

**ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ**

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**N. N. Poyda-Nosyk**, Candidate of Economic Sciences, Associate Professor**Н. Н. Пойда-Носик**, к. е. н., доцент**FINANCIAL SECURITY OF UKRAINE IN CONDITIONS OF EUROPEAN INTEGRATION****ФІНАНСОВА БЕЗПЕКА УКРАЇНИ В УМОВАХ ЄВРОПЕЙСЬКОЇ ІНТЕГРАЦІЇ**

**Urgency of the research.** Ukraine has made a European choice as the main direction of its state policy, both internal and external, whose ultimate goal should be the full membership in the European Union. However, it is necessary to consider that the access to world markets and formation of an open economy also mean an internal stability of the economy and financial system of the state.

**Target setting.** The financial system of Ukraine in modern conditions is influenced by a number of threats, that are negatively affecting the level of financial security.

**Actual scientific researches and issues analysis.** Fundamental research focused on problems of financial security of Ukraine, which became the basis for the development of scientific theory of security in the field of public finance, have been done in writings of A. Baranovsky, M. Ermoshenko, V. Muntiyany, A. Sukhorukov. Today a large number of works is devoting to the study of particular aspects and components of the financial security of the state.

**Uninvestigated parts of general matters defining.** The variability of the external environment and recent events in the European Union require in-depth study of the influence of integration processes on the financial security of Ukraine.

**The research objective.** The main aim of the article is to summarize the issues and systematize the ways of providing financial security of Ukraine in conditions of European integration processes.

**The statement of basic materials.** Research conducted by the author showed that the domestic financial system is very vulnerable to external and internal threats. The author has analyzed the dynamics of key macroeconomic indicators and indicators of financial security of the state during 2007-2015. The threats that are most significant for the financial security of the state have been highlighted. The author considered the possible implications of the European skepticism on the financial security of Ukraine, and the directions to increase the level of financial security in the modern world.

**Conclusions.** The government of Ukraine should focus on domestic reforms, the creation of living standards, economics and politics in Ukraine, which are as close as possible to European. Only then it is possible to implement effective mechanisms aimed at neutralizing, minimizing the impact and eliminating the phenomena and factors leading to the creation of external and internal threats to the state's financial security.

**Keywords:** financial security of the state; European integration; BREXIT; fiscal security; debt security.

**Актуальність теми дослідження.** Основним напрямом державної політики Україна обрала європейський вибір, кінцевою метою якого має бути повноправне членство в Європейському Союзі. Однак, необхідно враховувати, що вихід на світові ринки, формування відкритої економіки означає також внутрішню стабільність економіки та фінансової системи держави, здатність протистояти ризикам, які супроводжують процеси глобалізації та євроінтеграції.

**Постановка проблеми.** На жаль, фінансова система України в сучасних умовах знаходиться під впливом ряду загроз, які негативно позначаються на рівні фінансової безпеки держави.

**Аналіз останніх досліджень та публікацій.** Грунтовні дослідження проблем забезпечення фінансової безпеки України, які стали основою для розвитку безпекології у сфері державних фінансів, провели у своїх працях О. І. Барановський, М. М. Єрмошенко, В. І. Мунтіян, А. І. Сухоруков. Велика кількість праць вітчизняних науковців присвячена дослідженню окремих аспектів і складових фінансової безпеки держави.

**Виділення недосліджених частин загальної проблеми.** Мінливість зовнішнього середовища та останні події в країнах Європейського Союзу вимагають поглибленого дослідження впливу євроінтеграційних процесів на фінансову безпеку України.

**Постановка завдання.** Основною метою даної статті є узагальнення проблем та систематизація шляхів забезпечення фінансової безпеки України в умовах євроінтеграційних процесів.

**Виклад основного матеріалу.** Дослідження показали, що вітчизняна фінансова система є вразливою до внутрішніх і зовнішніх загроз. Автором проаналізовано динаміку основних макроекономічних показників та індикаторів фінансової безпеки держави протягом 2007-2015 років. Виділено загрози, які є найбільш суттєвими для окремих складових та в цілому фінансової безпеки держави. Розглянуто можливі наслідки європейського скептицизму на фінансову безпеку України, виділено напрями підвищення рівня фінансової безпеки в сучасних умовах.

