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DOI: <https://doi.org/10.30525/978-9934-26-295-1-133>

FINANCIAL SECURITY OF THE STATE: ASSESS AND IMPACT ON SOCIO-ECONOMIC DEVELOPMENT

The problem of the financial security of the state since the day of Ukraine's independence remains extremely relevant, primarily from the point of view of ensuring sustainable and balanced development of the country in the long term. A change in the conditions of the functioning of the economy and the ability to create activities from the action of internal and external threats affects the state's competitiveness in the world market and the socio-economic development of the country. Financial security is a fundamental component of the economic security system, as the entire industry depends on finance to some extent.

Given the importance of the financial sector in the country's economy, assessing the state's financial security is a tool for measuring its level. Based on the assessment results, an analysis of the main threats existing in the financial industry is carried out. Today, to determine the level of financial security in Ukraine, the Methodology for assessing financial and economic security is in effect based on the "Methodical recommendations for calculating the level of economic security of Ukraine", approved by order of the Ministry of Economy (October 29, 2013 No. 1277) [1]. The Methodology defines financial security as the state of the country's financial system, under which the necessary financial conditions are created for the country's stable socio-economic development, its resistance to financial shocks and imbalances is ensured, and conditions are created to preserve the integrity and unity of the country's financial system [1].

Methodological recommendations are based on the quantitative calculation of indicators that characterize the country's security situation. The security level is carried out in sequential order and is defined as an integral index considering the necessary weighting factors. The security of its components is first assessed to assess the overall level of financial security. Financial security has components, it is represented by six financial sectors: banking security, security of the non-banking financial market – including the insurance and stock market, debt, budget, monetary-credit security.

Using the requirements of the Methodology, taking into account the relevant weighting factors, an assessment of the state's financial security for 2013 to 2021 was conducted. The results of the assessment of six sectors of financial security and visualization of the dynamics are presented in Table 1.

Based on the study of the banking sector, a trend of changes in the state of the domestic banking sector was revealed, namely, an increase in the number of credit transactions over deposit transactions. Banks issue more loans than attract deposits. Accordingly, in connection with this, there is a negative profitability, i.e. unprofitability of bank assets. A low level of insurance penetration characterizes the security of the non-banking financial market. A significant reduction in the level of capitalization of listed companies was observed in the stock market.

Of all financial sectors, debt security in Ukraine have the lowest level (only 11% in 2014-2015) and are in a pre-crisis state. In the budgetary sector, there is a discrepancy

between the income and expenditure balance of the state and local budgets, and the state budget resources are used inefficiently. The level of currency security decreased during the analyzed period. The study of Ukraine's monetary security state testified to a large share of the specific weight of cash outside banks in the total amount of money supply.

Table 1

Security indicators of the financial sectors of Ukraine for 2013-2021, %

Security sector	Year									dynamics of the indicator
	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Bank security	56,3	48,4	49,2	71,6	42,3	48,0	34,5	38,7	37,9	
Non-bank security	45,8	36,6	30,7	24,7	22,9	24,1	26,2	28,9	26,2	
Debt security	22,9	11,3	11,0	15,5	14,5	13,9	16,0	17,9	28,9	
Budget security	44,6	42,6	65,8	56,3	63,2	65,2	63,0	35,5	56,7	
Currency security	50,4	24,4	21,3	25,6	34,1	38,7	40,7	44,8	52,4	
Monetary-credit security	50,5	47,2	50,3	64,3	63,9	54,0	49,2	56,2	57,5	

Source: own elaboration of the author

Table 2

The general level of financial security of Ukraine for 2013-2021

Subindices of financial security	Year								
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Bank security	0,097	0,083	0,085	0,123	0,073	0,083	0,059	0,067	0,065
Non-bank security	0,049	0,039	0,033	0,026	0,024	0,026	0,028	0,031	0,028
Debt security	0,040	0,020	0,019	0,027	0,025	0,024	0,028	0,031	0,051
Budget security	0,090	0,086	0,133	0,114	0,128	0,132	0,127	0,072	0,115
Currency security	0,085	0,041	0,036	0,043	0,058	0,065	0,069	0,076	0,088
Monetary-credit security	0,089	0,083	0,088	0,113	0,112	0,095	0,086	0,099	0,101
Integral level of financial security	45,0%	35,2%	39,4%	44,7%	42,0%	42,5%	39,8%	37,5%	44,7%

Source: own elaboration of the author

The results show that the overall value of Ukraine's financial security assessment is at the level of less than 50% for the entire analyzed period. Recorded the highest level in 2016 and 2021 – 44,7%, and the lowest in 2014 – 35,2%.

Half of the country's economy, and in some periods only a third, is protected from financial threats, and the minimum level of security of the financial sector of the economy

is ensured. Identified the biggest threats in the field of foreign debt, ineffective use of budget funds, high cost of bank loans and a significant level of dollarization of the economy.

In recent decades, among the main problems of Ukraine's economy, threats to the country's financial security have significantly intensified. Risks in this area hinder the reform of the economy, do not provide an opportunity to maintain the necessary level of economic growth, restrain the improvement of the spheres of the state's financial system and significantly affect the population's social security. The invasion of the aggressor of the Russian Federation on February 24, 2022, negatively impacted all areas of financial security. The banking sector is not yet in a pre-crisis state, but banks showed stability during the war, the National Bank of Ukraine (NBU) is trying to contain the banking system. The share of non-performing loans in banks increased to 38% in 2022 due to the war. However, the banks still need to recognize the lost loan portfolio fully.

In the budgetary sphere, there is an increase in the indicator of government expenditures per capita. This is because, since the beginning of the armed conflict, expenses for security and defense, repair and restoration of infrastructure, payments to the military and social assistance to internally displaced persons and victims have been increasing. International aid will remain a key source of financing budgetary needs.

Debt security was most affected by the indicator of external debt. The state is forced to take out (interest-free) loans to cover the state budget deficit, which for 2022 amounted to UAH 914.7 billion [2], since the majority of public funds are directed to defense spending.

The currency market was affected by the exchange rate of the national currency. The fixed-rate regime established by the NBU does not correspond to the value of the real market rate, causing a devaluation effect and inflation. Also, the reduction of exports and direct foreign investments, capital outflow, led to a shortage of foreign currency on the market. However, thanks to the international support of Ukraine's partners, a large amount of currency is provided.

In addition, the dangerous situation prompted the population to leave the country. According to UN data, as of February 8, 2023, more than 8 million people left Ukraine, of them 4.8 million people registered for temporary protection or similar national protection schemes [3]. This is one of the biggest migration crises in the history of Europe.

The military actions of the Russians destroyed production facilities, transport, and infrastructure, the loss the ability to use land due to shelling and mining, the shutdown of enterprises, the migration of labor resources, and unemployment. Ukraine's economy has been damaged. According to the NBU, general losses due to the war reached about 130 billion dollars; the loss of physical capital due to the war now exceeds 92 billion dollars, the potential loss of GDP is 1.5-1.7 trillion UAH [3].

The study of the level of the main components of financial security of Ukraine and the general level of financial security shows that these segments of the financial market have imbalances and difficulties; therefore, their stabilization remains an urgent issue of financial and economic security.

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