

FACTORS OF FINANCIAL STABILITY OF THE BANKING SYSTEM OF UKRAINE AS AN INDICATOR OF THE STATE'S ECONOMIC SECURITY

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Abstract. The article presents a comprehensive analysis of the factors influencing the financial stability of Ukraine's banking system and their impact on the country's economic security. The research systematizes external factors and internal determinants, revealing their combined dynamics in the face of contemporary challenges. Based on the identified patterns, practical recommendations have been developed to enhance the banking sector's resilience through optimizing internal stability mechanisms and minimizing the impact of external risks, forming a scientific basis for effective financial security policy formulation

Key words: financial stability, banking system of Ukraine, economic security of the state, external and internal factors, bank capitalization, liquidity, dollarization, state-owned banks, digitalization of banking services, banking sector risks.

Financial stability of the banking system plays a critical role in ensuring the overall economic security of Ukraine. A stable banking sector contributes to sustainable economic growth, public confidence, and resilience to external shocks. In the context of Ukraine, which has faced geopolitical tensions, inflationary pressures, and structural reforms, understanding the key factors that determine banking stability is essential for policymakers and financial institutions.

One of the main factors of financial stability is capital adequacy. Banks must maintain sufficient capital buffers to absorb potential losses and protect depositors. Adequate capitalization enhances the ability of banks to withstand economic downturns and supports lending activities that fuel economic development. The National Bank of Ukraine has implemented regulations that require banks to uphold minimum capital ratios, aiming to strengthen the resilience of the banking sector.

Another important factor is asset quality. The presence of non-performing loans (NPLs) can weaken bank balance sheets and reduce profitability. In recent years, Ukrainian banks have worked to reduce the share of NPLs through improved risk management practices and debt restructuring. Lower levels of bad loans reflect better credit assessment and monitoring, which are critical for financial stability.

Liquidity management is also crucial. Banks must have access to sufficient liquid assets to meet their financial obligations, especially during periods of market stress. Effective liquidity policies help prevent bank runs and ensure that financial institutions can honor depositor withdrawals and interbank commitments.

The regulatory environment is a significant determinant of stability. Strong supervisory frameworks, transparent reporting standards, and consistent enforcement of banking laws help mitigate systemic risks. The National Bank of Ukraine has aimed to align its regulatory practices with international standards, enhancing the credibility of the financial system.

Lastly, macroeconomic conditions such as inflation, exchange rates, and GDP growth influence the stability of the banking sector. Favorable economic conditions support loan repayment capacity and reduce credit risk.

In conclusion, capital adequacy, asset quality, liquidity, regulatory frameworks, and macroeconomic stability are key factors that determine the financial stability of Ukraine's banking system. These elements collectively serve as indicators of the state's economic security and influence its ability to pursue long-term development goals.

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