**Висновки.** Державі слід зосередитися на внутрішніх реформах, на створенні тих стандартів життя, економіки і політики в Україні, які є максимально близькими до європейських. Тільки тоді можна впроваджувати та будуть дієвими механізми, спрямовані на усунення негативних явищ і чинників, що призводять до створення загроз фінансовій безпеці.

**Ключові слова:** фінансова безпека держави; євроінтеграція; BREXIT; бюджетна безпека; торгова безпека.

## ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

**Urgency of the research.** Ukraine has made a European choice as the main direction of its state policy, both internal and external, whose ultimate goal should be the full membership in the European Union. For Ukraine, European integration, on the one hand, this is the way of modernization of economy, attracting foreign investment and technologies, increasing the competitiveness of domestic manufacturers, access to world markets, including the market of financial services. On the other hand, access to world markets, the formation of an open economy also means that the economy and financial system of the state must be internally stable, able to withstand the risks that accompany the processes of globalization and European integration.

**Target setting.** Unfortunately, the financial system of Ukraine in modern conditions is influenced by a number of threats, among which political instability, rising debt dependence, the imperfection of fiscal policy, the shadow economy, the significant level of corruption in all parts of the financial system, instability of the banking sector and many others. All of these threats are negatively affecting the level of financial security. Thus, the question of ensuring the financial security of the state under the impact of destructive factors is especially acute for today.

**Actual scientific researches and issues analysis.** Fundamental research focused on problems of financial security of Ukraine, which became the basis for the development of scientific theory of security in the field of public finance, have been done in writings of O. I. Baranovsky, N. M. Ermolenko, V. I. Muntian, A. I. Sukhorukov. In different ways the problems of financial security were considered by such authors as V. P. Martynyuk, Yu. D. Rodionov, I. O. Rewak. Today a large number of works of domestic scientists is devoting to the study of particular aspects and components of the financial security of the state, among which the problems of ensuring the debt security of the state (S. M. Marchenko, V. L. Plastun, A.V. Tsaruk), the problems of providing the fiscal security (V. V. Demenok, A. I. Kolesnik, Yu. P. Postolenko) and othes.

**Uninvestigated parts of general matters defining.** Despite the considerable number of works devoted to the problems of financial security of the state, the variability of the external environment and recent events in the European Union require in-depth study of the influence of integration processes on the financial security of Ukraine.

**The research objective.** The main aim of this article is to summarize the issues and systematize the ways of providing financial security of Ukraine in conditions of European integration processes.

**The statement of basic materials.** Research conducted by the author [1-2] showed that the global financial and economic crisis of 2008-2009, which had a negative impact on the socio-economic development of Ukraine has shown the vulnerability of the domestic financial system and its dependence on external influences. The course of European integration for Ukraine had not changed – on the contrary, major events had occurred during 2008-2011 that preceded the signing of the future Agreement on Association between Ukraine and the EU.

Table 1

Dynamics of GDP in Ukraine for 2007-2015\*

Period	Nominal GDP, million UAH	The absolute increment of nominal GDP, million UAH	The growth rate of nominal GDP, %	GDP (in million USD)	The absolute increment, mln.USD.	The growth rate, %
2007	720731	176578	32,5	142719	34966	32.5
2008	948056	227325	31,5	179992	37273	26.1
2009	913345	-34711	-3,66	117228	-62765	-34.9
2010	1 082 569	169224	18,53	136419	19192	16.4
2011	1 316 600	234031	21,62	163160	26740	19.6
2012	1 408 889	92289	7,01	175781	12622	7.7
2013	1 454 931	46042	3,3	183310	7529	4.3
2014	1 566 728	111797	7,7	131805	-51505	-28.1
2015	1 979 458	412730	26,3	90615	-41190	-31.3

\* Formed according to the Ministry of Finance (<http://index.minfin.com.ua/index/gdp/>)

In 2014-2015, the inflation rate exceeded the indicator of the crisis of 2008 (Tab. 2). The hryvnia has depreciated by more than threefold.

