

Finances of a Holder and a Custodian of Financial Resources: Similarities and Differences

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Abstract: The theoretical aspects of economical science are transformed especially dynamically in the last decades due to an active transition of post-socialist countries to market conditions of economic management, which raises the need to study, develop and implement the appropriate conceptual structures. When the processes of formation of private property and property interests in household were considered, the finances of the holder (owner) and finances of custodian of financial resources had been practically overlooked. Implementation of market transformations has opened new forms of economical behavior for citizens, who were faced with a choice among principally new financial strategies and with the need to adapt to the altered conditions of householding, many of which turned out to be unready to these conditions.

Key words: Government • Households • Personal finances • Property • Holders and custodians of financial resources

INTRODUCTION

The current processes of the transformation of national economies in regard to globalization of the world financial system necessitate a theoretical research into the study of how finances influence the relationships, occurring between owners of material and non-material assets at both macro and micro economical levels.

The change of the world financial architecture, which occurred at the end of the twentieth century, became the basis for modification in the main postulates of economical science, which, due to the established ideological reasons, for a long period of time had fragmentary and incoherent features of studies, performed in different countries.

The theoretical aspects of economical science are transformed especially dynamically in the recent decades due to the active transition of post-socialist states to market conditions of economic management, which raises the need to study, develop and implement the appropriate conceptual structures.

At present, there are many translated works in different directions of economic science, which were inaccessible earlier to a wide range of researchers and

which have become the basis for occurrence of new scientific discoveries and achievements in the sphere of theoretical aspects of finances, as the main generic notion.

In M. May's opinion, the transformation of finances will play the key, fundamental role in the nearest future, considering that they, like other resources, should be directed to efficient use, as much as possible on the scale of the whole business [1].

These Studies Are Urgent for a Number of Reasons:

- Finances, by penetrating into all spheres of societal life and gradually transforming the economical relationships into their specific forms (market, money, financial, credit and so on), have become not only social and economical, but also political attributes of life of the contemporary government.
- The government consists of people-owners and an activity of bodies of a public power should be aimed at ensuring the property rights of citizens, in the minds of whom the economical factors as symbols of welfare and, primarily, personal welfare are basic.

- The compliance of the theory of financial science with contemporary realities will favor the popularization and the distribution of financial competence over increasingly wider circles of population, which, undoubtedly, will stimulate the rise of economical activity of individuals and the efficiency of actions, aimed at improving the social-economical development of the society.

The transition from centralized, planned-directive economics to market forms of economic management, which occurred against the background of global crisis tendencies, has become one of the factors of crisis of household economies and has led to the destruction of scale of both individual and communal values, which had been formed for a long period of time and which specify the social-economic guidelines of development of an individual and the society as a whole [2, p. 39].

The financial system of post-socialist countries had been modernized to include the decentralized sector of economy, namely, private finances, the structure of which had evolved to comprise the finances of the population, which are considered in the scientific literature as finances of private households, family finances and personal finances of individuals.

At the same time, in defining the composition of “finances of the population”, it should be kept in mind that in this context there are many related terms, extensively presented in the scientific literature, which have their own right to exist and do not contradict but, rather, complement each other, thus helping better elucidate the social-economic essence of this scientific category.

However, the academic and academic-methodic literature mainly uses the term “finances of households”.

At the same time, when the processes of formation of private property and property interests in household were considered, the finances of the holder (owner) and finances of custodian of money resources had been practically overlooked.

What is the principal difference between the money and financial resources?.

Money resources are the money or other highly liquid assets, which are at the disposal of the owner (government, economic entity, or population) and are used as the means of exchange and (or) payment.

In their turn, financial resources are taken to mean an isolated part of money resources, which can be accumulated in the form of fund-in-trust, having a relative independence of functioning.

Similar terms are also used in foreign terminology: monetary (pecuniary) and financial resources [3, 4].

The owner of enterprise is always faced with contradictions, which underlie the proper essence of personal finances; this is because the owner identifies finances of an enterprise, as a legal body, with his personal finances, i.e., the finances of a physical person and they, in turn, are his private financial asset, private property, in the form of this enterprise, as a property complex.

Also, the owner is always faced with a choice among how to distribute, how to correctly manage, where the results of financial activity of his enterprise should be directed to: whether to satisfy his personal needs (since these are his personal finances), or to form the salary fund, or to perform mandatory payments, or to modernize the equipment and so on.

The property institution itself existed for a long period of time; however, it was not sharply separated from possession, rights to another person’s things and family relationships. The term “dominium” was applied in all cases of dominance over things in household and meant much broader sphere of relationships than the property right [5].

Property had also different forms (private, individual, community, generic, family, state), depending on the development level of productive powers of state.

It is noteworthy that the private property had appeared earlier than its other types and, primarily, it was established in regard to the movable asset, i.e., private property in chattel preceded the private property in land [6].

The term “dominium”, which was special and constant for the property right, could appear only after the differentiation of legal institutions, “servicing” the private property: possession (*possessio*), servitudes legal (especially usufruct) and so on [7].

