration is based on the principle of developing activities aimed at the welfare of the community through:

(a) Maintaining public order; (b) Meeting the needs of the

(c) Driving economic and social development; always starting from the legal basis that the administrative act is carried out under a legal order, which creates, modifies or extinguishes particular and concrete legal situations, and that in a State of law all administrative activity is determined by the principle of legality, in addition to all acts of the public administration must be indicated by law and on these the administrative organization must be built, where the activities that are developed are aimed at the sustainable development of the community. Part of these tools and systems are framed in the policies of efficiency and fiscal control of resources, which seek that territorial entities manage finances seriously and compliantly, giving sustainability. That is why the State through the fiscal responsibility law seeks to link municipal finances within a long-term sustainable territorial entity, proposing the projection of resources and highlighting the main drawbacks in budgetary obligations anticipating their behavior for the formulation of policies that can sustain problems.

Miguel Ángel Camacho, 2000, points out: "Public administration is also considered as a rational effort of the ruler to fulfill the commitments acquired with the citizenship and, at the same time, as an academic discipline that uses the scientific method to find solutions to the problems that are generated due to the relations between the State and civil society. and to it corresponds the task of managing and administering the patrimony of the State, in accordance with the laws of the matter, for the satisfaction of collective needs, having to seek in any case a balance of the financial situation of the same through public expenditure and revenue."

Supporting this argument, it is important to know the responsibility as great as that of controlling, administering, distributing and correctly applying the public budget of an entire government, which is why several authors have defined public administration as that art that leads from its administration to the improvement or deterioration of the opportunities whether social and/or economic of a society. It must be understood that the management of the public budget is not an autonomous system, it must be governed by several cabinets which analyze the best options for the population, that is, make a fairly broad analysis where it can be intuited that good decisions will be made with that budget or at least the best ones. But the final message is given by the politician where he explains to the collectives how, when and how to satisfy their needs, how to avoid dangers and snares, how to adopt measures that can be counterproductive to what is sought with it.

It is possible to identify several definitions that may lead to the same end, to imply that it is a set of areas of the public sector more specifically that through the execution and a service of people in charge of the public exercise administrative function in the planning, elaboration and execution of public works and the realization of many more activities that finally those who will always favor is the inhabitants of that geographical area specifically, always seeking a general welfare through public goods or services.

#### **4.1.2 Public Finance Theory**

Snoup (ed) (1967) Musgrave (1970)

The conventional theory of public finance deals with studying the processes of allocation and distribution of resources to which public intervention gives rise through income and expenditure programs within a national economy. The subject of study appears delimited as a political-institutional unit with its own characteristics and a certain uniformity in matters such as language, laws, customs and currency. However, as national economies become increasingly interdependent, trade flows intensify and international factor mobility develops, the context National analysis loses relevance. The well-being of the members of a country becomes

dependent of the policies followed by others. Likewise, when there is international trade in goods and factors, desirable fiscal policies in conditions of isolation or autarky cease to be so.

The theory of conventional public finance has analytical blocks applicable by analogy to the international context, notably the theory of fiscal federalism. If, instead of defining the function of social welfare on the profits of the nationals of a country, it were done on the welfare of all citizens of a set of countries or the world, the conventional normative theory of public finance would apply. The provision of international public goods could be included in this framework (Breton, 1965).

Most of the models or approaches available in public finance theory for designing the optimal mix of government revenues have not taken international trade into account. The basic economic objectives are the same: obtaining resources for the financing of expenditure, economic efficiency and distributive equity. There are, however, two features that differentiate the conventional narrative approach from the pure theory of international trade. On the one hand, the importance that certain "non-economic objectives" can have (Bhagwati and Srinivasan, 1983) is recognized, such as self-sufficiency in the national production of some good for reasons of "national interest", unrelated in principle to the maximization of individual or collective welfare. This makes it necessary to design optimal intervention alternatives that minimise the social cost of the distortions that need to be introduced into the economy in order to achieve these objectives.