The signing of the Association Agreement between Ukraine and the EU had occurred in 2014 in two stages. The first stage was the signing of the political part of the Agreement (21 March 2014). The

## **ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ**

second stage - both the President of Ukraine and the leadership of the European Union signed the economic part of the Agreement during the meeting of the EU Council (27 June 2014). In September 2014 the Verkhovna Rada of Ukraine (VRU) and the European Parliament synchronously ratified the Association Agreement between Ukraine and the EU. At the same time, during 2010-2015 years, Ukraine experienced unprecedented combination of political, financial, economic and banking crises. Starting in 2011, there was a steady decrease in the rate of growth of GDP of Ukraine (Tab.1). Only in 2014, nominal GDP grew by 7.7% in the hryvnia equivalent, however, in dollar terms, the growth rate reduced by up to 28.1%. In 2015, the figure was even higher – 31.3%.

Table 2

**Summary table of inflation indexes in Ukraine for 2007–2015\***

Period	2007	2008	2009	2010	2011	2012	2013	2014	2015
January	100,5	102,9	102,9	101,8	101	100,2	100,2	100,2	103,1
February	100,6	102,7	101,5	101,9	100,9	100,2	99,9	100,6	105,3
March	100,2	103,8	101,4	100,9	101,4	100,3	100	102,2	110,8
April	100	103,1	100,9	99,7	101,3	100	100	103,3	114
May	100,6	101,3	100,5	99,4	100,8	99,7	100,1	103,8	102,2
June	102,2	100,8	101,1	99,6	100,4	99,7	100	101	100,4
July	101,4	99,5	99,9	99,8	98,7	99,8	99,9	100,4	99
August	100,6	99,9	99,8	101,2	99,6	99,7	99,3	100,8	99,2
September	102,2	101,1	100,8	102,9	100,1	100,1	100	102,9	102,3
October	102,9	101,7	100,9	100,5	100	100	100,4	102,4	98,7
November	102,2	101,5	101,1	100,3	100,1	99,9	100,2	101,9	102
December	102,1	102,1	100,9	100,8	100,2	100,2	100,5	103	100,7
The average annual growth rate	116,6	122,3	112,3	109,4	108	100,6	99,7	124,9	143,3

\* Formed according to the Ministry of Finance (<http://index.minfin.com.ua/index/>)

The banking system lost one-third of the deposits. The banking crisis was accompanied by numerous defaults of financial institutions. By the 1st of November 2015 64 commercial banks were officially recognized as insolvent [3]. So far, the banking market is in a state of shock which is caused by currency fluctuations (depreciation of the hryvnia), losses of assets in Crimea and the war zone, borrowers' decrease of solvency, massive personnel downsizing.

The dynamics of separate indicators of fiscal and debt security of Ukraine for 2008-2015 is shown in table 3.

Table 3

**Dynamics of indicators of fiscal and debt security of Ukraine for 2008-2015\***

Years	The state budget deficit in % to GDP		The ratio of gross external debt (GED) to GDP, %		The ratio of official international reserves to the volume of GED, %	
	the actual value	the limit value**	the actual value	the limit value**	the actual value	the limit value**
2008	-1.32	He > 3	56.5	He > 70	31,0	He < 20
2009	-3.89	He > 3	88.2	He > 70	25,6	He < 20
2010	-5.94	He > 3	86.0	He > 70	29,5	He < 20
2011	-1.79	He > 3	77.4	He > 70	25,2	He < 20
2012	-3.79	He > 3	76.8	He > 70	18,2	He < 20
2013	-4.45	He > 3	77.5	He > 70	14,4	He < 20
2014	-4.98	He > 3	95.8	He > 70	6	He < 20
2015	-2.28	He > 3	131.0	He > 70	11,2	He < 20

\* Calculated by the author according to the Ministry of Finance of Ukraine

\*\* Limit values are defined by the Ministry of economic development and trade of Ukraine in [4]

As the table shows, the ratio of budget deficit to GDP ratio was in the normal range only in 2008, 2011 and 2015. The indicator reached his critical value in 2010, when the budget deficit amounted to nearly 6%

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**ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ**

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of Ukraine's GDP. As for the gross external debt of Ukraine, its value is steadily increasing. When the established limit value should not exceed 70%, the gross external debt of Ukraine in 2015 amounted to 131% of GDP.

