

“The notion and content of financial system in the context of financial law of Ukraine”

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THE NOTION AND CONTENT OF FINANCIAL SYSTEM IN THE CONTEXT OF FINANCIAL LAW OF UKRAINE

Abstract

The financial system of the advanced countries develops according to two basic models – a bank-based system and a market-based system, depending on the level of protection of the rights of owners, investors and lenders. A paradigm shift in functioning of global financial system and financial systems of all countries is based on financial law, which formalizes all financial relations. Reviewing the financial system of Ukraine, the researchers pay a special attention to public finance due to its substantial share in redistribution of Ukraine's GDP. A comparative analysis of the concept "financial system" makes it possible to draw a certain analogy with the approaches of experts in financial law. From the economic point of view, a country's financial system includes three key areas – state finance, household finance and corporate finance, which are closely interrelated. Matching these three spheres with the legal approach, state finance is defined as public finance, while household finance and corporate finance are referred as private finance.

The financial market functions as a part of the financial system. In economic terms, the financial system is a dynamic and open environment, while it implies an intense movement of financial resources, a rapid emergence of new financial instruments and integration into the global financial market. From the legal point of view, the financial system is a static financial and legal phenomenon, which includes centralized and decentralized public funds, as well as funds of business entities and individuals.

Keywords

financial system, law, bank-based system, market-based system, public finances, financial intermediaries

JEL Classification G10, G20, G28, K20, K30

INTRODUCTION

The financial system is a reflection of economic relationships that form and grow within the economic system. The current financial system of a country is a reflection of channels of money flows between economic agents – the state, enterprises, households and financial intermediaries. The structure of the financial system and the volume of its spheres determine the type of financial system and its key participants. In the last years, the global financial system is in a state of turbulence. Therefore, today the main task is the search for new ways to reduce the risks provoked by financial systems of individual countries. The last global financial crisis made a certain contribution into these changes as shown in the works of Kuo-Cheng Tseng (2015). At the core of the changing paradigm in the functioning of the global financial system and financial systems of individual countries is financial law, which formalizes all financial relationships. La Porta et al. (1998) analyzed 49 countries regarding interdependence of financial law and the model of financial system and determined that financial systems are formed depending on the level of protection of the rights of owners, investors and lenders.

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