

THE DEFINITION AND STRUCTURE OF FINANCIAL SECURITY

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Abstract. *The purpose* of the article is to clarify the definition and structure of financial security. *The subject of the research* is the definition and structure of financial security. Financial security is defined as the most important element of the country's economic security in modern conditions; approaches to the definition of the concept of economic security are characterized; the concept of financial security is defined; administrative and legal relations in the field of financial security are characterized; the structure of administrative relations in the field of financial security is determined; threats to financial security are identified; threats to the development of the insurance market are identified; problems of the market of non-banking financial services in Ukraine are characterized; factors ensuring the competitiveness of the non-banking financial sector in modern conditions are characterized. *Methodology.* General scientific methods of formal logic (analysis, synthesis, deduction, induction, analogy, abstraction and modeling) are used in the article. Results. Thus, the financial security of Ukraine should be understood as a complex, dynamic, social system with an extensive network of interconnected and interdependent elements and connections, which guarantees the state's ability to effectively form, preserve against depreciation and rational use of financial resources and is aimed at stabilizing the socio-economic development of the country, ensuring its stability, as well as the formation of prerequisites for preserving the integrity and unity of the state financial system, maintenance of financial obligations.

Key words: financial security, economic security, elements of financial security, insurance market, threats to financial security.

JEL Classification: F52, H55

1. Introduction

Modern complex state-building period in Ukraine is caused by a combination of political, economic, legal, social and other phenomena and processes of external and internal origin, creating new threats and risks to the national economy, its material basis for systematic and full functioning of public institutions. In the conditions of the Ukrainian people's choice of a Pro European vector of development and other measures aimed at the comprehensive reorientation of state policy in accordance with new values and ideals, there is an objectively urgent need to ensure the proper organization and functioning of the domestic economic security system. This is especially relevant in the current period of economic destabilization and the negative consequences of many globalization processes (the global economic crisis, a decrease in economic activity due to quarantine restrictions, the loss of parts of the Donetsk

and Luhansk regions of Ukraine, the occupation of the Autonomous Republic of Crimea and Sevastopol, etc.), which inevitably leads to the transformation of the economic system, changes in the geo-economic situation of the country, weakening of the existing positions in various branches of this sphere, decline of the national economy and impoverishment of the population. In view of its real importance, and even from the position of real significant influence on most European integration measures, achieving positive results in this direction is justified as one of the main tasks of the democratic, social and legal Ukrainian state (Melnyk, 2021).

It should also be emphasized that in the current conditions of development of economic integration of the world economy the process of international circulation of capital acquires gigantic scales, exerting a noticeable influence on the state and further development of the economy of any state.

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However, their withdrawal from Ukraine has become permanent, which has a destructive effect on the development of the domestic economy and poses a real threat to economic security. The result of this process is the reduction of investment resources and the artificial demand for foreign credits, the insufficiency of financial revenues from foreign economic activities, and the reduction of the country's currency reserves. This process leads to a decrease in the stability of all segments of the money market, money circulation and aggravation of the problems of the national economy.

The sphere of activity of NFI is no exception, with the help of these institutions various credit and financial operations are carried out, funds are legalized (laundered), and all this is preceded by the commission of certain violations in the financial sphere. Therefore, it is not surprising that at this stage of development of the society, the priority direction in the field of national security is precisely financial security. The economic and financial development of a country determines its future, opportunities and potential. Financial security is not only one of the most important components of the system of state interests, but also a decisive condition for observance and realization of both state and non-state interests of the country. The issue of regulation of administrative and legal relations in the sphere of ensuring financial security occupies one of the first and most acute positions today, especially in Ukraine, and remains the most relevant.

The purpose of this article is to clarify the definition and structure of financial security.