Extents and rights of the holder (owner) were rather fully presented in Roman law by lawyers of Ancient Rome: the right of possession (*jus possidendi*), right to use (*jus utendi*), right of managing (*jus abutendi*) and right to get profits (*jus fruendi*); the right of protection (*jus vindicandi*), which cover all possible forms and methods whereby the owner can impact a thing and, at the same time, for limiting the infringement on it from other persons.

However, the right of protection (*jus vindicandi*) became gradually unnecessary and the right of getting profits from the thing (*jus fruendi*) was included in the right to use (*jus utendi*) [8, 9].

From the viewpoint of owner, any asset has its own material equivalent, expressed in a cost-based measure. This is totally characteristic both for finances and money resources, which, from the viewpoint of the owner in the name of the government, economic entity and an individual, is in his full property and he (owner) can manage it as he wishes.

According to the Roman law, if these constituent parts of the property right are considered only as legal, then possession often exists as purely factual state. The possession can be substantiated not only by the property right (when the owner and the holder coincide), but also by another object right. But, even when the owner and the holder coincide, the holder from the external side is considered not as the owner, but rather as a person, having a real, actual power over the thing [5].

Despite the apparent similarity between finances of the holder (owner) and finances of the custodian of financial resources, they cardinally differ.

The holder (owner) of money resources has a right in different (except in illegal) forms and methods for obtaining the profits from their use in some or another form, aimed to satisfy his personal needs or to orient them to other goals.

He can by himself manage them or transfer them at disposal (temporary actual owning of resources, but not the possession of them) of a physical person or a legal body under the conditions pre-agreed with him and can be given back a special reward or another form of payment for the use of it during a prescribed period of time, without a direct participation in operations at financial market.

Hence, money resources can belong to one holder, while actually being at disposal of another person; but, at the same time, the right to actually manage them can be transferred to another physical person or legal body only on the basis of different agreed relationships (e.g., financial resources can be transferred by the owner-holder himself for a temporary use).

When the right to manage the financial resources is transferred, it should be remembered that only the right to manage is being transferred, except when the owner is changed either according to his will, i.e., deliberately (in oral or written form), or without accounting for his will (such as according to the court verdict or by a forcible method, e.g., illegal takeover and so on).

Actual *holder (owner)* of financial resources, by using his rights of owner of these resources, may have neither experience, nor time, nor freedom for managing them and, to eliminate these reasons, he can employ a *custodian* of money resources.

The custodian of money resources, using both his own money and non-own attracted money of physical persons and legal bodies, should choose by himself, or with the help of communal body, which manages the given enterprise, the necessary financial strategy, which will help him competently and efficiently manage assets at his own risk, distribute them in the form of capital issues, offer them in the form of lending resources, invest them in production and other spheres of economy and so on.

To ease the understanding of functions of the custodian of financial resources, this paper considers no mixed form of property (private and state) and addresses a custodian, attracting only private resources.

At the same time, custodian of financial resources may even have no right for managing these latter, due to the direct violations of private property (delicts: embezzlement and management of resources, despite a priori awareness of the fact that they do not belong to a given person and so on).

Besides, there is still another category of individuals, namely, *owner-custodian* of money resources, who independently determines the directions for using his personal finances and who is a solitary owner of the given enterprise, or who holds a control stock or a share of authorized capital, which permits him to take single-handedly any decisions.

Processes of transition to the market economy revealed the need in research into studying how households are adapted to new conditions of management, into determining the financial strategies and financial competence of individuals, their behavior and significance on the labor-market, their ability to develop the conditions of self-sufficiency, which are invariably imprinted on the state of population finances.

Market transformations provided the population with new forms of economical behavior, which made citizens to select between principally new financial strategies and had led them to adapt to altered conditions of managing, many of which turned out to be unready to these conditions.

Body Z. and Merton R. think that these questions can be solved using a help from qualified financial consultants, the service of which is required not only for households and economic entities, but also for the government itself [10].

At the same time, the absence of basics of financial competence, as well as the persisting distrust regarding the forms and methods for attracting the profit accumulations of citizens, which the government suggests as an investment resource for the national

economy, prevents wide circles of population from participation in operations at financial market and suppress the entrepreneurial activity.

Different informational resources, the primary aim of which is to help citizens to efficiently manage the assets they own, are involved to solve the questions, dealing with leveling of these situations and concentrating on raising the financial competence of population [11, 12].

Professional skills in managing the financial resources, being the basis for actions of their custodian, help him to efficiently cooperate in the process of his economical relations with different groups of owners (state, legal bodies and physical persons).

In this case, the money resources of physical persons act as investments and are the driving force of the market [13].

Therefore, dynamic and purposeful development of national economy depends not only upon the implementation of progressive technologies, both in the material production and in the sphere of bank-loan activity, but also upon how adequately can the population perceive them and use in practice in the process of managing the property they own.

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