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VECTORS OF ECONOMIC DEVELOPMENT OF UKRAINE IN THE TERMS OF FINANCIAL SECURITY

Abstract. This article discusses the issue of the state financial security and its components. The study compares the essence of financial security from different points of view, identifies internal and external threats to financial security, and defines the main financial security components, such as budget security, currency security, monetary security, debt security, insurance market security and stock market security. The article examines the current state and role of financial security in the context of the national economic growth, and identifies the trends in the economic development of Ukraine in the long term. The authors analyzed the key indicators of financial security of Ukraine in 2011–2015. The paper demonstrates the calculation of the general indicator of financial security in Ukraine, defines the factors that lead to the negative impact on the state financial security and suggests the ways to improve the financial security under conditions of military conflict in the East and uncertainty in society.

Key words: financial security; budget security; currency security; debt security; insurance market security; bank sector security.

JEL classification: E51, E52, G10, H60

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ВЕКТОРИ ЕКОНОМІЧНОГО РОЗВИТКУ УКРАЇНИ В КОНТЕКСТІ ФІНАНСОВОЇ БЕЗПЕКИ

Анотація. Стаття присвячена визначенню сутності фінансової безпеки держави та її складових. Наведено тлумачення поняття «фінансова безпека», з різних поглядів багатьох науковців; розкрито індикатори фінансової безпеки які включають: бюджетну, валютну, грошово–кредитну, боргову безпеки, безпеку страхового ринку та безпеку фондового ринку. Визначено сучасний стан та роль фінансової безпеки в контексті економічного розвитку України, а також окреслено вектори економічного розвитку України в довгостроковій перспективі. Авторами проаналізовано основні показники фінансової безпеки України за 2011–2015 роки в розрізі її складових. За результатами проведеного розрахунку рівня фінансової безпеки у статті розраховано загальний показник рівня фінансової безпеки України; виявлено індикатори, які справляють негативний вплив на загальний показник рівня фінансової безпеки та запропоновано напрями покращення фінансової безпеки в умовах військового конфлікту на сході та нестабільної ситуації у суспільстві.

Ключові слова: фінансова безпека; бюджетна безпека; валютна безпека; боргова безпека; безпека страхового ринку; банківська безпека.

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ВЕКТОРЫ ЭКОНОМИЧЕСКОГО РАЗВИТИЯ УКРАИНЫ В КОНТЕКСТЕ ФИНАНСОВОЙ БЕЗОПАСНОСТИ

Аннотация. Статья посвящена определению сущности финансовой безопасности государства и ее составляющих. Приведены дефиниции понятия «финансовая безопасность», с разных точек зрения; раскрыты индикаторы финансовой безопасности, а именно: бюджетную, валютную, денежно–кредитную, долговую безопасности, безопасность страхового рынка и безопасность фондового рынка. Определено современное состояние и роль финансовой безопасности в контексте экономического развития Украины, а также обозначены векторы экономического развития Украины в долгосрочной перспективе. Авторами проанализированы основные показатели финансовой безопасности Украины по 2011–2015 годы в разрезе ее составляющих. По результатам проведенного расчета уровня финансовой безопасности в статье рассчитан общий показатель уровня финансовой безопасности Украины; выявлено индикаторы, которые оказывают негативное влияние на общий показатель уровня финансовой безопасности и предложены направления улучшения финансовой безопасности в условиях военного конфликта на востоке и нестабильной ситуации в обществе.

Ключевые слова: финансовая безопасность; бюджетная безопасность; валютная безопасность; долговая безопасность; безопасность Страховая рынка; банковская безопасность.

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Introduction. The openness of the national economy on one side contributes to the development and enhancing of the business, industrial, financial, social, cultural and other relations between different countries. However, on the other side it makes the national economy more sensitive to the influence of destabilizing effects of relevant environment, turbulence in international financial and trade markets, political and social threats. In other words, despite the great potential for open economies development, they face significant volatility, unpredictability and riskiness under current circumstances of globalization and integration of national markets.