2. The most important element of the country's economic security in modern conditions is financial security

It should be noted that, as A. I. Bondarenko rightly states, "the most important element of the country's economic security in modern conditions is financial security, since the influence of global financial systems on an individual state is shifting to a qualitatively new level. Taking into account the dominant position of the financial component in the modern economy, we have the right to characterize the latter as an economy managed by financial mechanisms with the help of financial tools, financial incentives and for financial purposes." (Bondarenko, 2018) It should be added that the level of opportunities for economic security in the matter of protection of the national economy largely depends on financial security and its optimal state. According to Yu. V. Truntsevsky, "the concept of financial security is the most important element of a broader concept – economic security. Thus, one of the significant aspects of ensuring the economic security

of the country is the state of its financial system (the state budget and other institutions), the ability of this system to provide the state with financial means sufficient to perform internal and external functions." (Truntsevskiy, 2007) Undoubtedly, such activity occupies one of the important roles among the vectors of state policy and is aimed both to promote the development of economy and to minimize the risks of appearance of new destructive factors for it, as well as to prevent strengthening of destructive influence of the existing ones (Melnyk, Ivashchenko, 2018).

It is impossible to carry out a balanced policy of effective protection of national economic interests without a stable functioning financial system and, consequently, an adequate material base. Based on this, V. I. Melnyk suggests that such a subsystem significantly influences the economic component. This is explained, first of all, by the fact that it is the basis for the necessary stability and competitiveness of the economy. The level of capabilities of the studied component of state security depends on its optimal state in terms of the real ability of material support to protect the national economy (Melnyk, 2020). Carrying out general characterization of financial security in the field of NFU activity as an object of administrative and legal protection and clarification of its role for the national economy, in authors' opinion, it is appropriate to dwell on the conceptual definitions. Any research is based primarily on clarifying the terminology and its place in science, comparing it with foreign research and determining its place in public life (Cherniei, 2015). The existence of generally accepted definitions indicates a certain level of scientific progress in this or that branch of science at the current stage of development. And clarifying the meaning of a certain terminological unit and defining its essence makes it possible to avoid vagueness and ambiguity while characterizing it. Obviously, this will contribute to consistency, logical order and unification of terminology, because similar cases of inconsistencies have repeatedly become the subject of active discussion among representatives of scientific, expert and professional communities.

Studies on the problems of defining the essence of administrative-legal relations, as well as their structure and types, are widely represented in scientific literature. Moreover, the modern doctrine of administrative law primarily takes into account the trends of humanization of science, therefore the essence of administrative law shifts to the provision of services to the population, and not to the administration of power. Thus, taking into account the content of administrative-legal relations, which are the material result of the implementation of the norms of administrative law, it is possible to speak about the

formation of a modern paradigm of administrative-legal relations.

V. B. Averianov (Averianov, 2003) believes that administrative-legal relations are social relations regulated by legal norms, in which their parties (subjects) are interconnected and interact through the exercise of subjective rights and obligations established and guaranteed by relevant administrative and legal norms.

3. Approaches to defining the concept of economic security

According to the first approach, economic security is a certain state of economy, capable of resisting external and internal threats. Thus, L. P. Honcharenko says that economic security is a state of economy that ensures a sufficient level of social, political and defense existence and development of the state, invulnerability and independence of its economic interests in relation to possible external and internal threats and influences (Honcharenko, Akulinina, 2015).

V. S. Pankov, who studied national economic security, understood it as a state of the national economy characterized by stability, "immunity" to the action of external and internal factors that interfere with the normal functioning of social reproduction and undermine the achieved standard of living of the population, thereby causing increased social tension in society, as well as a threat to the very existence of the state (Pankov, 1992). V. O. Honcharova defined national economic security as such a state of national economy in which stability and ability to withstand adverse conditions for the development of internal and external processes are preserved (Honcharova, 2001).

According to the second approach, methods of neutralization of existing threats were determined as a key element of economic security. In particular, O. V. Skoruk emphasized that economic security of the state is the state of its economy, which ensures that sustainable and scientifically based methods of neutralizing the negative impact of internal and external threats are created, the necessary conditions for stable socio-economic development of the state, protection of national economic interests and improvement of the welfare of citizens appear (Skoruk, 2016).

Almost similarly, Z. V. Hbur substantiated the opinion that economic security is ensured by stable and justified methods of leveling the influence of threats from the internal and external environment, which creates suitable conditions for the development of a stable socio-economic system (Hbur, 2018). In his works, V. I. Muntiian defined economic security as a national complex of measures aimed at permanent and stable development of

the state economy, which includes a mechanism for countering internal and external threats (Muntiian, 1998). According to the third approach, economic security is associated with the ability of the economy to develop in order to ensure sustainable development of the state. For example, Ya. A. Zhalilo says that economic security is a complex multifactorial category that characterizes the ability of the national economy to expand reproduction in order to satisfy at a certain level the needs of both its own population and the state at a certain level, and to resist the destabilizing effect of factors (Zhalilo, 2001).

