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*G.O. Peresadko, S. M. Lukash*

**UKRAINIAN FINANCIAL SYSTEM AS A LINK OF THE EUROPEAN  
FINANCIAL SYSTEM. ANALYSIS AND PROSPECTS.**

*In article the analysis and prospects of development European financial system is considered. Conclusions that the Eurosystem does not play a direct role in structural developments in the financial sector. With its single monetary policy framework and target in particular, the Eurosystem has created an infrastructure that has proved to be useful for the establishment of an integrated money market in the euro area. Also the financial system of Ukraine, as European state is considered. Reveals essence and structure of a modern financial system in market economy and the tendency of its development.*

**Key words:** *financial sector, financial system, monetary policy, Eurosystem, financial markets, national markets.*

**Raising of problem.** The last period has been very rich in new events, with significant developments taking place both in the continental securities markets and in the financial system as a whole. For today do not imply that the euro area is set to become a financial fortress whose financial markets and institutions would be cut off from the rest of the world. In fact, market participants residing outside the euro area seem to be taking a keen interest in the financial markets of the euro area. The theoretical and scientifically methodical aspects of this problem are considered in labours: Baranov E., Butoryna O.V., Dolgov S.I., Rybin V.I., Verhov V.A. et al.

**Purpose of the article.** The analysis and definition of prospects of development of a European financial system is the purpose of given article. A methodological basis of research is the system approach, a dialectic method of the knowledge, fundamental positions and modern theories of strategic management. The euro have a significant influence on the structure of the financial system by bringing about more securitization. A traditional feature of the financial system is marked dependency on the funds intermediated by banks.

**Research results.** Today a process of securitization will gather pace in the euro area now that the single currency is in use. The money markets of the euro area became rapidly integrated after the introduction of the euro despite the fact that their structures had previously been quite different at the national level. Transaction volumes and measures of bid-ask spreads on the various money market instruments both indicate that the markets reached a very high level of liquidity. The high degree of integration of the euro area money markets is, first of all, a result of the single monetary policy, which is conducted through the harmonized operational framework of the Eurosystem. This integration has also been made possible by the significant and increasing integration of payment systems. Moreover, the continuously high use which our counterparties make of the correspondent central banking model for the cross-border transfer of collateral in monetary policy operations is an important indication of area-wide integration. There are aims to establish new area-wide standards for the markets, with a view to overcoming the separation between different models in the national markets. These new standards could obviously co-exist with other standards and broader conventions for international transactions. It should also be noted that national and international central securities depositories are currently developing links with one another, which will enable participants in one country to make direct use of securities deposited in other countries. Twenty-six of these links (concerning mainly Belgium, Germany, France, Luxembourg, the Netherlands, Austria and Finland) may be used by the Eurosystem.

Speaking about bond markets, it should be noted that The importance of the euro area bond market is also apparent in measures of secondary market activity, i.e. turnover or trading volumes. In particular, trading volumes on exchange-traded bond futures are indicative of the overall degree of market activity. Volumes traded in euro-denominated bond futures were low shortly before the changeover to the euro, when the bond markets in the euro area were exceptionally quiet. [1]

Since then, volumes have increased markedly and they currently stand at consistently high levels, which indicates a continuously high degree of turnover in euro-denominated bond markets in general. Turning to equity markets, structural

developments of most interest relate to the infrastructure of stock exchanges on the one hand and equity derivative exchanges on the other. First, within the euro area, equity investment and trading activities appear to be less and less influenced by country-specific factors and increasingly subject to area-wide considerations. Consistent with this development, area-wide equity indices have been developing. Market participants are showing considerable interest in these area-wide indices, in particular as they are also now adopting investment positions on area-wide industrial sectors, using the sub-indices made available for that purpose. An indication of the degree of interest raised by area-wide indices is the relatively fierce competition for benchmark status that has developed between the various proponents of area-wide indices.

In the field of banking, the securitization trend appears to demand strategic and organizational adjustment on the part of banks. The relative importance of the more traditional types of banking activity can be seen to be decreasing, even though it should be mentioned that traditional banking activities have nonetheless continued to grow at a rate exceeding that of growth of nominal GDP. In the euro area, growth in recent years has been much more rapid in assets under the management of mutual funds and other institutional investors than in the assets of banks. This reflects a tendency towards decreasing the relative weight of bank deposits compared with securities in financial wealth. Beside the establishment of non-bank subsidiaries, there have been other strategic and organizational changes that have resulted in banks strengthening their securities-related activities. In particular, significant motives behind the recent merger trend seem to include the desire to increase bank size and hence to be able to operate efficiently in wholesale securities markets as well as to be able to cater for the needs of large international corporations for investment banking services.

