

UDK (УДК) 336.7
JEL Classification: E31, E52, E58

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РОЛЬ ГРОШОВО-КРЕДИТНОЇ ПОЛІТИКИ У ЗАБЕЗПЕЧЕННІ ФІНАНСОВОЇ БЕЗПЕКИ УКРАЇНИ

Анотація. У статті розглянуто основні засади грошово-кредитної політики Національного банку України. Встановлено, що досягнення фінансової безпеки неможливе без нормального функціонування монетарної сфери. Визначено, що для забезпечення фінансової безпеки необхідно досягти цінової стабільності, гнучкості обмінного курсу та здійснити заходи щодо покращення фінансового стану банків.

Проаналізовано стан грошово-кредитної сфери. Встановлено, що високий рівень інфляції є загрозою фінансовій безпеці України. У 2015 році спостерігався активний розвиток інфляційного процесу. З метою приборкання інфляції Національний банк України запровадив режим інфляційного таргетування, який передбачає реалізацію таких кроків: оголошення основних цілей інфляційного таргетування; зниження податкового тиску та запровадження виваженої фіскальної політики; досягнення «реальної» незалежності центрального банку; законодавче закріплення пріоритетності цінової стабільності; регулювання рівня процентних ставок на короткострокові кредити; запровадження режиму гнучкого курсоутворення; запровадження валютних аукціонів; завершення основного етапу очищення банківської системи.

Для захисту економіки від зовнішніх потрясінь зусилля НБУ спрямовані на забезпечення гнучкості валютного курсу та досягнення монетарної стабільності. Для стабілізації валютного ринку НБУ повинен розробити та запровадити стратегію валютної лібералізації відповідно до стандартів ЄС, що передбачає поетапне скасування тимчасових обмежень. Облікова політика НБУ повинна встановлювати основні орієнтири відсоткових ставок і сформулювати програму грошової пропозиції, яка відповідає величині попиту на гроші.

Доведено, що для забезпечення фінансової безпеки необхідно реформувати банківську систему в межах програми її розвитку, а саме: завершити докапіталізацію банків, зменшити операції з пов'язаними особами, розкрити структуру власності банків, забезпечити права кредиторів, споживачів, інвесторів.

Ключові слова: фінансова безпека, грошово-кредитна політика, інфляція, девальвація, процентна політика

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THE IMPORTANCE OF MONETARY POLICY IN ENSURING FINANCIAL SECURITY OF UKRAINE

Abstract

Introduction. The main measures of the monetary policy of the National Bank of Ukraine at the present stage to achieve financial stability. Established that financial security is impossible without the normal functioning of the monetary sphere. Determined that to ensure the financial stability necessary to achieve price stability; exchange rate flexibility and implement measures to strengthen the financial health of banks.

Results. The basic directions and results of the monetary policy of the National Bank of Ukraine. It was established that the national currency is unstable. In 2015 there is active development of inflation. As the main instrument counter accelerating inflation NBU has used higher interest rates. Fracture inflationary trend and further improvement of price dynamics in the consumer market primarily due to: relative stability in the foreign exchange market and further reduce the residual effects of the devaluation of the national currency; conducting enough tight monetary and fiscal policies; restrained consumer demand; lower prices for foreign food and raw material markets.

To protect the economy from external shocks NBU efforts directed at ensuring exchange rate flexibility and achieve monetary stability. In order to stabilize the currency market of Ukraine National Bank moved to a flexible exchange rate, setting it at the level of average market prices.

Analysis of the main indicators of financial stability of banks showed that in Ukraine there is a deepening financial instability and reduce the financial stability of the banking system. The measures aimed at enhancing the effectiveness of monetary policy.

Keywords: financial security, monetary policy, inflation, devaluation, interest rate policy.