T. V. Tsvihun points out that economic security implies the ability of the national economy to ensure its independent development, stability of civil society institutions, sufficient defense potential of the state under various adverse conditions and events, as well as the ability of the country to protect its own interests from external and internal threats (Tsvihun, 2017).

At the same time, a broader definition of economic security was formulated by D. O. Koshikov, with whom this paper fully complies.

Thus, economic security is a component of the national security of Ukraine, which represents the state of social relations formed with regard to the distribution, exchange and consumption of material and immaterial goods and services, which characterizes their safety and resistance to external and internal threats, ensures the protection of national economic interests, promotes the realization of socio-economic rights and freedoms of citizens, and also creates conditions for further development and growth of the national economy and ensures the state's competitiveness in the global economic environment (Koshykov, 2020).

4. The concept of financial security

Based on the above, the financial security of Ukraine should be understood as a complex, dynamic, social system with an extensive network of interconnected and interdependent elements and connections, which ensures the state's ability to effectively form, preserve against depreciation and rationally use financial resources aimed at stabilizing socio-economic development of the country, ensuring its stability, as well as the formation of prerequisites for maintaining the integrity and unity of the state financial system, servicing financial obligations. In comparison with other subsystems, it has the closest connection with the economic component, taking into account its really important role.

Having systematized scientific views on the category "financial security", O. V. Tikhonova proposes to emphasize another approach to the determination of

financial security – behavioral (behavioristic). Thus, in her opinion, the definition of "financial security" is interpreted according to one of the following approaches: functional, institutional, behavioral and complex (Tykhonova, 2012).

5. Administrative and legal relations in the field of financial security

Administrative-legal relations in the field of financial security are regulated by legal norms. Social relations in the sphere of financial security are regulated by legal norms in which their parties (subjects) are interconnected and interact through the exercise of subjective rights and duties established and guaranteed by the relevant administrative-legal norms and the state. According to V. A. Lipkan, such administrative-legal relations are a type of administrative-legal relations, therefore, endowed with some characteristic features (Lipkan, 2008):

- obligations and rights of the subjects and objects of relations connected with the activity of state administration bodies;
- administrative-legal relations in the sphere of security are a part of relations in the sphere of administration, they arise in everyday practical implementation of tasks and functions of the state to ensure financial security;
- in these relations, one of the subjects is a state administrative body or a public organization vested with state powers in the sphere of financial security;
- these relations arise on the initiative of either the object or the subject, and the consent of the other party is not a mandatory condition for their occurrence;
- administrative-legal connection is a special relationship between its participants, one of which, under the given circumstances, has the right to demand from the other such behavior as is provided for by the administrative-legal norm;
- the subject of security management is obliged to implement its own material, legal and procedural rights, i.e., the right is also considered as the obligation of the subject of administrative-legal relations in the field of financial security;
- in case of violation of the norms regulating public relations in the sphere of financial security, the violator is liable both to the other party and to the state;
- administrative-legal relations in the sphere of financial security are not always relations carried out on the basis of power and coercion. They can be carried out both on the basis of authority and subordination, as well as on the basis of equality of the parties, when each party must fulfill certain requirements of the legal norm. Therefore, the existence of mutual rights and obligations is an inherent feature of administrative-legal relations in the sphere of financial security;

- sanctions applied to the parties of administrative and legal relations in the field of financial security depend on the degree of public danger of the offense;
- disputes arising between the parties to administrative and legal relations shall be settled in administrative and other courts.

Depending on the characteristics of the participants, administrative and legal relations can be internal and external. In the first case the obligatory body enters into relations with other bodies of providing financial security, in the second – interacts with citizens, non-state enterprises providing services in the field of financial security. However, the state, represented by the authorized bodies, by means of coercion and management, establishes and implements the relevant rights and obligations, rules and norms of conduct in clearly defined spheres of public life.

Therefore, the primary role in determining the content of administrative-legal relations belongs to their parties. These parties are the subjects of providing financial security – the bearers of rights and obligations in the sphere of financial security provided by administrative and legal norms, who are capable of exercising these rights and fulfilling the assigned obligations.