The trend towards securitization can be regarded as one of the reasons for the structural changes in the banking system that appears to have accelerated recently. There have naturally also been other reasons why banks have sought to merge,

predominantly the need to cut capacity and to reduce costs. These cost-driven mergers have taken place primarily among smaller banks.

It is necessary to mark that in times of socio-economic transformations to Ukraine, in other countries of the former USSR and the Commonwealth of independent states, world economic connections changed considerably. Ukraine took the certain place in the new computer-integrated world financial-economic system and tested on own experience both its advantages and imperfections. At the same time this system continues to be transformed. In these terms a basic of long duration strategic question for Ukraine is a question about that, what place it must take the in the future world and European financial-economic system. The financial system of Ukraine is defined as the interconnected connection in economic-legal open space of objective process of distribution of cost of an internal national produce and subjective process of influence on it of policy of the country. The concept of reorganization of a financial system of Ukraine is based on:

- Judgement of economic essence of processes of formation and a direction of financial resources in the conditions of market economy;
- Inclusions in its structure of cumulative elements which are connected with carrying out of legislatively provided financial policy of the state;
- Use of the system approach which gives the chance to consider compound a financial system in uniform interrelation.

Scientific-practical appointment of positions of this concept consists in possibility:

- Definitions of approaches which creations of the financial doctrine of the state concern;
- Definitions of approaches to working out of economic-mathematical models of formation and movement of financial resources of the country forecasting, planning and the analysis of distribution of cost of gross national product should become which functional purpose; introductions of uniform system of concepts and their unequivocal interpretation, both at level of professionals-experts, and in educational process; to an estimation of a condition of legislatively-standard

maintenance and working out of a uniform package of the coordinated legal certificates, connected with questions of functioning of a financial system with its further monitoring.

The financial system structure has three spheres:

- Public finances;
- The private finance;
- The finance of the enterprises

Public finances include the nation-wide finance and finance of the state enterprises. And the private finance - the finance of private enterprises and the finance of households.

For public finances are characteristic:

1. A principle of a functional purpose of a link.
2. The administrative-territorial principle.

Each link of a financial system has the feature which is caused by specificity:

1. structure of financial relations;
2. structure of funds of money resources;
3. A source of formation of funds of money resources and methods of accumulation of means;
4. directions of use of funds of money resources;
5. special-purpose designation of funds of money resources;
6. participants of formation of money resources;
7. participants of distribution and use of fund of money resources;
8. proprietors or managers of fund of money resources;
9. a role in the course of manufacture, distribution and redistribution of an internal national produce and the national income;
10. a part in distribution of financial resources:
  - judgement of economic essence of processes of formation and a direction of financial resources in the conditions of market economy;
  - inclusions in its structure of cumulative elements which are connected with carrying out of legislatively provided financial policy of the state.

For Ukraine and its financial system strengthening of attention of statesmen, scientists and experts to the finance of households is especially actual.

Thus, this link of a financial system first of all is presented by the budget of households which is object of serious researches in the states with the developed market economy, but insufficiently investigated in the domestic literature. The structure of incomes and expenses of budgets of households, mutual relation of incomes and expenses is the certificate first of all level of economic development of the state. The financial system is considered from two parties: on an internal structure and organizational structure. [3]

Financial system - set concerning the isolated interconnected financial relations which display specific forms and methods of distribution and redistribution of an internal national produce. A financial system – set of financial bodies and institutes which operate monetary streams. The internal structure of a financial system displays objective set of financial relations and is the general for all countries. It consists of spheres and links. The sphere characterizes the set of financial relations generalized to a certain sign. Links show the isolated part of financial relations. Level of economic system is put in a basis of allocation of spheres and links. Organizational structure of a financial system – set of financial bodies and institutes which characterizes a control system of the finance. At the heart of allocation of controls by a financial system its internal structure lies. The general financial management in any country is carried out by state governing bodies.[2]

For maintenance of stable and effective functioning of the financial mechanism of the state the legal regulation has paramount value forms and norms of financial relations. They are a source and a financial system regulator. On the basis of them it is possible to track the mechanism of functioning of a financial system, to understand, how financial resources accumulate, distributed and redistributed. The estimation of quality of work of the financial mechanism occurs according to its adequacy to modern interests of a society, to its ability to reach objects in view and to solve specific targets. Also the functioning mechanism should be the tool of the coordination and realization of interests of various social classes and objective

possibilities available for the state. More particularly such line can be defined as financial planning, i.e. one of elements of management of the finance which object is distributive process. This process covers formation and distribution of financial resources, formation and use on their basis of various monetary fund and is carried out on the basis of industrial and financial indicators.

