

1.2. Prioritizing macroeconomic stability within Ukraine's financial policy under contemporary conditions

Ensuring financial stability and minimizing vulnerability to external negative influences is a necessary tool for the sustainable development of national economic systems and their sustained growth. Currently, there are significant threats of macroeconomic imbalances due to the presence of convergent and divergent connections in the economic space. Global and internal economic changes, as well as financial market instability, impact aspects such as investment levels, employment, income distribution, and overall economic activity. The study of financial stability becomes increasingly important in the context of the complex socio-economic situation that has arisen in Ukraine since the onset of a full-scale invasion, with the increase of external and internal risks, social and financial instability, the outflow of skilled labor, and the slowing of economic growth, significantly limiting the application of classical tools of macroeconomic regulation. Consequently, the research, development, and implementation of appropriate mechanisms and algorithms to assess the impact of these factors become crucial for timely coordination and synchronization of state policy aimed at achieving macroeconomic stability in the context of intensifying globalization processes. Timely identification of negative trends in the qualitative and quantitative parameters of macroeconomic stability allows a prompt response to internal and external challenges, reducing the high level of uncertainty and negative consequences [6, p. 8].

For Ukraine's economic system, adapting to contemporary economic development conditions and developing mechanisms and tools for recovery from negative impacts is essential. Ensuring the stability of Ukraine's national economy, especially during and post-war periods, requires implementing a well-considered, scientifically-based macroeconomic policy to limit macroeconomic imbalances and achieve long-term economic growth. The formation of necessary proportions and limitations of imbalances ensures the functioning of the national economy as an superior integrity. Combined with acceptable rates of economic growth, such proportions and balances define what should correspond to the term "macroeconomic stability" [7, p. 10].

Based on the generalization of views of domestic and foreign scholars on the essence of the term "macroeconomic stability" of the national economy, the following classification of relevant approaches is proposed [8, p. 7-8; 9]:

1. Approaches defining "macroeconomic stability" as the absence of sharp changes in its components:
 - Dynamic: Macroeconomic stability is the absence of significant fluctuation in the main macroeconomic indicators relative to their average level. Here, the target vector of change in these indicators is not considered, but the level of deviation of actual indicators from the average value.
 - Equilibrium: Macroeconomic stability is the absence of significant volatility in the change of its main components relative to a given trend and the ability of the national economy to maintain this trend. In this case, both the degree of deviation of the indicators and adherence to the target vector of their change are considered.
2. Approaches defining "macroeconomic stability" as the capability of the national economy to maintain shocks and manage its functional capability:
 - Functional: Macroeconomic stability is the capability of the economic system to maintain its institutional-functional stability on a long-term basis without disruptions.
 - Resultant: Macroeconomic stability is the ability of the economy to create GDP and ensure the target level of other macroeconomic indicators over a long period.
 - Resource: Macroeconomic stability is the resource capability of the national economy to meet the growing needs of the subjects of the economic system stably and without disruptions, fulfilling obligations to citizens and domestic and foreign counterparts).
3. Approaches defining "macroeconomic stability" of a country's economic system through the stability of its system-forming elements or main parameters:
 - Structural-equilibrium: Macroeconomic stability is such a state of development of the national economy in which, over a long period, the balance of its system-forming elements is maintained; for example, the

structural ratio between the financial and real sectors of the national economy is not disturbed, and the balance of the main parameters determining the macroeconomic stability of the national economy is achieved.

- Elemental: Macroeconomic stability is such a state of development of the national economy in which targeted values of one or two macroeconomic parameters are maintained, chosen as the basic parameters of macroeconomic stability of the national economy (most often, the level of GDP, the rate of inflation, the level of unemployment).

Macroeconomic stability refers to a state where an economy experiences relatively low levels of volatility and uncertainty, characterized by steady growth, moderate inflation, sustainable fiscal policies, and a stable financial system. It is an essential condition for economic well-being and efficient resource allocation in any country. The classification of approaches to understanding the meaning of macroeconomic stability of the national economy conducted by Liulov O. V. provided a theoretical basis for defining this concept. It is proposed to specify it as a state of development of the national economy, which is characterized by a low level of volatility in the change of key macroeconomic parameters relative to the aimed tendency, dynamically stable or increasing institutional, functional, and resource efficiency of the economy to level the negative consequences of endogenous and exogenous transformations. The proposed definition allows for systematically reconciling the basic principles and axioms of equilibrium, functional, resultant, and resource approaches [6, p. 25]. In essence, macroeconomic stability is not about the absence of economic problems but the ability to manage and respond to economic challenges effectively without causing severe disruptions to the economy's overall functioning. It is crucial for fostering a favorable environment for investment, employment, and long-term economic planning.