Under the existing economic conditions, one of the most important factors of the independence of Ukraine is its financial security. Lack of the state financial security complicates the process of solving economic problems facing the country. This task becomes one the most important in terms of instability, financial crisis and difficult military–political situation in Ukraine.

Literature review and the problem statement. In economic literature a lot of attention is paid to examining the term “economic development”. Since the beginning of modern times, the problem of sustainable growth and development was one the most trending research topics for practitioners and academics. For instance, W. Petty, A. Smith, D. Ricardo, K. Marx, J. B. Say, L. Walras, A. Marshall, J. M. Keynes and J. Schumpeter studied the nature of wealth, its accumulation, efficient allocation and redistribution. In the latter half of the 20th century R. Solow, J. Hicks and others developed the special theory of economic growth. Nevertheless, the events in the last decade of the last millennium strongly influenced the way of studying the sources of economic growth and factors that determine economic development of a country. Exactly during this difficult period, such academics as V. Heiets, V. Bazylevych, A. Chukhno, A. Halchynskyi and V. Dorohuntsov began to examine this problem in case of Ukraine.

The security issues of different components of financial–economic system were studied by O. Vasylyk, Z. Varnalii, M. Yermoshenko, V. Kravchenko, I. Liutyi, V. Mandybura, A. Moroz, R. Pikus, M. Savluk, K. Samsonov, V. Shlemko and others. For example, in their works these scholars explain the meaning of the term “financial security”; observe the main threats and indicators of financial security; suggest the ways to strengthen the financial security.

However, it is advisable to examine ways of increasing the competitiveness of Ukraine under conditions of globalization and integration, to identify the trends in economic development, competitive advantages and peculiarities of the national financial security.

Research results. For a better understanding of the place of Ukraine in the new architecture of the world economy and for finding possibilities for its participation in the global economic processes, it is important finally to adopt and follow the integration vector of the future economic development of Ukraine. Moreover, this process should be accompanied by implementation of the rational, in terms of the national interests, internal and external economic policy. As the strategic vector of development, Ukraine has chosen the integration into the European economic, political and legal area. Joining the European Union (EU) was declared as the key foreign policy priority and strategic objective of Ukraine at the highest level, and determined in the new Strategy for Sustainable Development “Ukraine–2020”, approved by the Decree of the President of Ukraine on January 12, 2015 № 5.

The purpose of the Strategy is to achieve the European standards of living in Ukraine and decent place in the world. For accomplishing this goal, Ukraine should follow such core vectors:

- the vector of development — includes providing the state sustainable development, realization of structural reforms and, as a result, rising standards of living. Ukraine should become the country with an effective performing economy and with advanced innovations.
- the vector of security — includes providing security guarantees for the state, business and citizens; protection of investments and private property rights [1].

Defining the role of the state risk in the context of the national financial security it is necessary to find out the main causes of financial threats for a state. Guidelines on methods to measure the level of economic security of Ukraine set out the list of key indicators, their limits and

the algorithm to calculate the integral index of the national economic security. Lack of criteria for national security makes it almost impossible to solve any problem in the sphere of internal and foreign policy effectively.

The national economy affects financial system of the country. If the national economy seems to be growing, evidenced by continuous increase in GDP and national income, there are resistance and stability in the financial system too. Thus, there are drivers for future industry development and for improving quality of life in the country. Economic crisis, recession, rising unemployment lead to a sharp deterioration of financial indicators, resulting in rising budget deficits, financed by internal and external public borrowings, money emission, and in rising public debt and related servicing costs. All this makes impossible to cover state expenditures in time, provokes inflation, affects economic relations, and raises bartering, difficulties in fiscal policy realization, reduces standard of living for the broad segments of population.

Therefore, financial relations that follow all economic relations in the country demonstrate the general state of the national security.

Financial security is one of the most important drivers of the state economic development nowadays. This is the necessary condition for a state's ability to follow the independent financial and economic policies according to its national interests.