In the course of drawing up of financial plans material, labour and financial reserves for growth of financial resources and reduction of non-productive costs are found. The mechanism of financial regulation gives the chance to the state to generate such conditions for subjects of the financial mechanism who would force them to operate according with directions necessary for a society. Such regulation is spent by means of tools fiscal, budgetary, a tax policy, etc.

The central problem of the present and the future of financial stabilization in Ukraine there is an inflation. Negative social and economic consequences of inflation compel the governments of the different countries to pursue a policy, directed on strengthening of national currency. The considerable attention was always given by the state to regulation of monetary weight.

The anti-inflationary policy totals rich assortment of the most different monetary and credit, budgetary measures, tax actions, programs of stabilization and actions on regulation and distribution of incomes.

Estimating character of an anti-inflationary policy, it is possible to allocate in it three general approaches. Within the limits of the first the active budgetary policy - maneuvering by the state expenditure and taxes with a view of influence on solvent demand is provided: the state limits the expenses and raises taxes. Demand is as a result reduced, rates of inflation decrease. However simultaneously there can be a recession of investments and manufacture that can lead to stagnation and even to the phenomena, the return originally to objects in view, to develop unemployment.

The budgetary policy is spent and for expansion of demand in the conditions of recession.

At insufficient demand programs of the state capital investments and other expenses are carried out (even in the conditions of considerable budgetary

deficiency), taxes go down. It is considered that demand for consumer goods and services thus extends.

The second approach in the economic theory. On the foreground monetary and credit regulation, indirectly and flexibly influencing an economic situation is put forward. This kind of regulation is spent by central bank not under control to the government which defines issue, changes quantity of an active money and the rate of loan percent. Supporters of this approach consider that the state should carry out deflationary actions for restriction of solvent demand as stimulation of economic growth and artificial maintenance of employment by decrease in a natural rate of unemployment conducts to control loss over inflation.

Formation of a financial system of Ukraine occurred simultaneously to formation of its statehood. Though still prematurely to say that this sector of economy has got a complete image, its basic elements were anyhow generated and function. These are systems of public finances, bank, share and currency stock exchanges, the insurance, confidential and investment companies.

Creation of effective budgetary system is an overall objective of market reform in Ukraine. It should capture problems of actually budgetary process, structure of receipts and expenses, budgetary deficiency and ways of its financing. Though in the last two days certain positive shifts also took place, budgetary process is still characterized by opacity, considerable parallelism and absence of clear split of powers and duties between legislative and executive powers. This problem was even more pointed because of recent events at the international market of the capital which have negatively affected an Ukrainian language credit-currency market, having complicated financing of budgetary deficiency.

In conditions transformational economy of Ukraine the basic directions of the financial policy directed on perfection of a financial system of Ukraine, are:

1. Perfection of the financial legislation and the right.
2. Overcoming of such forms financial crisis, as:
  - uncontrollable state debts of the country;
  - bankruptcy;



- overcoming of the latent deficiency of local budgets;
- overcoming of crisis of non-payments.

3. Creation on qualitatively new basis such organizational - the economic mechanism of management of the finance at which such blocks of management as would harmoniously be combined:

- management of the finance at nation-wide level;
- management of the finance at level of the enterprises, establishments and the organizations;
- management of the finance in system of foreign trade activities of Ukraine.

4. Working out and the statement of the tax and budgetary code of Ukraine.

5. Increase of efficiency of all financial mechanism and, first of all its such elements as:

- the financial legislation and the right;
- management of the finance;
- financial planning;
- the financial control;
- financial regulation;
- standard base.

6. Debugging of the mechanism of mutual relations of the enterprises, organizations with budgetary system, off-budget funds, bank system etc.

7. Decentralization of budgetary system.

8. Creation of the civilised mechanism of financial support of enterprise activity and first of all the enterprises occupied in industrial sector.