The decisive feature that distinguishes the content of security from administrative-legal positions in the field of financial security is the fact that one of the parties is a holder of legal authority over other subjects, which is granted to him by administrative norms. Such subjects are subjects of financial security. Administrative-legal relations are formed when these subjects exercise their powers and administrative functions (Bryhinets, 2017).

In general, administrative and legal relations in the sphere of financial security are characterized by two important features: on the one hand, they are forms of social relations, since people or their associations necessarily participate in them, and on the other hand, they are forms of organizational relations, which in the process of their implementation solve the tasks of administrative activity to create favorable conditions for the realization of national financial interests.

6. The structure of the administrative relations in the field of the financial security

Administrative relations in the field of financial security have their own structure (composition). Its elements include: subjects, objects, legal facts.

The subject of administrative relations in the field of financial security of the NFI is the subject of administrative law, which has entered into specific legal relations in the field of financial security, regulated by the norms of administrative and

financial law, in particular: NBU, NSSMC, Antimonopoly Committee, law enforcement bodies, non-governmental bodies and organizations, citizens.

The subject of administrative and legal relations in the field of financial security of the NFI is money and credit and the NFS activity of the NFI in it.

The basis for the appearance of change or termination of administrative and legal relations in the field of financial security of the NFI are legal facts (actions, events), the main feature of which is the ability to cause legal consequences. Legal acts meet the requirements of administrative, legal and financial norms: administrative acts – decrees and orders of the President, resolutions and orders of the Cabinet of Ministers of Ukraine, etc. in the field of financial security. The security sphere is characterized by legal acts of an individual nature, since they directly create specific administrative and legal relations. Thus, administrative and legal relations are directly created between a person appointed as the head of the group and other employees. Unlawful acts are crimes, misdemeanors that entail the application of coercive measures. The commission of a crime causes the emergence of a certain circle of relations concerning the application of the norms of substantive and procedural administrative law. With regard to the special nature of security relations, most of them are protected by criminal law (Galunko, Pravotorova, 2021).

The main criteria for ensuring financial security in this area are the sufficiency of financial resources, their balance and liquidity, which enable the sustainable development of NFIs and the banking system in general. Elements of financial security should include the following:

- the efficiency of the financial system, i.e., its ability to ensure the achievement of the strategic and tactical development goals of the NFS and NFI;
- independence of the financial system, which means the ability of the state to independently determine the objectives, mechanisms and methods of its functioning;
- competitiveness of the financial system, that is, its ability to fully perform its tasks and functions in the conditions of existence and influence of the financial systems of other countries and global financial actors.

7. Financial security threats

Threats to financial security are a set of real or potentially possible phenomena and factors that pose a threat to the realization of national interests in the financial sphere. Threats complicate self-regulation of the economy and realization of financial interests, cause financial indicators to exceed their thresholds. It is the task of the state to

identify threats, measure the level of their danger, take appropriate measures to prevent and eliminate threats and negative consequences of their influence.

8. Threats to the development of the insurance market

The following threats to the development of the insurance market include: imperfect legal regulation of insurance; lack of liquid financial instruments for effective investment policy; low capitalization of domestic insurers; delay in the introduction of compulsory health insurance with the participation of insurers; absence of legal basis for the introduction of investment and pension insurance; opaque state regulation; non-transparent financial reporting of the insurance sector; lack of quality statistical information in the insurance sector; low level of services provided by individual insurers and fraudulent schemes in the insurance sector; use of insurance as a mechanism for optimizing taxation and tax evasion.

Despite the nominal growth of the main indicators of the development of the insurance market, it remains extremely insignificant in terms of the volume of statutory funds, equity, assets, insurance reserves. Insurance companies do not accumulate a significant amount of investment resources and therefore do not have a significant impact on the processes of expanded reproduction, growth of the state economy and the welfare of citizens. In the competition to attract financial resources, the insurance market is currently losing significantly to the banking system.

At the same time, today the risks of domestic legal entities are not sufficiently covered by insurance, as this area was practically not developed ten years ago, when the risks of industrial enterprises were not subject to insurance. The need to modernize the insurance market of Ukraine is obvious and it is connected with the transition from the redistribution model of this market (in the interests of financial and industrial groups) to the development of real insurance. The prospects for the development of the insurance market in Ukraine are primarily related to the increase in the share of long-term (cumulative) insurance. This will require a balanced development of voluntary and mandatory forms of insurance and the creation of innovative insurance products.