In the practice of macroeconomic analysis, four sectors are distinguished: the internal real sector, the fiscal sector, the monetary sector, and the external economic sector. This allows for focusing on a specific sphere as a totality of the most interrelated processes, phenomena, and macroeconomic dependencies (Table 1.1).

Table 1.1. Characteristics of macroeconomic sectors

Economic Sector	Interrelated Processes and Dependencies
Internal Real Sector	A special sphere of the national economy within which real economic wealth is created, conditions for national welfare are formed, and productive resources are utilized.
Fiscal Sector	The part of the national economy associated with state finances, primarily the state budget, public debt, and the formation of its financing sources.
Monetary Sector	The sphere of the national economy where the demand for and supply of money are determined, the general price level is established, and the stability of the national currency is formed.
External Sector	The sphere of the national economy within which external economic flows are carried out, the country's balance of payments is formed, the national currency's exchange rate is determined, and, ultimately, the position of the national economy in the global economic system is defined.

Source: Developed by authors based on [7, 10]

The segmentation of the economy presented in the table provides a differentiated understanding of the complex system of economic interactions and regulatory mechanisms. Focusing on the internal real sector allows for assessing production potential and resource distribution, the financial sector highlights the management of state finances and fiscal policy, the monetary sector analyzes monetary circulation and credit activity, while the external economic sector examines international trade and financial flows. A comprehensive analysis of these sectors is necessary for developing effective macroeconomic strategies and policies. This approach allows justifying the parameters of macroeconomic and macro-financial stability and determining guidelines for effective management of the national economy (Table 1.2). The indicators identified in the table interact with each other, and their comprehensive consideration enables the government to effectively manage the economic and financial situation in the country, contributing to its stability and development.

Table 1.2. Parameters of macroeconomic stability of the national economy

Parameters	Characteristics	Key Indicators
Economic	Ensuring stable rates of economic growth, optimal use of natural and financial resources	Gross Domestic Product (nominal and real), GDP deflator index, real GDP index (physical volume), unemployment rate, investment volume
Fiscal	Ensuring necessary tax revenues and stable growth rates, increasing the efficiency of State budget expenditures	Balance of income and expenses, budget surplus, budget deficit, total volume and structure of income and expenses, structure of tax revenues, level of tax burden, volume of internal debt and level of debt burden
Monetary	Ensuring continuous monetary circulation and the balancing of the money supply with GDP; balancing real and nominal exchange rates of the national currency	Money supply size, monetary aggregates, monetary multipliers, level of dollarization of the economy, indicators: monetization of the economy, inflation rate, pace of inflation, volume of international reserves of the NBU, national currency exchange rate: nominal and real exchange rate
External	Ensuring resistance to external shocks, effectiveness of foreign economic and debt policies	Balance of payments surplus, current account balance, basic balance, liquidity balance, trade balance surplus, volume of external public debt, and structure of payments and servicing of external public debt

Source: Developed by the authors based on [6, 9, 10, 11]

Considering the above mentioned, an important component of macroeconomic stability is financial stability, which encompasses the stability and reliability of the financial system, as well as its interconnection with general macroeconomic indicators. Financial stability is considered through the ability of the financial system to simultaneously perform three key functions: facilitate the efficient allocation of economic resources in time and space; assess and effectively manage financial risks; absorb real and financial economic shocks and imbalances, ensuring its continuous performance of its functions [12, p. 15]. Therefore, among the main criteria for the stability of the financial system, the following can be distinguished:

- The financial system can perform the function of allocating free resources for productive investment opportunities and maintaining the payment infrastructure;

- The financial system does not exacerbate macroeconomic problems but instead affects the productive functioning of the economy through stable financial markets;
- The financial system, as well as its institutional units, are resilient to endogenous and exogenous adverse events and capable of absorbing shocks;
- The likelihood of adverse and unpredictable events does not exceed the level at which the financial system becomes unstable [13, p. 16].

