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ENSURING THE FINANCIAL STABILITY OF THE BANK THROUGH EFFECTIVE LIQUIDITY MANAGEMENT

The financial stability of a bank characterizes its ability to function stably, fulfill its obligations, resist the negative impact of external and internal factors, and ensure long-term efficiency. It is formed under the influence of a set of interrelated factors, including capital adequacy, asset quality, profitability, resource base structure and liquidity.

The special importance of liquidity is explained by the fact that even a financially stable bank can face problems in case of failure to fulfill current obligations in a timely manner. Therefore, liquidity management should be aimed not only at maintaining the required amount of cash, but also at forming an effective structure of assets and liabilities [4].

Liquidity management involves constant monitoring of cash inflows and outflows. The bank must forecast possible changes in the volume of deposits, credit transactions and other financial flows. An important direction is the formation of a reserve of highly liquid assets, which can be quickly converted into cash without significant financial losses [2].

Asset structure management is also an important area. Part of the bank's assets should be represented by highly liquid instruments that can be promptly used to meet current obligations. At the same time, excessive concentration of resources in low-yield liquid assets can negatively affect profitability, so it is necessary to ensure an optimal balance between liquidity and profitability.

The main directions of ensuring the financial stability of the bank through effective liquidity management are given in Table. 1.

As can be seen from Table. 1, ensuring an adequate level of liquidity requires an integrated approach. One of the most important elements is cash flow forecasting. With the help of forecasting, the bank can determine in advance the potential shortage of funds and take the necessary measures to cover it.

Table 1

The main directions of bank liquidity management and their impact on financial stability

Management direction	Main activities	Impact on financial sustainability
Cash flow management	Forecasting of receipts and expenditures of funds	Ensuring timely fulfillment of obligations
Asset Management	Maintaining a sufficient volume of highly liquid assets	Reducing the risk of liquidity shortages
Liability management	Diversification of funding sources	Reducing dependence on individual resource sources
Term Gap Management	Agreeing on the maturity of assets and liabilities	Reducing the risk of liquidity imbalances
Stress testing	Modeling of crisis scenarios	Increased preparedness for financial shocks
Formation of liquidity reserves	Creation of a stock of liquid resources	Increasing the ability to counteract the outflow of funds
Monitoring of regulations	Control of LCR and NSFR indicators	Maintaining a regulatory and stable level of liquidity

Source: formed by the author on the basis of [3]

The structure of the bank's resource base has a significant impact on financial stability. Excessive dependence on short-term or unstable sources of financing increases the risk of liquidity shortages. That is why an important task is to diversify sources of fundraising and increase the share of stable financing [3].

The liquidity coverage ratio LCR is used to assess the short-term resilience to outflows, and the NSFR is used to assess the stability of the funding structure over a longer time horizon. The implementation of such indicators is aimed at increasing banks' resilience to liquidity shocks and reducing the risks associated with over-reliance on short-term financing.

The relationship between liquidity management and financial stability of a bank can be presented in the form of Fig. 1.

As shown in Fig. 1, effective liquidity management forms a comprehensive mechanism for ensuring the financial stability of the bank. Balanced management of assets, liabilities and cash flows allows minimizing the risk of liquidity shortages. This, in turn, ensures the timely fulfillment of obligations by the bank and contributes to maintaining the confidence of depositors and creditors.