Trust companies, credit unions, pawnshops, leasing and factoring companies, non-state pension funds currently have very little influence on Ukraine's economic development. Their total assets amount to about 0.5% of GDP. The urgent need to create a non-state pension system in Ukraine is connected with the need to gradually reform the existing state

pension system and introduce elements of the accumulation system.

Thus, unlike developed countries, where the funds accumulated by non-bank financial institutions are one of the most important sources of investment, domestic insurance companies, pension funds and mutual funds have not yet been able to attract sufficient funds, and their financial power is rather insignificant. The main reasons limiting the development of domestic non-banking institutions are the insufficient level of development of the economy and industry, the underdevelopment of the stock market and its infrastructure, the imperfection of the legislative framework, and the low level of income of the population.

9. Problems of the market of non-banking financial services in Ukraine

According to O. S. Vlasiuk (Vlasiuk, 2014), the main problem of the market of non-banking financial services in Ukraine is its extremely insufficient development. This is due to a number of reasons, among which the following should be emphasized:

Organizational and legal:

- lack of a clear vision of NFIs in the country's financial and banking system, as well as a clear government policy regarding their activities;
- incomplete and sometimes inconsistent regulatory framework;
- minimization of state regulation and control over NFIs, its imperfection and lack of clarity;
- inconsistency of measures concerning the organization of state supervision over the activities of financial intermediaries;
- lack of adequate level of market competition and effective incentives for further development of the network of financial intermediaries;
- unresolved issues of interaction of the NFU with institutions and organizations of the banking sector of the economy;
- imperfect taxation of financial intermediaries, which leads to the concealment of activities and the use of these institutions for tax evasion.

Economic:

- low solvent demand of legal entities and individuals for financial services; lack of budget funds for the organization of full-fledged financial intermediation; significant undercapitalization of financial intermediaries, insufficiency of their assets and reserves to carry out full-fledged activities;
- overflow of solvent demand for financial services to the banking system or to foreign financial intermediaries as a result of undercapitalization.

Functional:

- a relatively narrow range of financial services offered to clients;

- the unbalanced portfolios of financial intermediaries and the virtual absence of at least minimal risk management practices;
- extremely low technological level of operations;
- lack of proper traditions, long-term positive experience of working with clients;
- low level of management and marketing in the market of financial services; imperfect market infrastructure.

Personnel:

- insufficient professional level of specialists;
- actual lack of qualification requirements for many of them.

Information and analytical:

- insufficient scientific research on the formation and development of the insurance market, leasing and the market of non-banking financial services in general;
- inadequate statistical base in the field of financial services;
- poor provision of information and consulting on financial intermediation activities;
- lack of a base of unscrupulous clients of financial and banking institutions;
- absence of specialized publications on the topics of insurance, leasing, non-governmental pension plans, and so on;
- lack of ratings of financial intermediaries that would be trusted by the market and general opacity of the sector for potential investors, participants and clients.

The above indicates low efficiency of the domestic market of financial services and, consequently, a threat to financial security. At present, this field of activity is not recognized by the society as objectively important and necessary. The place and role of financial intermediation in the national economy have not yet been clearly defined.

Thus, the threats to the development of NFS in Ukraine are as follows:

- insufficient capitalization of NFU;
- low solvency of individuals and legal entities, low level of trust of citizens in institutional investors;
- lack of effective system of protection of rights of consumers of financial services;
- insufficient awareness of the activities of the NFU in Ukraine;
- low level of transparency of financial institutions;
- imperfection of the legislative framework and the system of state regulation;
- incompleteness and inconsistency of the process of formation of the NFU system;
- insufficient protection of investors' rights;
- lack of an effective system of protecting the rights of consumers of financial services;
- insufficient awareness of the activities of the NFU in Ukraine.