Vasylyk O.D. considered that the state financial security is as a quite multifaceted concept from the economic point of view and an extremely important from the political point of view, as it is a result of the legislative and executive branches' actions in the financial sector. He describes financial security as a dynamic state of financial relations that provides favorable conditions and necessary resources for expanded economic reproduction, to rise standards of living, to improve the national financial system and to resist internal and external drivers of financial destabilization [2].

Some Ukrainian academics explain the term "financial security" as the state of financial, monetary, currency, banking, budget and fiscal systems, that has such peculiarities as balance, resistance to internal and external negative factors, ability to provide efficient performance of the national economic system and economic growth [3].

According to the economic security concept introduced by V. Heiets, financial security is the sustainable development of the national financial system and its resilience to potentially negative impact of external and internal shocks. Moreover, the main indicator of financial security is the sustainable development of the country's financial system and all its components [4].

To sum up, under the term "financial security" we suggest to understand a unique system of financial interests protection at all levels of financial relations; a certain level of independence, stability and resistance of the national financial system to the influence of external and internal destabilizing factors, which pose a threat to financial security; an ability of the state's financial system to provide an efficient performance of the national economy and sustainable economic growth.

It is important to highlight that the main indicators to assess the level of financial security are introduced in the Guidelines on methods to measure the level of economic security of Ukraine. Nevertheless, in foreign countries some additional indicators are used to estimate the level of country risk. The most popular is a group of indicators introduced by A. Marshall and T. Maulana for detailed estimation of emerging market country risk [5]. These indicators are usually divided into two groups:

1. Indicators to analyze economic security and fragility of a country (e.g. a country's level of economic development, economic growth, economic relations with foreign countries, industrial strength and existing natural resources).

2. Indicators to define the level of reliability and solvency of a country (e.g. ability to sign international contracts, currency reserves, level of foreign debt, budget, monetary and economic policies).

The first group of indicators helps to examine the level of country's development, degree of its integration into the global economy, and thus the degree of access to international capital markets. Using the second group of indicators, the experts analyze the country's solvency, taking into consideration those economic factors that could lead to defaulting on sovereign debts.

Summarizing academic staff opinions about threats to financial security, it is important to mention that the main threat is the lack of deliberate policy to regulate economic processes according to declared strategy for socio-economic development of a country. The main principle in providing reforms should be a combination of pragmatism and constructive policy in protecting national interests and increasing people's overall wellbeing. The material basis of this process should be revival and rapid development of the most promising sectors of national economy.

In practical terms, referring to the main causes of the current economic crisis in detail, it is worth mentioning that the local economist, V. Bazylevych points out that the current global economic crisis has arisen due to a number of related reasons, namely:

1) Decrease in quality of risk management systems of the key financial market participants — financial institutions — that led to liquidity problems.

2) Crisis in the credit market and especially in mortgage lending sector, caused by insufficient government control of its dynamics, as well as by inefficient risk management framework of financial institutions.

3) Destabilization of the foreign exchange market, provoked by attempts of individuals to reinvest their savings through selling securities and buying stable and freely convertible currency.

4) Nongovernment-controlled increase in the supply of financial assets in the financial markets, caused by the issuance practice of participants — big corporations and financial institutions— that did not match the rate of real economic growth.

5) Broad development of financial innovations in the securities market that led to dissemination of new, quiet risky financial assets used as the subject of speculation [7].

Significant changes in the world supported the need to develop financial stability indicators and to supervise economy and financial markets on the regular basis. Indicators of financial security introduce specifics of the certain management level (at the level of households, firms, organizations and institutions, different sectors of economy, regions, banking system, stock market, the whole country) or of such its components as monetary security, inflation-adjusted, foreign exchange, budget, debt and investment security [8].

In international practice there are different methods of quantitative assessment of financial stability, aimed to analyze dynamics of financial sector sustainability; used in providing a system of financial crises early warning or a stress-testing framework.