Synthesizing scientific approaches, we define financial stability as the state of the financial system capable of resisting shock phenomena, the negative influence of endogenous and exogenous factors, resulting from the interaction of financial institutions, financial markets, and infrastructure, the entire totality of various financial relations in the real economy. Financial stability is critical from the perspective of fostering confidence in the financial system, which is vital for investments and economic growth. In such a state, the financial system can function efficiently and continuously over a prolonged period, fulfilling its fundamental roles, maintaining equilibrium, and preserving its structure. Close financial interconnections between various sectors of the macroeconomic system dictate that financial stability can only be ensured comprehensively for the entire macroeconomic system. A stable financial system supports economic growth by efficiently allocating resources, maintaining consumer and investor confidence, and facilitating trade and investment. Financial stability of the macroeconomic system must be ensured at three levels (Table 1.3).

Table 1.3. Levels of the macroeconomic system

Level	Essence
Microprudential	Sets a series of normative requirements for subjects of the financial sector, aimed at ensuring the reliability of each financial intermediary.
Mesoprudential	Eliminates systemic risk within the financial sector and encompasses its connections with firms and households.
Macroprudential	Eliminates systemic risk within the entire macroeconomic system, covers foreign sector, public sector, budgetary-fiscal and monetary policies of the government in an integrated manner.

Source: Developed by authors based on [14, p. 43]

In modern conditions, enhancing the substantiation level of management decisions by state authorities in the sphere of forming a financial paradigm is important and relevant in the context of its impact on economic growth dynamics and achieving financial stability. The adaptability of financial regulation involves the constant review and update of goals and tasks depending on the dynamic changes of endogenous and exogenous factors affecting the financial system, the cyclicity of economic development, structural transformations of the financial sector, and the transformation of the institutional environment [15, pp. 38, 41]. Endogenous and exogenous factors determine a country's financial stability, including:

- Exogenous – economic relations with other countries regarding export-import operations, technology exchange, volumes, and structure of foreign investments, integration into global economic systems, etc. The conjuncture of global financial markets plays a significant role, affecting a country's ability to borrow in international capital markets.
- Endogenous – forms of ownership, economy structure, state of economic development, organization of monetary circulation, stability of the monetary unit, development of financial technologies, social composition of the population, level of prosperity, intellectual level of the population, etc.

Considering these factors and the peculiarities of Ukraine's current economic state, the formulation and implementation of the state's financial policy occur, which is one of the main tools for societal development and regulation of socio-economic processes. In crisis periods, the impact of financial policy on the economy needs to be intensified by refining financial mechanisms and macroeconomic stabilization tools. Creating a financial system structure based on the interaction of state regulation of economic processes and self-regulation mechanisms is necessary. For economic growth, a system of effective management of state financial resources needs to be established, along with creating an institutional environment in economic, social, and legal aspects that will balance budgetary and tax processes [16, p. 150, 153].

The primary task of Ukraine's state regulation at this stage is developing effective fiscal and monetary policies through their harmonious coordination, optimizing the volume of resources involved, and enhancing the scientific

substantiation of financial policy. The priority directions should be the improvement of the institutional environment, enhancing the efficiency of financial regulation, increasing international reserves, gradual and measured growth of the monetization indicator, maintaining price stability, and curbing inflationary pressures. It is crucial to strengthen the interconnection of financial regulation with the cyclicity of economic development, support the development of digital technologies and innovations to increase competitiveness and economic efficiency, and ensure macroeconomic balance.

A key institution playing a decisive role in forming and executing financial policy in Ukraine, contributing to financial stability by helping the financial system to perform its functions effectively and remain resilient to crises, is the National Bank of Ukraine (NBU). To achieve financial stability, the NBU applies the following approaches [17]: conducting macroprudential policy; supporting banks as a lender of last resort; promoting financial stability of banks, especially systemically important ones; supervising banks, payment systems, and settlement systems; conducting stress testing of the banking system and the largest bank borrowers. The primary objective of the monetary policy is the achievement and maintenance of price stability [18]. The effective functioning of the economy necessarily demands the facilitation of financial stability, particularly in the realm of ensuring the resilience of the banking system, and the maintenance of stable rates of economic growth. The latter two aspects, namely ensuring financial stability in the banking sector and preserving stable rates of economic development, are identified as the second and third key priorities by the National Bank of Ukraine [17, 19].

A particularly significant role in the NBU's regulatory system is played by macroprudential policy – a modern toolset for avoiding systemic risks, preventing crises, and mitigating their losses. Characteristics of macroprudential regulation include the following [21, p. 340]:

- Aimed at overcoming the cyclicity of the financial sector, which can generate financial cycles and fluctuations;
- Operates within the entire financial sector and has a systemic effect, enhancing the internalization of social costs from instability in the financial

sector, and increases the impact of the financial sector on economic growth through ensuring its stable functioning;

- Aimed at increasing resilience through the formation of stabilization buffers and moderating the cycle by reducing the likelihood of systemic risk accumulation;
- Includes tools for additional capital and liquidity buffering, dynamic provisioning, credit norms, and measures for reducing concentration levels, spreading risks through the financial sector, and taking excessive risks by systemically important financial institutions;
- Forms part of macroeconomic policy and complements monetary, fiscal, and capital flow management policies.