DOI 10.32518/2617-4162-2018-2-132-139

Introduction

External military aggression creat's threats not only to the existence and territorial integrity of the Ukrainian state, and to its economic security as well. The Ukrainian economy suffered from a violation in the sphere of trade and industrial production, from the loss of trust in the banking system, devaluation of the national monetary unit, and an increase in the indebtedness of the state. Financial stability is a fundamental factor in ensuring economic security. As it is known, monetary policy is the basis for achieving financial structural changes. Therefore, research of the essence of monetary policy and its role in ensuring the economic security of the state is relevant.

An analysis of the latest advances and pills. Many Ukrainian and foreign scholars have researched the theoretical and methodological principles for the monetary policy implementation. Among them, I. Vetrova, K. Zhulynska, K. Konsevich, A. Levandivsky, O. Metlushko, V. Mischenko, M. Moroz, M. Pukhovkina, M. Savluk, T. Smovzhenko, A. Somik, V. Stelmakh, A. Shchetinin and another. However, the significance of monetary policy in the securing financial security of the state is little investigated.

To consider monetary and monetary policy instruments to ensure Ukraine's financial security.

Results. It is known that the monetary sphere is an important element in ensuring the financial security of the state. Money play important role in the modern economy. Money connects various sectors of the economy, different segments of the population into a single whole. The achievement of Ukraine financial stability is impossible without monetary stability. A market economy can not function effectively without the existence of a perfect monetary system. Therefore, in today's conditions, monetary security should become one of the key components of the economic security of the state.

Monetary policy affects the level of financial security of the state through the following factors:

– stability of the monetary sphere – the monetary sphere carries out its tasks and functions in the conditions of existence and influence of external and internal threats;

– the independence of the state monetary policy – the central bank independently determines and ensures the achievement of the strategic independence of the state monetary policy – the central bank independently determines and ensures achievement of strategic and tactical goals of monetary regulation, the historical and tactical objectives of monetary regulation;

– orientation on economic growth – the monetary system stimulates economic growth.

Monetary policy plays a decisive role in the system of state influence on economic stability and financial security (see table 1). Policy rules can incorporate key principles of good monetary policy. One key principle is that monetary policy should respond in a predictable way to changes in economic conditions. A second key principle is that monetary policy should be accommodative. A third key principle is that, to stabilize inflation [6].

public announcement of medium-term numerical targets for inflation; an institutional commitment to price stability; an information inclusive strategy in which many variables; increased transparency of the monetary policy strategy through communication with the public; and increased accountability of the central bank for attaining its inflation objectives [7].

1. The main measures of inflation targeting

In 2015, the National Bank of Ukraine introduced

Table 1

Indicators of the effectiveness of the implementation of monetary policy

Author	Definition of «monetary policy»
Law of Ukraine «On the National Bank of Ukraine» [1]	Monetary policy is a complex of measures in the field of money circulation and credit, aimed at ensuring the stability of the monetary unit of Ukraine through the use of certain means and methods
Burda M., Vyplosh Ch. [2]	Monetary policy is one of the alternative policies of the government aimed at influencing interest rates and exchange rates, more generally, on the conditions of financial markets and their links to the real economy
Budahovska S., Kilievych O., Lunina I. [3]	Monetary policy is a policy that affects the volume and structure of production, the overall level of prices, investments and employment, the state of foreign economic equilibrium, changing the supply of money in the economy
Baranovsky O. [4]	Monetary policy is a course of the state in the field of ensuring its economic security by methods of monetary regulation, expressed in a combination of monetary measures
Marius W. Holtrop [5]	Monetary policy consists essentially in exerting an influence on the present and future volume of total national expenditure by controlling the internal creation of liquidity, that is, the creation of money (primary liquidity) and of near-money (secondary liquidity)

It is expedient to assess the effectiveness of monetary policy in the light of the objectives pursued by the central bank in implementing its policy. Three levels of goals of monetary policy are set out: strategic, intermediate, tactical. The central bank uses various monetary regimes, such as exchange rate targeting, monetary targeting and direct targeting of inflation. Changing the macroeconomic situation in the country is the reason for the change in the monetary regime. Inflation targeting involves five key elements:

a mode of inflation targeting. Among the main reasons for the introduction of inflation targeting is, firstly, the inability to use the exchange rate as a nominal anchor, and secondly, the ineffectiveness of monetary targeting measures (the lack of a direct connection between money supply and inflation), and third, the need to achieve a rapid decline in inflation.

