

STABILIZATION MEASURES TO IMPROVE THE FINANCIAL MARKET OF UKRAINE

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ABSTRACT

The article analyzes the state and dynamics of modern functioning of the financial market of Ukraine, development of legislative, normative and institutional support for realization of the strategy of development of the domestic financial sector in the conditions of an open economic system. Some indicators of activity of banking and non-bank lending institutions were characterized and key problems of their functioning were determined. It has been established that medium- and long-term fiscal policy is dependent on the development of the financial sector, in particular the stock market. The lack of reliable instruments on the domestic securities market is identified, which is a deterrent to the development of institutional participants and hinders the development of the entire financial market. It is substantiated that further development of the financial sector requires strategic measures for its improvement, the definition of a single policy on the development of the financial market at the state level, a reorientation to the creation of domestic investment sources, increased transparency in the adoption of regulatory decisions and the role of associations of market entities, etc. It is noted that the key to stabilization and economic revival of the country is the creation of an effective system of control over the management of national resources and public finances. Corrective actions are proposed to develop the institutional structure of the market, develop its infrastructure, protect shareholders' rights, increase transparency and introduce effective and open regulatory policy and appropriate supervision. Also, a number of measures were proposed for successful implementation of Ukraine's European integration in the financial sector and, in the long run, to ensure macroeconomic stability in Ukraine under the conditions of an open economic system.

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Introduction. Civilizational development shows that the most effective form of organization of social and economic life of a society is a market economy, the functioning of which is based on the fact that issues of economic life are solved through the interaction of demand and supply in various markets. For a wide variety of markets and offered resources, the state of financial market development is particularly important, which directly reflects the efficiency of the functioning of all other markets and most determines the level of development of the economic system of the state. The financial market is constantly improving, and the list of its instruments is expanding. Participants in the financial market are all without exception economic entities and individuals of the national economy, as well as the state and non-residents. The role of the financial market in the country's economy is very important given the provision of business entities with the necessary resources and services without which the course of all business processes is impossible. Today, in the context of globalization and integration processes and, unfortunately, significant imbalances in the national economy of Ukraine, caused mainly by the lack of stable financing, attraction of foreign capital, makes it possible to obtain the necessary resources on the external financial markets. However, their attraction and development of the domestic economy in the process of globalization is impossible without the integration of domestic financial and credit structures into the world economy. The dynamic formation of an open economic system in Ukraine, the intensification of lending and asset growth by financial market participants with foreign capital intensified the urgency of addressing the issue of development of domestic financial institutions and control over their activities in the financial sector of the state. The developed financial market is one of the necessary attributes of the architecture

of financial and economic relations, which to a large extent characterize the state of development of the national economy. Today, the construction of a highly liquid financial market integrated in the global financial system in Ukraine is one of the key tasks, as the role and significance of the financial market in the national economies of all countries has sharply increased over the last few decades. The financial market has become one of the most important tools for the development of national economies, through which financial, investment and social issues are addressed. At the same time, despite the fact that today, in Ukraine, the share of the financial sector in GDP is about 7 %, which corresponds to the average European indicator, the domestic financial market, as compared to the developed countries, has certain disadvantages that need to be addressed, but for this it is necessary to scrutinize the modern development trends, which have developed within the domestic financial market, as well as in the process of its interaction with the international financial market. The formation of an efficient financial market requires a holistic approach and mutually-agreed solutions for the strategy and mechanisms for its development [1].

Research results. Today, the financial system of Ukraine is experiencing one of the deepest crises since independence. Chronic problems of the financial system, which were latent in relatively successful years of economic development, have become apparent today. These include the lack of coherent interaction between the state and the market and the population, the crisis of public confidence in financial institutions, problems of public management and control. The existing model of functioning of the financial sector of the economy in Ukraine has historically developed as a bank-centered one. The dominance of the banking segment in the financial sector has led to the fact that it has become a catalyst for the strengthening of negative processes in the real sector of the economy. Today, we have a situation where 92 banks are in a state of liquidation, and two institutions have introduced a temporary administration [2,3]. Under these conditions, the government and NBU should abandon administrative point measures to correct the situation in the banking sector of the economy and move to systematic working methods in this direction of monetary policy. First of all, it is necessary to understand clearly and realistically that today in Ukraine there are no real internal mechanisms and resources for the recovery of the economy. The volume of loans in 2017 decreased by UAH 861 billion (UAH 11888 billion), compared with 2016 (UAH 13027 billion), and in the two months of 2018, loans totaling UAH 2132 billion were issued [4].