In the great majority of the developed economies, the national government bodies, whose functions are to analyze and provide financial stability, use the IMF's group of FSIs in creating their own methods of financial security diagnostics. For example, in the framework of Financial Sector Assessment Program (FSAP), a joint program of the IMF and World Bank, are introduced the approaches to stress testing the national banking systems' exposure to different scenarios of development. However in the centre of such a research are usually systemically important banks, financial corporations and payments systems. An individual approach to financial stability assessment is more convenient in measuring different sectors' level stability [9].

According to the Guidelines for calculation the level of economic security (Decree of the Ministry of Economic Development and Trade of Ukraine on October 29, 2013 № 1277), it is suggested to point out groups of indicators in the context of examining different components of financial security.

The first group — indicators of the banking sector security (see Table 1). The banking sector security is the level of banks' financial soundness that provides efficient functioning of the national banking system and protection from internal and external destabilizing factors, regardless of working conditions [12].

Table 1

Indicators of the banking sector security and their limits

No	Indicator title, units of measurement	Years					Optimal value	Critical value	Remark
		2011	2012	2013	2014	2015			
1	Share of past due loans in total loans, %	9,6	8,9	7,7	13,5	22,1	2	7	above critical
2	Bank foreign–currency–denominated loans to foreign–currency–denominated deposits, %	152,95	118,84	124,09	152,66	168,65	110	180	allowable
3	Share of foreign capital in the authorized capital of banks, %	41,9	39,5	34	32,5	43,3	25	60	allowable
4	Bank long–term (above 1 year) loans to deposits, times	3,10	2,37	1,76	2,83	3,89	1	3	allowable
5	Return on assets (ROA), %	–0,76	0,45	0,12	–4,07	–5,46	1	–1	above critical
6	Liquid assets to short–term liabilities, %	94,73	90,28	89,11	86,14	92,87	100	50	above critical
7	TOP–5 banks’ assets to total gross assets, %	36,82	36,59	38,63	40,01	43,41	30	60	allowable

Source: developed and calculated by authors using [10, 11, 12, 13]

As we can see, the ratio of bank residential past due loans in total gross loans does not meet the optimal value of 2% and even exceeds the critical 7%. In 2015, this indicator increased to 22,1%. Such level of this indicator was due to hryvnia devaluation and inflation that complicated returning of loans.

On the other side, in the last five years the ratio of bank foreign–currency–denominated loans to foreign currency deposits has met the required level (143% in average). From 2013, this ratio has increased and, in 2015, it was 169%, caused by decline in deposits. In the last five years, the share of foreign capital in the authorized capital of the Ukrainian banks has varied between 36–43% and did not meet the required level. In 2015, the share of foreign capital in the authorized capital of banks increased due to the rise of foreign capital, in part owing to the additional capitalization of the banks with Russian capital.

The indicator of return on assets also demonstrates a negative result. Only in 2012–2013, there were positive values of this indicator. Nevertheless, they did not meet the recommended level. In 2015, the value of this indicator was –5,46%, signaling a crisis in the banking sector and an urgent need to reform this system.

In the past five years, the average value of liquid assets to short–term liabilities ratio has been 88% and thus has not reached the recommended level. Although the value of the last indicator — the ratio of TOP–5 banks’ assets to total gross assets — is not critical, but it does not meet the required level too. Moreover, this points out the growing monopolization in the banking sector.

The security of non–banking financial market is the next analyzed element of financial security (Table 2). This is a level of development of the stock and insurance markets, allowing meeting the needs of society in these financial instruments and services in full.

Table 2

Indicators of non-bank financial market security and their limits

No	Indicator title, units of measurement	Years					Optimal value	Critical value	Remark
		2011	2012	2013	2014	2015			
1	The level of insurance reach (premiums to GDP), %	1,72	1,53	1,97	1,71	1,50	8	1	critical
2	The level of capitalization of listed companies, % of GDP	13,66	19,66	21,43	29,21	23,40	90	50	critical
3	The share of incoming insurance premiums of three largest insurance companies in the total amount of insurance premiums (excluding life insurance), %	13,70	9,90	13,50	15,60	14,70	10	30	allowable

Source: developed and arranged by authors according to [12, 14, 15]

Table's data shows that the stock and insurance markets in Ukraine are in critical condition. The value of indicator – the level of insurance reach is almost critical. In this situation, insurance is not able to influence the economy's development and does not play a significant role in the socio-economic relations of the state.