9. Strengthening of a role of the finance in Ukraine. Creation of the effective mechanism of its foreign trade activities.

In Ukraine it is necessary to take following measures for effective functioning of a financial system:

- to raise efficiency of activity of banks by their integration;
- to bring legislative norms of Ukraine into accord with the international norms and requirements of the European Union on questions on financial and

administrative responsibility of heads and shareholders of financial institutions for quality of management of the companies;

- to refuse use of not monetary forms of calculations.

**Conclusions.** Building of the independent state is impossible without creation of own financially-monetary system. At the leading part of National bank of Ukraine in a direction of demonopolization of manufacture for the purpose of improvement of existing economic relations the wide network of banking establishments is generated. The national monetary unit is entered. However financial system demonopolization, fast expansion of a network of commercial banks occurred spontaneously, without appropriate legislative base and the reliable control from outside the states. As a result the sphere of bank activity has created conditions for numerous abusing.

Authors offer system of directions of improvement of Ukrainian financial system and measures of making it healthy. Realization of offered measures is direct for adaptation of Ukrainian financial system to European financial system.

A lot of changes and market initiatives in the euro area financial landscape. These developments point to the increasing importance of the fixed income and equity markets that many expected in Stage Three of Economic and Monetary Union (EMU), providing new opportunities for borrowers and investors and causing pressure to adjust for financial institutions. In this respect, I should like to mention the importance of removing the remaining regulatory barriers to the further development of the securities markets. To this end, the European Commission has recently published an Action Plan of regulatory changes to improve the single market for financial services that would certainly - when implemented - boost the integration and market-driven development of the European securities markets. The Eurosystem contributes to developments in the financial sector by providing it with a stable and credible monetary policy. With a strong and credible commitment to its primary objective, price stability, the Eurosystem has created a situation in which the financial sector can concentrate on those issues that are of the greatest relevance to its activities. In addition, the Eurosystem carefully monitors structural developments in the financial sector to the extent that they might have an impact on the conduct of

monetary policy. To make a final point, in observing developments in the financial sector, the Eurosystem constantly takes account of the fact that one of its tasks, laid down in the Treaty establishing the European Community, is to contribute to the smooth conduct of policies pursued by the competent authorities.

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**Пересадько Г.О., Лукаш С.М.**

**Українська фінансова система як складова Європейської фінансової системи. Аналіз та перспективи.**

У статті розглядається аналіз і перспективи розвитку європейської фінансової системи та фінансової системи України як її складової. Розкривається сутність та структура сучасної фінансової системи в ринковій економіці і тенденції її розвитку. Євросистема створила інфраструктуру, яка корисна для установ інтегрованого ринку грошей в області євро.

**Ключові слова:** фінансовий сектор, фінансова система, валютна політика, Євросистема, фінансові ринки, національні ринки.

**Пересадько Г.А., Лукаш С.Н.**

**Украинская финансовая система как составная Европейской финансовой системы. Анализ и перспективы.**

В статье рассматривается анализ и перспективы развития европейской финансовой системы и финансовой системы Украины как её составной. Раскрывается сущность и структура современной финансовой системы в рыночной экономике и тенденции ее развития. Евросистема создала инфраструктуру, которая полезная для учреждений интегрированного рынка денег в области евро.

**Ключевые слова:** финансовый сектор, финансовая система, валютная политика, Евросистема, финансовые рынки, национальные рынки.

**Peresadko G.O., Lukash S. M.**

**Ukrainian financial system as a link of development of the European financial system. Analysis and prospects.**

In article the analysis and prospects of development European financial system and Ukrainian financial system as a link of it is considered. Reveals essence and structure of a modern financial system in market economy and the tendency of its development. The Eurosystem has created an infrastructure that has proved to be useful for the establishment of an integrated money market in the euro area.

**Key words:** financial sector, financial system, monetary policy, Eurosystem, financial markets, national markets.

Пересадько Галина Олександрівна – кандидат економічних наук, старший викладач кафедри менеджменту, ДВНЗ «Українська академія банківської справи НБУ».

Лукаш Світлана Миколаївна – радник директора з економічної безпеки, Сумська філія Національної акціонерної компанії «Укراгролізінг».

Радченко Олег Володимирович – доцент кафедри статистики, АГД та маркетингу, Сумський національний аграрний університет.

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