As it can be seen from Figure 1, the introduction of the inflation targeting regime has positive effects, as it has led to a reduction in inflation

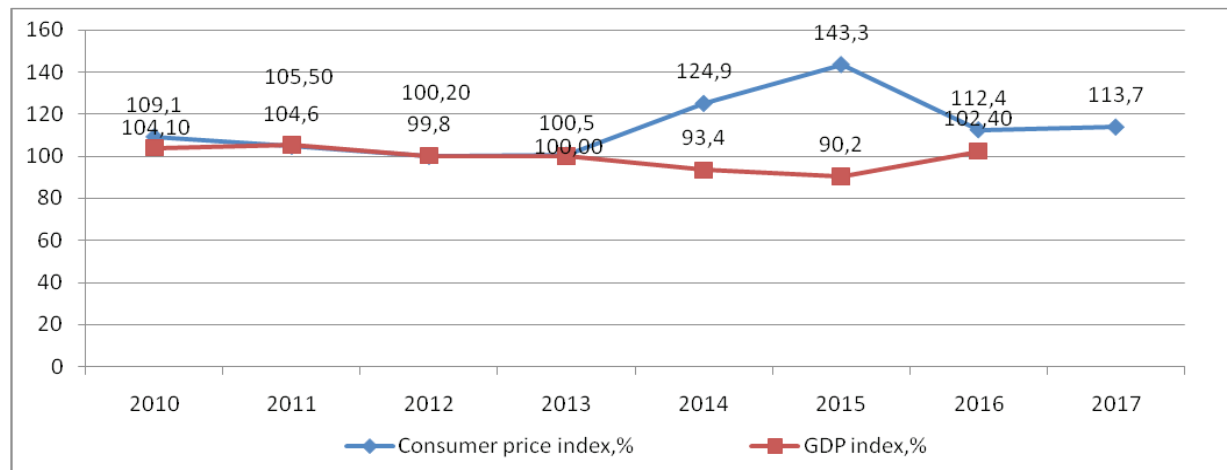


Figure 1. The dynamics of the consumer price index and the GDP index in Ukraine in the period of 2010–2017 [8]

and ensured the growth of GDP. This was achieved by implementing the priority steps of the inflation targeting regime: announcement of the main goals of inflation targeting; reduction of tax pressure and introduction of a well-balanced fiscal policy; achievement of «real» independence of the central bank; legislative consolidation of the priority of price stability; regulation of interest rates in short-term loans; introduction of a flexible exchange rate regime; introduction of currency auctions; introduction of analytical support of monetary decisions; completion of the main stage of clearing the banking system; introduction of the Ukrainian Interbank Rate Index (UIIR).

2. Currency exchange regulation

The policy of price stability will contribute to the reduction of the volatility of the exchange rate. At the same time, the NBU's monetary policy should be aimed at reducing inflation to a single indicator. For this purpose, the National Bank must adhere to the floating exchange rate regime and relax the administrative currency regulation. As it is known, currency regulation – is the activity of the state by of its authorized bodies, which provides the adoption of legislative and organizational measures that determine the order of execution of operations with currency values in the country.

In recent years, monetary regulation measures were administrative in nature. This has led to a reduction in the flow of foreign exchange into the country, the emergence of shadow foreign exchange markets, the multiplicity of exchange rates. The NBU made efforts to ensure the exchange rate flexibility and achieve currency stability. Foreign exchange stability is the dynamics

of the national currency, which ensures a balance of payments balance.

As it can be seen from Figure 2, a sharp change in the official rate of the national monetary unit occurred under the influence of financial turmoil caused by socio-political upheavals in 2014. Devaluation affects inflation dynamics and, as a consequence, is one of the causes of the liquidity crisis of the banking system.