The third group of indicators represents the indicators of debt security (Table 3). Debt security is an appropriate level of internal and external debt taking into account the cost of its service, efficiency of internal and external borrowing, and the optimum ratio between them, that is sufficient to meet the pressing social and economic needs, which does not endanger the sovereignty of the state and its financial system.

The first indicator is the ratio of public and publicly guaranteed debt to GDP. Its value in the years 2011–2013 was 35%, and in 2015 it was already 80%, which exceeded the critical value by 20% and shows the financial dependence. The next indicator – the ratio of gross external debt to GDP – is higher than the critical value by 70%, and in 2015 it was 126%, which indicates significant dependence on foreign creditors. The ratio of official international reserves to gross external debt gives some idea of the country's ability to pay all fees for servicing and repayment of external debt by international reserves. It also shows how quickly and dramatically the country will be forced to change its policies if it will not have access to external borrowing. As you can see, this indicator was the highest in Ukraine in 2011 (25%), but in 2015 it was 11%, so the NBU's rejection to support hryvnia by currency interventions is entirely appropriate.

Table 3.

Indicators of debt security and their thresholds

No	Indicator title, units of measurement	Years					Optimal value	Critical value	Remark
		2011	2012	2013	2014	2015			
1	The ratio of public and publicly guaranteed debt to GDP, %	35,94	36,59	40,15	70,25	79,40	20	60	critical
2	The ratio of gross external debt to GDP, %	77,37	76,84	77,51	95,83	125,96	40	70	above critical
3	Weighted average yield of government internal bonds on the primary market, %	9,17	12,94	13,13	13,44	13,07	4	11	above critical
4	The ratio of official international reserves to gross external debt, %	25,19	18,17	14,37	5,96	11,20	20	50	allowable

Source: developed and calculated by authors according to [12, 16]

Another group of indicators are the indicators of budget security (Table 4). Budget security is a state of ensuring the solvency and financial stability of public finances, which enables public authorities carrying out their functions in the most efficient way.

Table 4.

Indicators of budget security and their thresholds

No	Indicator title, units of measurement	Years					Optimal value	Critical value	Remark
		2011	2012	2013	2014	2015			
1	The ratio of deficit/surplus of the state budget to GDP, %	-1,79	-3,79	-4,45	-4,98	-2,28	3	10	critical
2	The ratio of total service payments and repayment of debt to the state budget revenues, %	21,86	27,71	28,10	35,37	33,25	6	16	above critical
3	The level of GDP redistribution through the consolidated budget, %	30,25	31,62	30,43	33,59	31,25	28	37	allowable

Source: developed and calculated by authors according to [12, 16]

Having analyzed the indicators of budget security, it is worth noting that the situation of ensuring the proper level of budget security of Ukraine under the indicator of the ratio of deficit/surplus of the state budget to GDP is complex, because there is a significant excess of the state budget deficit over the threshold in 2012, 2013 and 2014 (respectively: 3,8%, 4,4% and 5% of GDP).

Also, the financial security of Ukraine considers the currency market indicators (Table 5).

Table 5

Indicators of currency security

№	Indicator title, units of measurement	Years					Optimal value	Critical value	Remark
		2011	2012	2013	2014	2015			
1	Official exchange rate of hryvnia against USD index, period average	100,1	100,04	100	195,3	148,04	104	130	above critical
2	Gross international reserves of Ukraine, months of imports	3,9	3,3	2,6	2,4	3,2	5	1,5	allowable
3	Share of foreign-currency-denominated loans to total gross loans, %	40,31	36,75	33,82	46,31	55,81	20	50	critical
4	Balance of foreign currency transactions of households, bn. USD	13,45	10,19	2,88	-2,41	-1,55	0	-8	critical
5	Level of dollarization, %	25	27	27	32	32	15	30	critical

Source: developed and calculated by authors according to [12,13,17,18,19]

In 2014–2015, the amount of currency, bought by banks from households, exceeded the amount of sold currency to households. This tendency can be partly explained by the rise of the USD exchange rate and lack of currency at banks. The military conflict in the East of Ukraine caused the rise of negative expectations that resulted in speeding up the outflow of bank deposits. In recent years currency demand and currency supply have been at the low rate due to currency deficit, decline in purchasing power and black market development.

