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FINANCIAL SECURITY: ESSENCE AND PLACE IN THE ECONOMIC SECURITY SYSTEM

Today, the problem of ensuring economic security is a key issue in the economic policies of developed countries. Ukraine faced the issue of economic security primarily during the collapse of the Soviet Union and the emergence of our country as an independent state. Today, in the context of globalisation, integration of national economic systems, growing openness of economies, and the increasing influence of other countries, the issue of economic security has become particularly relevant. At the same time, one of the most important components of the economic security of the state is financial security, which ensures the creation of the necessary financial conditions for stable socio-economic development of the country.[1]

Many scientific papers have been devoted to the study of the financial security of the state and a significant theoretical framework has been formed in the field of financial security at all levels. In particular, these are: O. Baranovskyi, M. Yermoshenko, N. Kravchuk, V. Lipkan, V. Martyniuk, V. Predborskyi, A. Sukhorukov, etc. However, despite the large number of publications, it should be noted that there is a lack of consistency in the conceptual framework in this area[2].

The establishment of Ukrainian statehood is aimed at building a modern European country with a developed economy capable of meeting the social and material needs of its citizens. Economic interests are part of the country's national interests, but today the economy is the most vulnerable element of national security. An effective system of economic security of the state is a matter of existence of any state, so its provision is one of the priority tasks of the Ukrainian state development.

1 Globalisation Challenges for the Development of National Economies, pp. 172-174 URL:[Online resource]. Access mode: URL : https://knute.edu.ua/file/MzEyMQ==/2c7deaa543dfca540518ee5270bc8aa7.pdf#page=172

2 Baranovs'kyj, O. I. (2014), Filosofiia bezpeky [The philosophy of security], UBS NBU, Kyiv, Ukraine, p.831

In this regard, when considering certain aspects of national security, special attention should be paid to its economic aspects. After all, the realisation of any interests of the state is possible only in the case of appropriate development of the country's economy. It is this angle of view that should determine the daily activities of government agencies. Today, the economic interests of many countries are key.[3]

Thus, according to the official position, financial security is interpreted as the state of the country's financial system, which creates the necessary financial conditions for stable socio-economic development of the country, ensures its resilience to financial shocks and imbalances, and creates conditions for maintaining the integrity and unity of the country's financial system. Such an interpretation is based on the concept of a certain achieved state of finance that provides financial conditions for stable socio-economic development of the country, protection of the main national interests, and therefore this concept acquires signs of stability.[4]

One of the most important components of economic security is financial security. Without financial security, it is virtually impossible to solve any of the tasks facing the state. Neglecting the state of financial security can lead to catastrophic consequences: the decline of industries, bankruptcy of enterprises and, ultimately, the undermining of the state's life support system with the subsequent loss of its sovereignty.

The financial security of any state is determined by the following factors:

- the level of financial independence (the amount of external financial assistance from international financial institutions, economic groups, governments of individual countries, the volume of foreign investment in the national economy is of great importance);
- the nature of the financial and credit policy (both domestic and foreign) pursued by the state;
- political climate in the country;
- the level of legislative support for the functioning of the financial sector.

The financial security of the state has both internal and external aspects. As for the external aspect, it is, first of all, the financial sovereignty of the

3 Sukhorukov, A. I. (2005), Problemy finansovoi bezpeky Ukrainy [Issues of financial security of Ukraine], NIPMB, Kyiv, Ukraine, p. 140

4 Methodological recommendations for calculating the level of economic security of Ukraine. Order of the Ministry of Economic Development and Trade of Ukraine No. 1277 of 29.10.2013. [Online resource]. Access mode: URL: http://www.me.gov.ua/ Documents/List?lang=uk-UA&tag=MetodichniRekomendatsii. Name from the screen.

country, the independence of the national financial system from the influence of international financial and credit organisations and transnational capital. However, it is not correct to talk about absolute financial independence in the context of globalisation. After all, Ukraine's financial security is affected by the processes of financial globalisation that are intensifying in the global community. Therefore, the problem of financial security today goes beyond national borders. The level of integration and consolidation of financial markets is increasing, the scale of capital mobility is growing and the intensity of its circulation is intensifying. According to experts, «huge flows of 'world money' have emerged in the world, which are not subject to national governments or any other political institutions. They did not emerge as an expression of the needs of production, trade, investment or consumption. Their main source is mainly money trade».

Therefore, when developing a state financial security strategy, it is important to scrupulously analyse and take into account the current and likely situation in the global currency and capital markets.

The security of Ukraine's domestic financial sector is determined by the perfection of the legal, organisational and institutional framework, as well as political stability, the level of market risks, the scale of the shadow economy and the level of corruption in the country.

