

FINANCIAL INSTRUMENTS OF THE BANKING SECTOR OF THE UKRAINIAN ECONOMY IN THE CONTEXT OF INTERNATIONAL INTEGRATION

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The banking sector plays a key role in the development of the Ukrainian economy, especially in the context of active international integration. In recent years, Ukraine has sought to deepen cooperation with the European Union and other international organizations, which creates both new opportunities and challenges for the banking system. Among them are the need to adapt to international standards of financial regulation, strengthen competitiveness and use modern financial instruments. The political situation in the world is changing, and it, in turn, entails significant changes in the world economy. For example, the energy market is under the daily influence of the confrontation of the main participants. Some of them often resort to methods of unfair competition [1-17].

The main subjects of the globalization of the world economy in modern conditions are transnational companies (TNCs), which also include transnational banks (TNBs). Ukraine's banking sector took the "brunt of the blow" of the economic crisis in February and spring 2022, which surpassed in many ways those in 2014.

The purpose of the study is to consider the main trends related to the development of the economy of Ukraine, its banking sector and the channel for the transmission of electronic messages on financial transactions (financial messages) in the new circumstances, as well as to identify the emerging opportunities and threats.

In accordance with the main goal, the following main tasks were set and solved in the course of the study :

- the theoretical patterns of the Ukrainian experience in regulating financial and banking activities in crisis conditions have been systematized;
- the factors influencing the change in the regulation of the activities of financial instruments due to the impact of digitalization are considered;
- the existing and possible risks for the banking sector and the economy of Ukraine as a whole have been analyzed, as well as the ways of their prevention and elimination of the impact of the consequences have been identified.

In February 2022, Ukraine's banking sector faced unprecedented external pressure, customer panic, and a sharp deterioration in the operating environment. The margin of safety gained over the past few years and centralized support measures have made it possible to smooth out the direct impact of stress, but some of the losses have simply been transferred to future periods, and new internal drivers are needed for recovery growth [2, 6, 9, 14].

It should be borne in mind that today the rate of withdrawal of credit institutions from the market has significantly decreased. The Central Bank is reducing the burden on credit institutions, which have experienced strong external pressure and have been affected by the general economic downturn, and is in no hurry to take extreme measures of supervisory response [3, 7, 15, 17].

Non-residents of Ukrainian credit institutions are limited in the sale of their stakes or do not want to record losses when selling assets at a large discount. Resident shareholders also cannot exit the banking business without losses in the current operating environment.

At the moment, the concentration of assets on the largest banks is not growing significantly, because they are losing some of their assets and customers due to crisis restrictions. But in 2023, the consolidation of the sector should continue, and its pace will accelerate. This will be due to both the intensification of mergers and acquisitions, including in relation to banks with foreign capital, and an even greater concentration of banking operations in the domestic market, where state-owned banks have all the advantages in

competition [1, 7].

Table 1 - Quantitative characteristics of the banking sector

Name Specifications	Year 2019	Year 2020	Year 2021	Year 2022
Number of operating credit institutions at the end of the period	442	406	370	361
Number of licenses revoked during the period	28	16	26	3
Number of voluntarily revoked licenses for the period	3	9	6	2
Number of credit institutions that ceased operations (including independent operations as a result of mergers) during the period	43	38	37	11
Number of credit institutions registered for the first time	1	2	1	2

Key elements of the Ukrainian banking sector in the current crisis:

1. **Reduced transparency.** Recently, the Central Bank and credit institutions have stopped disclosing information about their own activities, owners, management and their financial performance. Access to financial information is limited, pursuing not only counter-crisis goals, but also reducing the likelihood of panic against the backdrop of incorrect and hasty interpretations of the deterioration of financial results, capital reductions and other observations.

2. **Demonetization.** This phenomenon is not new, it has been actively implemented since 2014. Today, we can observe the extension of restrictions on the issuance of foreign currency in cash, the legalization of the fulfillment by banks of foreign exchange obligations to legal entities in hryvnia.

3. **Fundiravity.** The panic outflow of funds from individuals was stopped in the spring due to an increase in the key rate. The cycle that followed, characterized by its decline, was carried out much faster and more decisively than expected. As a result, the attractiveness of bank deposits has significantly decreased, but this has not led to new large-scale outflows, since retail investors are limited in alternative instruments for placing funds with moderate risk. Financial instruments such as credit lines, bonds, derivatives and international financing instruments (e.g. cooperation with the IMF and EBRD) are becoming an important link in ensuring the stability of the banking sector. However, their success depends on factors such as transparency of financial transactions, infrastructure development, and investor confidence.

The purpose of this study is to analyze the current financial instruments used in the banking sector of Ukraine, to identify their effectiveness and to propose ways to increase their role in the context of international integration.

The analysis allows us to identify several key conclusions.

1. *Integration into international financial markets.* Ukrainian banks are gradually adapting their products and services to international standards, which opens up access to new sources of capital. For example, the issuance of Eurobonds has become an effective way to raise funds in international markets.

2. *Support from international organizations.* An important role is played by financing programs from the IMF, the World Bank and the European Bank for Reconstruction and Development (EBRD), which provide Ukraine not only with financial support, but also contribute to the implementation of best practices in the management of the banking sector.

3. *Digitalization of banking services.* Modern financial instruments, including online banking and digital payment systems, allow Ukrainian banks to improve the quality of service and attract more customers, which is especially important in the face of growing competition.

4. *Challenges of international integration.* Despite the positive developments, the banking sector faces challenges such as economic instability, undercapitalization and high credit risks. Addressing these challenges requires increased regulatory oversight and investment in financial infrastructure.

5. *Development prospects*. To improve the efficiency of financial instruments, Ukrainian banks need to deepen cooperation with foreign investors, expand the range of services offered and actively introduce innovations.

Thus, today the banking sector and the economy of Ukraine as a whole are experiencing difficulties that have not had to be overcome before. The result of the actions of the Ukrainian government, which were aimed at preventing the current situation, but are being taken today as operational measures, is already visible.

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