The last element of financial security is monetary security that is a state of the monetary system, which provides all actors of the national economy with the quality and available credit resources in amounts and on terms favorable to achieve economic growth of the national economy (Table 6).

In 2011–2013 the ratio of cash outside banks in the total money supply did not meet the minimum requirements (27% in average). Such a result was caused by lack of confidence in financial institutions.

Table 6

Indicators of monetary security

No	Indicator title, units of measurement	Years					Optimal value	Critical value	Remark
		2011	2012	2013	2014	2015			
1	Share of cash outside banks in the total money supply (M0/M3), %	29,31	27,33	26,16	29,57	28,44	20	35	allowable
2	Difference between interest rates on loans and interest rates on deposits of depositary corporations (except the NBU) in the reporting period, percentage points	6,98	4,22	4,90	4,56	5,93	4	11	allowable
3	Level of weighted average interest rate on domestic–currency–denominated loans of depositary corporations (except the NBU) considering consumer price index, percentage points	9,27	16,23	15,40	–7,50	–17,60	5	15	critical
4	Share of consumer loans to households in total loans to residents, %	15,74	15,34	15,08	13,24	10,68	5	1	allowable

Source: developed and calculated by authors according to [12, 13, 20, 21]

The results of performed calculation of financial security in accordance with the "Methodology of calculating the level of economic security of Ukraine" allow assessing the general situation prevailing in the financial market. The general indicator of the financial security level is calculated for the corresponding period, which is one year in our case

The deviation of the financial security indicators from the optimum value is calculated to determine the general indicator (table 7).

Table 7.

Calculation of general indicator of financial security of Ukraine

No	Indicator title, units of measurement	Years					Optimal value
		2011	2012	2013	2014	2015	
1	The share of overdue loans in total loans granted by banks to residents of Ukraine	4,8	4,45	3,85	6,75	11,05	1
2	Return on assets	–0,51	0,30	0,08	–2,71	–3,64	1
3	The level of insurance reach (premiums to GDP)	0,22	0,19	0,25	0,21	0,19	1
4	The level of capitalization of listed companies	0,15	0,22	0,24	0,32	0,26	1

Continuation of Table 7

5	The ratio of public and publicly guaranteed debt to GDP	1,80	1,83	2,01	3,51	3,97	1
6	The ratio of gross external debt to GDP	1,93	1,92	1,94	2,40	3,15	1
7	The ratio of deficit/surplus of the state budget to GDP	-0,60	-1,26	-1,48	-1,66	-0,76	1
8	The ratio of total service payments and repayment of debt to the state budget revenues	3,64	4,62	4,68	5,90	5,54	1
9	The index of change of the official exchange rate of the national currency against the US dollar	0,96	0,96	0,96	1,88	1,42	1
10	Gross international reserves of Ukraine, months of imports	0,78	0,66	0,52	0,48	0,64	1
11	The share of cash outside banks in the total money supply (M0/M3)	1,47	1,37	1,31	1,48	1,42	1
12	The share of consumer loans to households in the total loans to residents	3,15	3,07	3,02	2,65	2,14	1
The general indicator of the financial security level (polygon area)		5,76	5,23	4,04	2,86	0,61	3

Source: developed and calculated by authors

Calculating the general indicator of financial security, we see that the lowest level of financial security of Ukraine was registered in 2015 (0,61), and the highest in 2011 (5,76). Since “1” is an optimal value for all indicators, Table 7 shows that most indicators are above “1” or below.