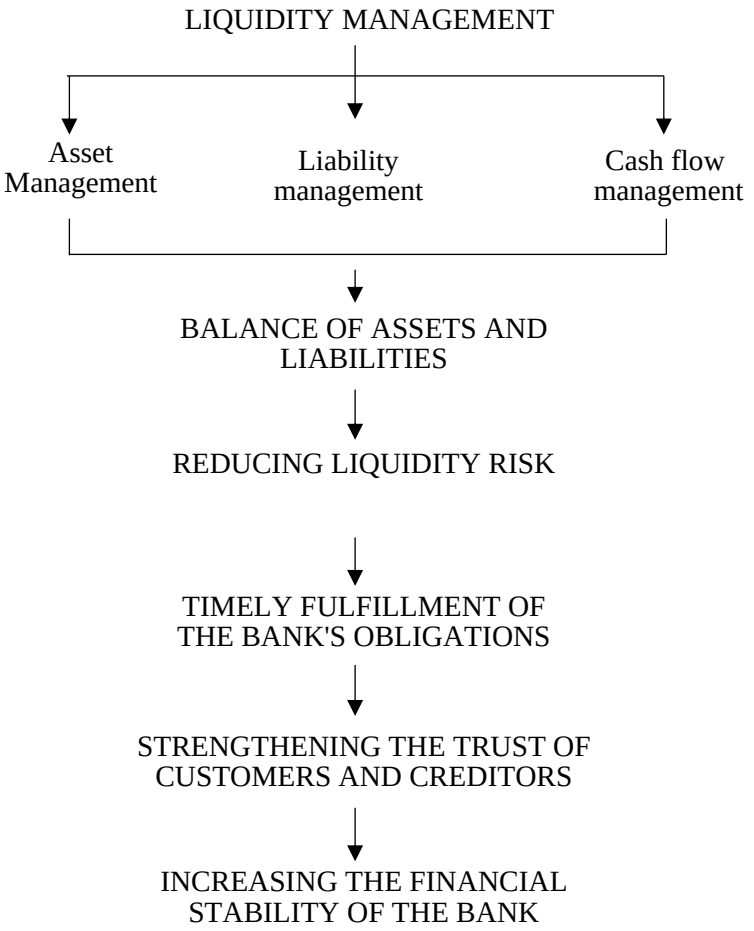


Figure 1. Relationship between liquidity management and financial stability of the bank

Source: formed by the author on the basis of [1]

Stress testing is of particular importance. By modeling various scenarios, the bank can assess its own ability to withstand negative events, in particular, a massive outflow of deposits, deterioration of access to external sources of financing, or a decrease in the value of liquid assets.

This approach allows you to form an action plan in crisis situations in advance [4].

The liquidity management system should also include the establishment of internal limits, regular monitoring of key indicators, and the determination of the acceptable level of liquidity risk. It is important to implement an early warning system that allows you to detect negative trends in a timely manner.

In modern conditions, the increase in the efficiency of liquidity management is largely associated with the use of digital technologies. Automation of cash flow analysis, the use of modern information systems and analytical models contribute to increasing the accuracy of forecasting and the efficiency of managerial decision-making [2].

The National Bank of Ukraine also emphasizes the need for increased attention to liquidity management, in particular in the context of changes in the structure of banks' assets and increased lending. An important element of the modern approach is the assessment of the adequacy of banks' internal liquidity.

Thus, in order to ensure the financial stability of the bank, it is advisable to implement a set of measures, which includes: maintaining a sufficient volume of highly liquid assets; forecasting future cash flows; diversifying funding sources; balancing the term structure of assets and liabilities; conducting regular stress testing; monitoring liquidity indicators; forming financing plans in case of crisis; improving the risk management system; using modern digital technologies for analysis and forecasting [1].

Effective liquidity management is one of the key tools for ensuring the financial stability of a bank. The ability of a banking institution to timely fulfill its obligations determines the level of trust on the part of customers, creditors and other financial market participants.

Ensuring an adequate level of liquidity requires an integrated approach that combines asset and liability management, cash flow forecasting, diversification of funding sources and constant monitoring of the level of liquidity risk [1].

The use of modern normative liquidity indicators, stress testing and the formation of internal reserves are of great importance for improving financial stability. Further improvement of the liquidity management system should be aimed at developing analytical tools, automating monitoring and improving the accuracy of cash flow forecasting.

Therefore, effective liquidity management ensures not only the solvency of the bank in the short term, but also creates the basis for its

long-term financial stability and stable development. In modern conditions, liquidity should be considered as a strategic resource of a banking institution, the effective management of which is a necessary condition for ensuring its competitiveness and resistance to financial risks.

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