Financial security is an extremely complex multi-level system, which is formed by a number of subsystems, each of which has its own structure and development logic. The financial security of the state includes: budgetary, tax, debt, financial security of the banking system, currency, monetary, investment security, financial security of the insurance and stock markets.

However, it is worth noting that in the current conditions, namely in times of war, ensuring financial security becomes twice (perhaps three times or more) more difficult. That is, in each link of financial security: banking, debt, budgetary security, etc. during the war, new factors appear that are almost impossible to predict and very difficult to adapt to, but in modern conditions it is very important, so the above theoretical analysis should be correlated to modern conditions.

Based on the assessment of the level of national financial security indicators, priority areas for strengthening Ukraine's financial security are determined. Financial security indicators reflect the specific situation of a certain level of governance (citizens, households, enterprises, organisations and institutions, industries, regions, banking systems, stock markets, countries) or its components, such as security of money circulation, inflation, currency, and budget. To assess the state of financial security of Ukraine, we present data on the financial security indicators of the banking sector of Ukraine for 2016-2020 (table 1).[5]

Table 1

Indicators of financial security of the banking sector of Ukraine in the dynamics for 2016-2020

№	Banking security indicators	Indicator values by years				
		2016	**2017**	**2018**	**2019**	**2020**
1	Share of overdue loans in the total amount of loans granted by banks to residents of Ukraine, %.	53,7	54,54	54,76	53,50	52,99
2	Ratio of bank loans and deposits in foreign currency, %.	113,1	115	90,69	86,64	82,79
3	Share of foreign capital in the authorised capital of banks, %.	48,9	56	28,7	26,9	27,3
4	Return on assets, %.	0,33	1,54	4,79	5,23	3,11
5	Share of assets of the five largest banks in total assets of the banking system, %.	60,34	60,57	87,97	89,31	89,43

Analysing the input data for the bank financial safety indicators, the following changes in dynamics and trends can be observed. In particular, overdue loans accounted for more than half (52.9 %) of total loans in 2020, which was caused by the economic crisis in Ukraine. The value of the indicator for the years under study exceeded the critical indicators and tended to increase.

The ratio of bank loans to foreign currency deposits showed a downward trend, indicating that the overall safety of the banking sector has improved. In 2018-2020, the ratio of bank loans to foreign currency deposits was optimal. Share of foreign capital

in the total authorised capital of banks in 2020 - 27.3 %, which indicates a good state of this indicator. In 2017, this indicator was 56 %, indicating a high dependence of the domestic banking system on foreign capital.

Also, Table 1 shows that in 2016-2020, return on assets increased in 2016-2019 and decreased in 2019-2020, but in general, over the study period, the indicator increased from 0.33 in 2016 to 3.11, which is positive, as it generally indicates that

5 Globalisation challenges to the development of national economies Globalisation Challenges for the Development of National Economies pp. 172-174. URL : https://knute.edu.ua/file/MzEyMQ==/2c7deaa543dfca540518ee5270bc8aa7.pdf#page=172 . Name from the screen.

bank assets are profitable and their profitability is increasing. As for the share of assets of the five largest banks in the total assets of the banking system, Table 1 shows that this indicator has been growing throughout the entire period under study in 2016-2020, which is positive for financial security, as it indicates that the five largest banks occupy almost the entire sector (89.43 %). This, in turn, indicates an increase in financial security, as most assets are held by the largest banks.

Thus, we conclude that the state of Ukraine's financial security requires further research, given its unstable state, especially in times of war. As for the prospects, it is worth noting that an important factor in ensuring Ukraine's financial stability may be the development of the stock market and the attraction of inefficient savings into investment schemes and projects. This method modernises production in line with modern requirements and eliminates production imbalances. Foreign experience shows that an important component of financial stability is the active participation of the state in the economic life of the country, including the use of budget funds to support industries and various investment plans and projects. In democratic countries, this principle is almost a top priority for social development.

In view of this, ensuring a safe level of functioning of the financial and credit sector is possible only if a sound strategy for the development of all segments of the domestic financial market is developed and implemented, an effective monetary, currency, budget, debt and banking policy is pursued, and specific measures are taken to avoid the danger of the money circulation, currency market, budget system, public borrowing, and improvement of the investment climate in Ukraine. The financial security strategy should focus on the development and consistent implementation of measures to consolidate and develop positive processes and overcome negative trends in financial relations. It should define the immediate goals of this strategy and the mechanism for their implementation.

Ensuring financial security is a complex and multifaceted process that requires a combination of various measures at the level of the state, international organisations and global partnerships. It should also be noted that continuous monitoring of financial risks, adaptation to changes in the global economic situation and implementation of innovative approaches to financial management are required.

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