In order to stabilize the situation on the currency market, the National Bank of Ukraine switched to a policy of flexible exchange rate, setting it at the level of average weighted market quotations. In 2015, the NBU has imposed tight anti-crisis administrative restrictions. In 2016, the National Bank adhered to the floating exchange rate regime. The NBU made currency interventions to neutralize exchange rate fluctuations. In the course of resumption of the stable functioning of the currency market, the National Bank gradually reduced its presence on it.

The outlined situation in the foreign exchange market requires a change in currency policy. The reform of currency regulation should be guided by the relaxation of administrative measures, but solely, taking into account the objective conditions of the currency market.

3. Monetization of the economy of Ukraine

Another criterion for assessing the state of monetary security is the monetization rate. The coefficient of monetization of the economy characterizes the speed of transfer of payments into monetary form, and also serves as an indicator of the saturation of the economy by money. The dynamics of the level of monetization of the Ukrainian economy is presented in Table 2.

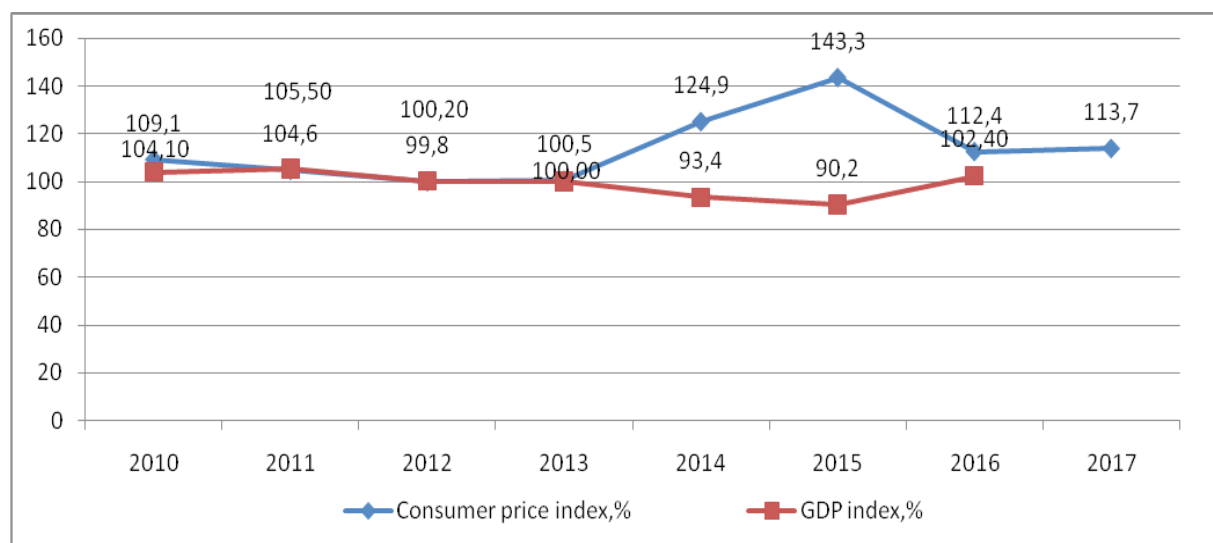


Figure 1. The dynamics of the consumer price index and the GDP index in Ukraine in the period of 2010–2017 [8]

Table 2

Dynamics of the Monetization Rate of the Ukrainian Economy in 2010–2017 [8]

Years	M2 billion UAH	GDP, billion, UAH	M2 / GDP,%	Rate of growth of monetization level
2010	570,87	1082,55	52,73	88,97
2011	673,23	1316,6	51,13	96,97
2012	762,3	1408,88	54,11	105,81
2013	906,2	1454,9	62,29	115,12
2014	955,9	1566,7	61,01	97,96
2015	993,81	1979,5	50,20	82,29
2016	1102,4	2383,2	46,25	92,14
2017	1208,8	2982,9	40,52	87,61

The level of monetization in the period of 2010–2017 varied, depending on the state of the economy. Such tendencies in the values of the indicator can be explained by the presence of macroeconomic imbalances in the Ukrainian economy that were caused by the global financial crisis and socio-economic changes in the country. Over the past seven years, the money supply has doubled grown. It should be noted that the growth rate of the money supply has considerably outpaced the demand for it. Increasing the level of monetization leads to inflation processes.