The analysis shows that now the domestic financial market and the system of budget management, unfortunately, are also not effective and do not fully fulfill their functions. In addition, the underdevelopment of the financial market of Ukraine creates a number of obstacles to economic policy and is a factor inhibiting further economic development. Due to the practical lack of highly liquid instruments with low risks, existing monetary policy instruments are substantially limited. The NBU mainly relies on the use of reserve requirements, which is not a flexible and effective tool. The problem was further exacerbated by the transition to inflation targeting. Medium- and long-term fiscal policies also strongly depend on the development of the financial sector, in particular the stock market - effective pension and other reforms are impossible without developed non-bank institutions, both private and public. Already, the lack of reliable instruments on the domestic securities market is a serious deterrent to the development of institutional participants and hinders the development of the entire financial market. This holds back the possibility of investment and innovation in Ukraine.

In the context of globalization, temporary instability in the world financial markets and, at the same time, the uncertainty and inconsistency of the transformational changes in the domestic economy, further development of the financial sector requires strategic measures for its improvement, the definition of a single policy on the development of the financial market at the state level, a reorientation to the creation of domestic investment sources, transparency enhancement the adoption of regulatory decisions and the role of associations of market players, etc. It is also necessary to improve the legislation in the field of licensing, registration and control of the activities of financial institutions. Consequently, the trends of social development indicate that in the conditions of globalization of the economy, the future development of the financial market of Ukraine is practically impossible without its reformation. In our opinion, this should be a significant step towards the development of the institutional structure of the market, the development of its infrastructure, the protection of shareholder rights, increased transparency (the introduction of European principles and standards for disclosure), and the introduction of an effective and open regulatory policy and appropriate supervision.

The economy continues to fall, the financial market objectively reorients to a speculative way of generating profits, which does not contribute to stabilization and the movement of the real sector of the economy to growth.

Exit from a similar situation is seen in the following actions of the NBU and the government. Firstly, it is necessary to stabilize the situation on the currency market, to lower and keep inflation at a mark of 10-11 %, which, as experience shows, is sufficient for economic growth. Secondly, it is necessary to form a transparent and effective system of redistribution of available resources with a priority focus on the implementation of innovative economic growth projects. Thirdly, it is extremely necessary to stabilize the work of the financial sector, restore the trust of the population to its institutions.

If the regulatory measures of an administrative nature are at the moment priority, then in the longer term, measures of an economic nature should be applied, namely: discount rate, open market operations, liquidity management of banks.

As for the stabilization of the institutions of the financial market, it is necessary to move in such directions. It is necessary to constantly monitor the activities of financial institutions on the part of the state in order to ensure the identification of problem processes in daily work and to take preventive measures to resolve them.

The need for rehabilitation of solvent financial institutions has matured, which is estimated to reach 60-70 % of the existing ones. But this raises the problem of payments to existing legal entities and individuals - entrepreneurs, who are not covered by the guarantee of deposits of individuals.

In this context, there is also the problem of settling the sale or transfer of problem assets, which is not regulated by law and requires the formation of legal acts on the activities of institutions, the main function of which will be work with problem assets. This work should be carried out in parallel with the decision on the issue of restructuring loans. Existing loans should be restructured taking into account new interest rates, which will enable borrowers not to bankrupt and continue to serve loans. This way the banking system is kept from a complete collapse. The indicated measures in case of their realization give an opportunity:

- keep banks and enterprises from bankruptcy;
- significantly increase liquidity of banks;
- ensure the preservation of deposits, increase confidence in the banking system;
- reduce inflation and stabilize the hryvnia;
- launch a process of demodulation of the economy, significantly reduce the need for foreign currency loans;
- to mitigate the need to attract both domestic and foreign investment into the real economy.

The key to stabilization and economic recovery of the country is to create an effective system for monitoring the management of national resources and public finances. Today there is no such system. There is another system, the elements of which are closely interrelated and determine the interaction with each other. It is based on this system that the shadow economy and corruption schemes operate in the country. It is she who exerts negative pressure on the economy, public finances, siphoning out of society, specific people their well-being and the future. So, according to the data of a non-governmental organization TaxjusticeNetwork: since 1990, 167 billion dollars have been withdrawn from the Ukrainian economy in the offshore. According to experts, the amount of illegal trafficking in Ukrainian customs per month ranges from \$ 5-8 billion. [5].

In order to break this system, it is first necessary to identify the cause of the ineffective work of the controlling bodies, to identify the system-forming points of this anti-state system and start its elimination. If we proceed from the fact that now the state financial control in the system of central executive bodies carries out numerous unconnected bodies (all 56 structures) and add to them the legislative, judicial branches of power, which have their controlling structures, as well as law enforcement bodies, state institutions (Accounting Chamber, NBU and others), then a complex organism emerges, which is both meaningful and organizationally fragmented into isolated links, whose activities can only generate chaos and complete misinformation of the authorities that They are ready to make a decision for the country [6]. All this hinders the formation of a single information space of controlling bodies, the development of effective control and supervision policy, the concentration of efforts on critical issues of the economy.