In general, it should be noted that the banking security indicators exercise the most negative impact on the general indicator of the financial security level, because they far outweigh the critical value. So, as a result of the study we can conclude that the financial security of Ukraine is at a dangerous level (close to critical). We can therefore claim that the stabilization of the financial system is the most pressing national security issue today.

The increase in level of the state’s financial security needs a system of actions that should include mechanisms in the field of fiscal and monetary policy, stock market, and in the regulation of corporate sector, etc.

It should be noted that there are state agencies in Ukraine that are responsible for specific areas of management of financial security. The National Security and Defense Council of Ukraine (NSDC) is the principal body, which in the first place coordinate national security issues, in general, and of financial security, in particular. Also, an Interdepartmental commission on the financial security issues has been created at the National Security and Defense Council of Ukraine in 2001, with the key objectives of: identification and assessment of threats to the financial security of Ukraine, trends of their occurrence under development of the state’s financial and monetary policy; studying and forwarding the proposal on using the experience of developed countries to provide financial security and combat the shadow economy [22].

It should be stressed that if relevant authorities perform their functions properly, it is possible to prevent potential threats to financial security and develop anti-crisis actions.

Thus, in the current political and economic conditions in Ukraine, we can say that research and practical steps in analyzing financial security and measures to improve its level of development are under development. While operation of the system gains momentum, we can watch the forecasts of economic development prospects of Ukraine provided by leading national and international organizations, and in particular scientists and experts.

It should be noted that military conflict in the east will remain one of the major factors affecting the development of Ukrainian economy in 2017. Its negative impact on the domestic economy during the whole last year is manifested not only in complete stop or irregular work of many Ukrainian enterprises, violating the network of economic relations, but also in developing the

atmosphere of uncertainty in the business environment, the state and local government management.

In early 2016 the World Bank published a report, where it downgraded the forecast of world economic growth in 2016 to 2.9%. According to the present macroeconomic forecast for Ukraine, the World Bank expects an increase in budget deficit up to 3% this year, with subsequent decrease to 2% of GDP in 2017, and to 1.5% in 2018. Government and publicly guaranteed debt is to reach 80.4% of GDP this year, according to the World Bank's forecast, and then to slide to 79.8% of GDP in 2017, and to 78.2% of GDP in 2018 [23].

Examining the features of financial security, we can claim that the state of financial security is one of the key criteria for evaluation of public policies and activities of authorities. That is why it is so important to take the necessary measures concerning improvement of financial security at the present stage of development of Ukraine, particularly in such areas as foreign economic policy, exchange policy, monetary and banking policy, tax policy, public debt policy.

Conclusions and recommendations for further research. Performed study showed that the financial security of the state is a multidimensional concept that includes budget, debt, stock, insurance, credit, tax, exchange, banking, investment, monetary, and corporate components. The greatest threat to the financial security of Ukraine lies in foreign debt, high cost of bank loans, significant level of dollarization of the economy, growth of the shadow sector, and negative balance of payments. The priority areas of strengthening the financial security of Ukraine should be the following: reforming the budget system; improving monetary and exchange rate policies; regulation of the stock market; regulation of corporate relations; regulation of the insurance market. We can evaluate the analyzed state of financial security of Ukraine as unsatisfactory. Imperfect legal framework and lack of exact measures also lead to negative trends in the economy, creating inability to ensure the effective functioning of the state financial security. Also worth paying attention to political instability and poor organization of the country that negatively affects the development of economy and leads to deterioration of business processes, socio-economic situation, investment climate, and so on.

Therefore, ensuring an adequate level of financial security is a guarantee for sustainable economic development, condition of stability and effective functioning of society, and success in foreign trade. That is why only creating a strong system of financial security at all levels of government will allow avoiding negative consequences, ensuring the competitiveness of industries, protecting the domestic financial sector, effectively interacting with international financial and economic institutions, and protecting national interests.

Further research on strengthening financial security of the state should be addressed on explaining the mechanism of management of internal and external risks of the state financial stability.

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