#### 4.2. Conceptual framework

- **Public budget:** the public budget consists of promoting the implementation of a budget process, which consists of key decision-makers systematically considering the expected objectives and results achieved by programs and public policies throughout the budget cycle (formulation of objectives, approval of the budget, execution and monitoring, Finally, evaluation). Therefore, the role of the State through its budgetary function aims at the good management of public spending, which must be allocated for the provision of social goods and distributed for the reduction of social inequality, as an engine of economic growth.
- **Outcome Indicators:** Outcome indicators are those that quantify the effects related to public intervention; these effects can be influenced by external factors and are not necessarily produced directly by public intervention. In this way, these indicators measure changes in perception, knowledge, welfare conditions, among others.
- **Output indicator:** reflects quantifiable goods and services produced and/or provided directly by a policy, programme or project.
- **Public expenditure:** public expenditure is the total monetary amount disbursed by the public sector to carry out its activities.
- **Budget system:** it is a set of tools aimed at organizing financial information in public entities to optimize the use of resources and the satisfaction of the needs of the population in accordance with the competences that have been assigned constitutionally and legally.
- **Public revenue:** public revenues are the resources that the public sector captures to carry out its activities.

Throughout the work, other definitions will be specified, which are necessary for the management of the public budget.

#### 4.3. Legal framework

The legal framework of the different stages and processes of the Public Budget in Colombia, in addition to what is contemplated in the Political Constitution, especially the provisions included in Title XII, chapters 3 and 4, is found in the norms provided for in Laws 38 of 1989, 179 of 1994 and 225 of 1995, compiled in Decree 111 of 1996, which constitute the Organic

Statute of the Budget, (EOP).

Political Constitution: Article 151. The Congress shall issue organic laws to which the exercise of legislative activity shall be subject. They shall establish the regulations of the Congress and of each of the Chambers, the rules on the preparation, approval and execution of the revenue budget and appropriations law and the general development plan, and those relating to the assignment of regulatory powers to territorial entities. Organic laws shall require, for their approval, an absolute majority of the votes of the members of both Chambers.

Political Constitution: Article 352. In addition to what is stated in this Constitution, the Organic Law of the Budget shall regulate what corresponds to the programming, approval, modification, execution of the budgets of the Nation, of the territorial entities and of the decentralized entities of any administrative level, and their coordination with the National Development Plan, as well as the capacity of the agencies and state entities to contract.

Decree 111 of 1996: Article 6. Budget System. It consists of a financial plan, an Annual Investment Operating Plan and the Annual Budget of the Nation (Law 38 of 1989, Art. 3, Law 179 of 1994, Art. 55, paragraph 5).

Decree 1068 of 2015: Article 2.8.1.1.1. Objectives and Formation of the Budget System. (...)

The Budget System consists of the Financial Plan, included in the Medium-Term Fiscal Framework; the Annual Budget of the Nation and the Annual Operating Investment Plan. (Art. 2 Decree 4730 of 2005).

## **5. Methodology**

### **5.1 Method.**

#### **5.1.1 Inductive method**

The method to be used will be inductive "Induction allows us to move from particular facts to general principles. It consists of starting from the observation of multiple facts or phenomena and then classifying them and getting to establish the relationships or points of connection between them. (Hurtado & Toro, 2005).

In this environment it is necessary to develop relevance emphasizing the concepts for the realization of a budget.

#### **5.1.2 Analytical method**

The analytical method is of paramount importance for this research as it allows us to break down all the elements of the budget and with the concepts determine a conclusion.

"It consists of the mental decomposition of the object studied in its different elements or component parts to obtain new knowledge about that object." (Hurtado & Toro, 2005)

### **5.2 Participants.**

The theory will be a reference framework for research that will be based on qualitative data, since it collects information about the concepts that facilitate the learning of students of the School of Public Accounting of the UPTC, Sogamoso Section

### **5.3 Instruments, materials and/or equipment.**

#### **5.3.1 Sources of information**

5.3.1.1 **Primary sources.** For the analysis of the concepts of the public budget, information provided by the government pages related to budget information is required, since this is true and contains a high percentage in the level of reliability.

5.3.1.2 **Secondary sources.** To complement the information obtained from government pages and clarify some concepts, it is necessary to make use of web pages, electronic books, magazines, theses, scientific articles, web periodicals among other sources that provide valuable and reliable information.

#### 5.4 Procedure

- Compile the regulations applicable to the management of the public budget.
- Define the different concepts that relate to the public budget.
- Characterize all the aspects that support the formulation, execution and evaluation of the public budget and that allows an analysis of budget information in all its stages.
- Differentiate the different sources of financing that affect the public budget.
- Identify budget information and relevance in the preparation of a public budget.

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