To ensure an acceptable level of financial security of the state, it is necessary to create adequate reserves and purposefully apply budgetary, tax, monetary

and other mechanisms of state regulation that correspond to market conditions (Vlasiuk, 2014). Security itself in the monetary and credit sphere (monetary and credit security) is focused on ensuring the stability of the monetary unit, availability of credit resources and maintaining the level of inflation that does not suppress economic growth and increase the real income of the population. Such security is manifested in monetary policy as a set of measures in the sphere of money circulation and credit aimed at regulating economic growth, curbing inflation and ensuring the stability of the monetary unit, providing employment for the population and balancing the balance of payments. The implementation of a well-designed monetary policy by the state requires the separation of its strategic and tactical objectives.

10. Factors ensuring the competitiveness of NFS in modern conditions

Factors ensuring the competitiveness of NFS in modern conditions should be:

- adaptation of the legislative and regulatory framework of Ukraine to the requirements of EU legislation and the Basel Committee on Banking Supervision; capital adequacy (stability, reliability, expansion of access to financial markets, implementation of mergers and acquisitions);
- the required asset quality (liquidity, solvency, profitability, stability, risk diversification, availability of creditworthy borrowers);
- availability of financial innovation.

At the same time, today the NFS of Ukraine does not properly fulfill the function of financial support for stable economic development. In order to minimize the risks that may result from insufficient stability, transparency and competitiveness of the NFS of Ukraine, it is necessary to create a body (for example, the National Bureau for State Regulation of Financial Services Markets), similar to the liquidated National Financial Services Commission, the sole activity of which will be aimed not only at control and supervision, but also at reforming NFIs and implementing the best European practices. Concentration of such powers in the NBU, whose activities cover both banking and non-banking spheres, is burdensome and less effective.

State policy in the sphere of NFS should be aimed at:

- improvement of coordination of the activities of financial sector regulators;
- creation of a system of risk identification, monitoring and ongoing analysis of the financial services market to ensure the possibility of taking preventive measures to ensure financial security;
- increasing the transparency and openness of the activities of financial institutions and the body

that carries out state regulation and supervision over them;

- enhance the solvency and financial stability of NFIs;
- ensure adequate protection of consumers of non-banking financial services;
- preventing the use of NFIs for unproductive withdrawal of capital abroad.

Taking these measures will make it possible to ensure protection of national interests of the state in case of emergence and aggravation of risks of a fragmented nature in the financial sphere, to create a mechanism of state management of risks in the financial sphere, to minimize the consequences of global risks, which will contribute to balance of the financial sphere and ensure effective functioning of the national economy and economic growth of the state.

11. Conclusions

Thus, in the modern conditions of reforming economic relations, the development of financial markets is characterized by extraordinary speed and dynamism. In the financial industry, competitive advantage and technology are closely intertwined and interconnected. The growth of confidence in the markets of financial services, the efficiency of their work largely depends on how and by what rules the financial sector functions. There are various problems that need to be solved in the activities of financial institutions in Ukraine and around the world. The rapid growth of technologies and communications, the development of information technologies and their active use in the field of financial services contribute to the emergence and improvement of various types of crimes, the annual losses of which are estimated at billions of dollars on a global scale (Buha, 2020).

Therefore, the definition of the conceptual bases for the formation of an effective and efficient state risk management mechanism in the financial sphere, aimed at the prevention of crisis phenomena and minimization of their consequences, will ensure the effective functioning of the national economy and economic growth of the state. And financial security of financial and credit institutions is the main element of their economic security. At the same time, in a certain way, it is an independent element and represents such a state of their financial resources, which ensures effective (profitable) activity, protection of financial interests and the ability to preserve their financial capabilities under the influence of various dangers and threats. That is, the main focus of financial security should be aimed at ensuring the effective use of financial resources and maintaining them at a sufficient level for effective activity on the market

of financial services in all conditions. The latter includes active activity in attracting financial resources and their effective investment. Based on the above, it can be stated that financial security covers all aspects of financial activity of non-bank financial and credit institutions and ensures their stability and competitiveness on the market (Buha, 2020).

Consequently, financial security of Ukraine should be understood as a complex, dynamic, social system

with an extensive network of interconnected and interdependent elements and connections, which ensures the state's ability to effectively form, protect against depreciation and rational use of financial resources, the system aimed at stabilizing socio-economic development of the country, ensuring its stability, as well as the formation of prerequisites for maintaining the integrity and unity of the state financial system, servicing financial obligations.

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