Official international reserves of Ukraine are also reduced from year to year. The limit value established on the level which should not be less than 20%, but only in 2008-2011, the indicator was within the normal range. The value of this indicator was critically reduced in 2014, when the volume of international reserves amounted to 6% of GDP (or 30% of the normative value). In the current 2016 in the international arena there were two important events that can affect the future possibility of Ukraine to become a full EU member and at the same time generate risks for its financial security. The referendum in the Netherlands that was held on 6 April 2016 and concerned the ratification of the Association Agreement with Ukraine has shown that 61% of the population is against joining of Ukraine to the EU. However, the Ukrainian question and the question of voting results in the Netherlands were postponed by the European Parliament according with the event, which took place on 23 June 2016 and is commonly known as BREXIT. The United Kingdom (UK) held another referendum on EU membership - the UK took a decision to withdraw from the European Union (EU). As a result of the June 2016 referendum 51.9% of those who turned out voted to leave the EU, for the continuation of EU membership voted 48.1 percent of the electorate [5].

The consequences of the referendum for the UK can be summarized as follows:

- a sharp drop in the pound by 7.5%;
- the reaction of the stock exchanges revealed the downfall of many indexes;
- the percentage of companies that are pessimistic about the prospects of the UK economy has doubled during a week after the vote (before the referendum, this figure was 25%, while after it rose to 49%);
- the level of business activity in Britain dropped significantly, companies refuse from investments and hiring new employees.

The main consequences of withdrawal of UK for the EU are: outflow of the budget, sales market reduction, fall of the Euro, downgrading of the sovereign ratings and particularly the rating of the EU as an association. The main threat is the uncertainty regarding the future of overall European Union, namely the Eurozone. The UK example may encourage other countries to hold similar referendums. However, opinion polls a week after the Brexit vote showed strongly increased support for the EU in most of Europe.

For Ukraine, Eurozone's risks could affect an even larger decline in GDP growth rate and monetary and currency security of the state. At least, the devaluation of euro against major currencies (U.S. dollar, Japanese yen and Swiss franc) means that the Ukrainian exporters will become less competitive in the European market. Even while maintaining the natural volumes of sales, they will lose in dollar terms. Devaluation both the pound and euro will immediately affect the problems in the banking sector, which will require a significant recapitalization.

Under these conditions, the problem of protecting national interests in the financial sector and ensuring the financial security of the state is extremely important. As never before, the basic provisions of the Concept of national security in the financial sector (issued 15.08.2012) become relevant. Concept developers emphasized the need to solve the basic problem - the insufficient effective use of mechanisms aimed at neutralizing, minimizing the impact and eliminating the phenomena and factors that lead to the creation of external and internal threats to national security in the financial sector. One way of solving the determined problem is implementing structural reforms in the national economy and ensuring price and financial stability.

At present the question of effectiveness of structural reforms or even their absence is the cornerstone of political debate. Essentially, the reform should begin with structuring the existing problems, assessing the risks and threats, determining strategic and tactical goals and forming a set of measures in a variety of development programs.

It should be noted that threats for financial security and conditions (or ways) of its ensuring in some extent are substantiated by the Law of Ukraine «About fundamentals of national security». The law identifies the following main threats in the economic sphere, that are essentially threats to the financial security of the state: the instability of legal regulation in the sphere of financial policy of the state; the lack of

## **ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ**

effective programmes for the prevention of financial crises; growth of credit risks; large debt bondage of the state, critical amounts of internal and external debts; high level of shadow economy and so on.

This Law defined the main directions, which implementation will create conditions for ensuring the financial security of the state:

- overcome the "shadowing" of the economy through reforming the tax system, improvement of the financial-credit sphere and termination of the capital outflow abroad, reduction of cash money supply in circulation;

- ensuring balanced development of public sector, internal and external security of national currency, its stability, protection of depositors' interests at the financial market;

- implementation of the prudent internal and external borrowing policy.

As we can see, the main provisions of the Law, that was adopted in 2003, and so far, remain unfulfilled and require specification as in terms of events, performers, their powers, and in the context of time intervals.

**Conclusions.** Thus, the priorities of Ukraine in the field of financial security should be the creation of appropriate legal, economic, social and other conditions aimed at improving monetary and credit, currency, banking, budget, tax, investment policies. The government of Ukraine should focus on domestic reforms, the creation of living standards, economics and politics in Ukraine, which are as close as possible to European. Only then it is possible to implement effective mechanisms aimed at neutralizing, minimizing the impact and eliminating the phenomena and factors leading to the creation of external and internal threats to the state's financial security. In combination with prudent state policy they will allow to create the financially stable state.

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