4. Dollarization of the state economy

In addition to traditional problems, monetary policy faced a high level of dollarization of the economy. Dollarization is an economic phenomenon, the essence of which is the replacement of the convertible foreign currency of a national monetary unit due to improper performance of its functions of money. The high level of dollarization causes the inability of the national monetary unit to fulfill the functions of money in the territory of its state, the strengthening of the economic dependence of the state from another country, the dependence of the cost of hryvnia on the amount of foreign money; raising the level of shadow economy; the central bank's inability to manage its monetary policy.

The negative consequence of dollarization is that the state turns into a creditor of another country's economy (in particular, the US). In

addition, according to V. Heyts: «... that the state loses a significant part of the funds that are so necessary for serve external commitments, to finance investment and economic growth in general» strengthens the negative consequences [9, c. 312–313].

The main factors causing dollarization are high inflation, instability of the national currency, currency fluctuations, distrust of the population to the national currency, unstable political and economic situation in the country. The threshold for the dollarization rate is 30%. The dynamics of the level of dollarization of the Ukrainian economy in the period 2010–2017 is presented in Table 3.

The dollarization of the Ukrainian economy is rising in periods of instability and manifestation of crisis phenomena. This causes distrust of the population to the national currency. Nowadays, Ukraine, according to the classification method of the International Monetary Fund, is a country with a «high-dollarized» economy.

Hyperinflationary experience of the first years of independence, the inability of the national currency to fulfill the function of preserving the value and the means of payment generated a shift towards the maintenance of foreign currency savings. Often the national currency was used as a modest coin, and most of the settlements were carried out through the US dollar. After «curbing» inflation, the dollar was squeezed out of cash, but it expanded its presence in the area of savings.

Table 3

Dynamics of the dollarization factor of the Ukrainian economy in the period of 2010–2017 [8]

Years	The volume of deposits in foreign currency, UAH billions	Monetary aggregate M3 billion UAH	Dollarization rate, %
2010	177,348	597,87	29,13
2011	211,316	685,51	30,32
2012	252,074	773,2	32,12
2013	248,220	909,1	28,17
2014	309,638	1028,7	25,08
2015	324,817	994,06	32,67
2016	367,056	1102,7	33,28
2017	385,417	1208,8	31,88

5. Discount rate and reserve requirements

The discount rate and provisions of mandatory reserves are the main instruments of the NBU monetary policy. We will analyze the change in the discount rate during 2015–2018. Its highest level was fixed from 04.03.2015 to 27.08.2015 in the amount of 30% per annum; the lowest recorded from 26.05.2017 to 26.10.2017 in the amount of 12.5%. Starting from 02.03.2018 the level of the NBU discount rate is 17% per annum and is acceptable for the Ukrainian economy.

From December 31, 2014, the NBU changed the structure of the mandatory reserve requirements. The division into currencies has been canceled and two rules have been introduced depending on maturity (time deposits, current accounts and on demand deposits). The mandatory reserve requirements make up 6.5% for deposits of legal entities and individuals in national and foreign currencies on demand, as well as funds on current accounts and 3.0% – for term deposits of legal entities and individuals in national and foreign currencies.

6. Economic norms of banking sector activity

The banking sector plays a key role in the monetary system of Ukraine. Economic standards ensure that banks fulfill their obligations to depositors and reduce the risks of banking activities.

Consider compliance with the norms of Ukrainian banks in the period of 2010–2017. The regulatory capital indicator is within the established regulatory limits, but in the past four years it has a tendency to decrease. Since 2014, the normative value of the minimum size of regulatory capital of banks has been increased from 120. up to 500 million UAH. That is, for banks that have received a license after July 11, 2014, the norm of H1 should not be less than UAH 500 million, and operating banks have ten years for a gradual transition to this value.