An unified system of state financial - economic control, as a key link of the state administration system, should be created urgently. To do this, it is necessary to develop conceptual approaches to the formation of such a system, research into this area of existing problems. The concept should be simultaneously a scientific and political document: as a scientific one, to reflect the theoretical and methodological foundations of control, as a political one, to formulate requirements for the legislative framework, to state policy in the field of financial and economic control, which takes into account the mistakes and mistakes of attempts to solve this problem in the past. All this implies

the need for a new law "On State Financial and Economic Control", which would meet modern international standards and principles. In this law, all organs of control should be delimited by bodies of general competence, sectoral, interbranch and special competence. In developing this law should take into account new theoretical achievements on the issues of state control, new management technologies, the state of state control and information technology.

Stabilizing the financial system without external borrowing is too problematic. However, one should realize that external borrowing is still an auxiliary resource. Thus, Japan overcame the post-war devastation, turned into the second world economy at the expense of domestic resources, intelligently built cooperation of the financial sector of the economy from the population of the country, which became the main investor of the famous "Japanese miracle". After all, the share of foreign capital in Japan until the end of 70 years of the last century did not exceed 2.5 % of capital investment. The absence of an effective system of using significant sums of money in Ukraine undermines the real sources of financing the economy, generates a constant investment famine. Therefore, the priority task of the authorities today is to create such instruments and mechanisms for cooperation with the population, which would reorient its behavior from the sphere of consumption to the level of savings. By attracting foreign investors, we must motivate them to invest their money exclusively on the modernization of existing ones and the creation of new high-tech industries.

Conclusions. Proceeding from the list of the above-mentioned problems inherent in the financial market of Ukraine, the main directions of its activation, restoration and investment direction should be as follows:

- the transition to aggregate regulation and prudential supervision of financial market participants to weaken regulatory arbitrage, improve its infrastructure, synchronize regulation and the functioning of all its sectors by overcoming the gap between the actions of various financial regulators;
- improving the organizational efficiency of financial market regulators; - Determining the target model of functioning and road map of the transformation of regulators;
- strengthening the process of communicating regulators with the external environment and society based on the use of financial market participants' recommendations, scholars and experts on the development of financial regulation, as well as timely display on the NBU's website of information on statistical indicators of the banking system and individual commercial banks, monetary policy, balance of payments, etc.; for failing to anticipate the responsibility of regulators;
- improving existing and developing new regulatory and legal acts of banking supervision and regulation based on the recent recommendations of the Basel Committee and the European Committee on the introduction of risk-based supervision and control over the compliance of internal risk management systems with the new requirements;
- establishing an automatic exchange of information between domestic state financial bodies (integration of databases), as well as between them and authorities of other countries, especially customs, tax, etc.;
- amendments to the Law of Ukraine "On Banks and Banking Activity" in relation to the establishment of additional property liability of the owners of the substantial part of the bank's property belonging to them in the event that the bank is classified as insolvent;
- strengthening the protection of property rights of creditors in the liquidation of banks through holding mandatory general meeting of creditors, except for bank-related individuals and structures, the creation of a committee of creditors granting him the right to control the activities of the liquidator of the bank;
- stimulation of an increase in the share of transactions with financial instruments in the organized market segment; introduction of a short-term investment tax in the country or other soft restrictions in accordance with international practice;
- limiting the practice of issuing government securities (both government debt bonds and NBU certificates) to reduce market rates for loans and thus stimulate the economic development of the real economy sector;
- introduction of an effective system for monitoring the expenditure of budget funds and reforming the sector of state-owned enterprises in order to reduce the loss of budget funds, as well as increase government revenues from the public sector by selling only unprofitable companies (prohibiting the sale of state-owned companies that generate profits);
- placement of annual reports on the results of the use of funds from projects of international financial organizations and an independent expert assessment of the effectiveness of the implementation of the relevant programs in general on the Internet site of the IFIs;

– To develop and implement measures aimed at encouraging money transfers of labor migrants to the motherland, and to stimulate their investment use. To do this, implement a policy of cheapening money transfer services, and consider the possibility of issuing special government bonds to diaspora and migrants.

Implementation of the above-mentioned measures should contribute to the development of the domestic financial market, stabilization of the financial system of the country as a key element of macroeconomic stability in the state.

Improving the approaches to organizing the functioning of the financial market in Ukraine should take into account the fact that the state must regulate the economy, as the global financial crisis has clearly demonstrated, but the process of state intervention should not be limited to regulation - the state should determine the priorities of its development (including financial market). Today, in Ukraine, as in the whole world, the main task is to develop and implement a permanent mechanism for the perfection and development of the financial market taking into account the world trends of the modern era.

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