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DEFINING FINANCIAL SECURITY OF THE STATE AS THE VULNERABILITY TO EXTERNAL FACTORS³

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Today, the approaches of domestic scientists to the methodology of calculating and preventing the emergence of threats to the financial security of the state almost do not differ from each other. Most scholars use the model of calculating the integral index of financial security of the state, developed by the Ministry of Economic Development and Trade. According to this Methodological Recommendations on Calculating the Level of Economic Security of Ukraine, Financial security as a constituent part of the Economic security in its turn consists of the following elements: banking security, non-banking financial sector security, debt security, budget security, currency security, monetary-credit security. The integral index calculated on this method shows the low level of financial security of Ukraine and the existence of such threats to the financial system of the country. Therefore a lot of Ukrainian scientist's publications are devoted to the improving these Recommendations. However, after using this Methodology, influential and valid recommendations are not provided to ensure the stability and security of the financial system. We will try to change the concept of financial security definition in the frame of its vulnerability to global financial changes. Simultaneously our task is to find the most influential factors that cause the vulnerability and sensitivity of the state financial security to external threats and to reduce it.

Nowadays, Ukraine's financial security is in a critical condition. This is due to a number of factors and threats, which negatively affect the Ukrainian economy and provoke different problems. The problem is that only few scientists focus on the issue of external influence on the financial security of Ukraine. In connection with the fact that the World Financial and Economic Crisis of 2008-2009 had negative consequences for the socio-economic development of Ukraine, it showed the vulnerability of the domestic financial system, its dependence on external influence. Under such conditions, the question of protecting the national interests of the state in the financial sphere is gaining special importance. It should be emphasized that the state of national security in the financial sphere depends not only on the factors of the internal financial and credit policy of the state, the political situation in the state, the perfect legal provision for the functioning of the financial system, but also from the external component, that is, the result of

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globalization processes in the financial sector [1, 5].

Therefore, it is necessary to study the financial security of the state in terms of its sensitivity to changes in the global financial capital market.

Ukrainian government need to consider issues how to avoid possible financial crisis in future as it was at 2008-2009 and decrease the vulnerability to global financial threats of developing countries. It's necessary to provide Vulnerability Index research in order to analyze the indicators influencing Ukrainian financial system stability and financial security in general. Moreover, it's very important to find what factors give a positive and negative results on state financial security respectively in order to counteract financial instability.

Let's consider 3 vulnerability components or building blocks: the nature of the shocks, the exposure of a country to these shocks, the country's ability to react quickly and appropriately, or its resilience. A shock can be defined as an event which unexpectedly impacts on a country's economy, and which is exogenous or beyond the control of that country's government to prevent, making it discernible from "non-shocks" such as predictable and/or recurrent trends and policy-induced events. *Exposure* refers to the degree or extent to which a country can catch shocks coming from the outside. The size, depth and configuration of a country's economy all influence how large exposure to specific external shocks is. And the resilience can be conceptualized as a country's capacity to counteract shocks appropriately, its ability to withstand or adjust quickly from the shocks it is exposed to [1].

According to D. Essers' opinion the vulnerability can be interpreted as follows:

Vulnerability = probability of shocks x (exposure – resilience) [1].

With the help of this formula we can give a new definition of financial security as sensitivity to special external factors which leads to financial vulnerability occurring. We try to define vulnerability to financial crisis and insecurity. We find what factors give positive and negative results on state financial security respectively in order to counteract financial instability in accordance with globalization transformations.

So, the most significant factors influencing state financial security (as a vulnerability to external factors in the frame of globalization process) are:

- **OPENNESS OF THE NATIONAL ECONOMY** (a potential threat to financial security);

- **DEPENDANCE ON IMF AID** (an external debt increasing and loss of the financial independence);

- **EXPOSURE** (as a degree or extent to which a country can catch shocks coming from the outside);

- **INDIVERSIFICATION OF THE NATIONAL ECONOMY** (a potential threat to financial security and budget fullness. The financial dependence can occur);

- **LACK OF THE FINANCIAL RESILIENCE** (as a capacity to counteract shocks appropriately);

- LOW LEVEL OF UKRAINIAN DERIVATIVES MARKET DEVELOPMENT (lose the opportunity of the additional profit from financial investments, and lack of the possibility of hedging risks that arise in the real sector of the economy);

- IMPERFECT FOREIGN ENERGY POLICY(it's necessary to change the foreign economic energy policy by restoring equipment in the energy sector and ensuring the saving of oil and gas resources. Switch to energy-saving technologies.) (Compiled by authors according to the [1]).

Globalization makes the economy more open and vulnerable. It's obvious that the state is quite sensitive to digitalization and globalization processes, so it's necessary to study the global economic factors (labour market, health situation, poverty, hunger, migration, etc.) influencing state financial security, and provide data analysis. It's very important to provide the Vulnerability Index research for Ukraine as a developing country in order to find out how sensitive Ukraine is to globalization processes in the world in comparison with other countries. We need to develop a Methodology of counteracting financial threats and instability for providing high level of financial security and economic growth in the frame of globalization process which is inevitable. Ukrainian government must consider some strategies in order to limit exposure to external shocks of various kinds.

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