The indicator of the adequacy of regulatory capital is also within the limits of normative values, that is, the actual solvency of banks is higher than

the normative one. After analyzing the norms of instant liquidity, current liquidity and short-term liquidity, it was settled that the actual values of these indicators significantly exceed the value of the established norms.

Norms of credit risks in 2010–2014 also do not exceed the established normative value and testify the effective management of banks' credit policy. Since 2015, the norm of the maximum size of credit risk for transactions with bank-related persons was introduced. In 2015, the excess of normative values was fixed at 6.19%, and in 2016 it was 11,72%. This indicates a high credit risk in the banking system of Ukraine and the need to find ways to minimize it, as this situation adversely affects the stability of the banking system. In 2017, the situation was settled and on the 01.01.2018 the value of the indicator was 17.89%.

Investment standards are also within regulatory limits, but with each passing year we see a downward trend, indicating a weak investment policy of Ukrainian banks.

7. Financial security of the banking system of Ukraine

The next step is to study the state of banking safety on the basis of calculation of indicators of the level of financial security of the banking system of Ukraine proposed by the Methodological Recommendations for calculating the level of economic security of Ukraine dated October 29, 2013, No. 1277 [10] (see table 4).

Conclusions

The calculation of indicators of the level of financial security of the banking system shows the existence of real (high proportion of overdue loans, high share of foreign capital in the authorized capital of banks, high share of assets of the five largest banks in the total assets of the banking system, with a small amount of return on assets) potential threats, the critical level of financial security of the state. In order to resolve this situation, the NBU must adjust its monetary policy.

Table 4

Indicators of the level of financial security of the Ukrainian banking system

Indexes	Years				
	2013	2014	2015	2016	2017
The share of overdue loans in the total amount of loans granted by banks to Ukrainian residents, percentages	7,7	13,5	22,1	24,2	n/i
The ratio of bank loans and deposits in foreign currency, percent	124,09	152,66	168,65	134,50	109,36
The share of foreign capital in the authorized capital of banks, percent	34,0	32,5	43,3	51,0	n/i
Ratio of long-term (over 1 year) loans and deposits, times	1,76	2,83	3,89	4,13	3,28
Return on assets, percentages	0,12	-4,07	-5,46	-12,60	-1,94
The ratio of liquid assets to short-term liabilities, percentages	89,11	86,14	92,87	92,09	98,37
Share of assets of the five largest banks in total assets of the banking system, percent	40,0	43,4	51,5	50,5	58,3

To do this, the following steps should be taken:

1. Maintain low inflation and a stable exchange rate.

– *In the field of inflation targeting*, the NBU must detail the main provisions of the monetary strategy and improve the mechanisms, tools and internal procedures in accordance with the inflation targeting regime.

Effective introduction of the inflation targeting regime is possible provided that the cooperation of all the institutions on which the effectiveness of monetary policy depends.

The NBU should coordinate its actions with the Cabinet of Ministers of Ukraine (maintaining balanced fiscal policy, macroeconomic forecasting, development of the market for government securities), the International Monetary Fund (the terms of the cooperation program should take into account the inflation rate), the State Statistics Committee (clarification of the methodology for calculating inflation, NBU capacity in the analysis of macroeconomic links).

– *in the area of improving the functioning of the foreign exchange market*, the NBU should develop and implement a strategy of currency liberalization, which provides for the phasing-out of time constraints, gradual liberalization in line with EU standards.

2. Set the key targets for interest rates and form a money supply program that meets the size of the demand for money. The implementation of this paragraph is possible subject to the reference to the discount rate of interest rates under the main liquidity management and permanent access instruments;

3. Reform the banking system within its program of development, namely: complete the capitalization of banks, reduce transactions with related parties, open the ownership structure of banks, secure the rights of creditors, consumers, and investors.

4. Balance the use of monetary policy instruments aimed at stimulating economic growth, employment, monetary stability and macroeconomic stability.

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Стаття надійшла 10 травня 2018 року
The article was received on May 10, 2018