The National Bank of Ukraine develops macroprudential policy, orienting towards advanced international practice, guided by the experience of the EU and recommendations of the Basel Committee on Banking Supervision [17]. Thus, the NBU reduces risks in the financial system by obligating banks to accumulate additional capital reserves during rapid credit growth periods; limits excessive credit growth in general or its specific types; has sufficient liquidity reserves in case of fund outflows; and meets additional requirements when a bank becomes systemically important.

The main task of monetary policy is to maintain price stability. At the time, of course, in the conditions of war, market principles of economy are influenced heavily, monetary transmission mechanisms do not function appropriately, and the role of state regulation increases. In these conditions central bank uses mechanisms of purchasing assets on the open market, buying of government obligations, and using the programs of refinancing [24].

A key publication of the National Bank of Ukraine is the Financial Stability Report. Its purpose is to inform about existing and potential risks that could threaten the stability of Ukraine's financial system. The report, approved by the Financial Stability Committee on June 27, 2023, focuses on risks to the financial sector and Ukraine's economy in conditions of a prolonged full-scale war. It also contains recommendations to authorities and financial institutions aimed at countering risks in

wartime, increasing the financial system's resilience to them, and preparing for post-war recovery. The report is primarily addressed to financial market participants and all interested in financial stability issues. Its publication increases transparency and predictability of macroprudential policy, helps to build public trust in it, thereby assisting the National Bank in managing systemic risks [26].

Equally important is the next component of state regulation – fiscal policy (Table 1.4), which the government implements through the Ministry of Finance of Ukraine. Fiscal policy is a critical component of state regulation, playing a vital role in managing a country's economic performance and social welfare. It encompasses the government's use of its revenue collection (primarily taxes) and expenditure (spending) to influence the economy. The different objectives of fiscal policy are to stimulate economic growth, maintain price stability, and reduce unemployment, thereby improving the standard of living for the population.

Fiscal policy plays a crucial role in ensuring macroeconomic stability through the implementation of key directions and instruments indicated in Table 1.4.

Table 1.4. Principal directions for the implementation of fiscal policy

Fiscal Policy Directions	Characteristics
Tax Policy	An effective tax policy aids in stabilizing the economy by ensuring a sufficient flow of revenue to the budget for financing state programs and reducing public debt.
Government Expenditure	State expenditures, including capital investments and social transfers, can serve as a vital stimulus for growth and stabilization of the economy, especially during recessions.
Debt Policy	Managing public debt enables the country to finance deficits without excessive growth in debt burden, which could lead to instability.
Countercyclical Measures	Fiscal policy can act as a tool for countercyclical regulation, where the government increases spending or decreases taxes during economic downturns to stimulate demand, and reduces them during booms to control the economy.
Stabilization Funds	The creation and utilization of stabilization funds allow the country to conserve financial resources during periods of economic growth for use during downturns.

Source: Compiled by the authors based on [7, 27, 28]

Fiscal policy, therefore, plays a vital role in managing an economy, influencing everything from short-term economic performance to long-term growth and stability. The effectiveness of fiscal policy, however, depends on timely and appropriate implementation, as well as coordination with monetary policy and other factors like global economic conditions.

Over the last few decades, many countries around the world have significantly modernized their approaches, tools, and operational design of financial policy with the aim of exerting a more effective influence on the economy. Broadly speaking, any state's economic policy is directed towards enhancing the standard of living and welfare of the population. The cyclical nature of the economy, typically around an ascending trend, provokes instability, which can be smoothed through well-founded and rational state policy. An equilibrium state of the economy, where current macroeconomic indicators align with the long-term trend, is possible; however, in practice, such a situation occurs infrequently, and periodically, state authorities have to smooth out cycles around the trend. The existence of economic cycles is driven by fluctuations in demand and supply for manufactured goods and provided services, determining the aggregate level of production, real income of the population, and employment. The state can regulate economic imbalances, consequences of crises, and situational market turbulence through monetary and fiscal policies. Fiscal policy ensures the redistribution of income among the population to achieve a minimum level of affluence for all citizens by regulating tax burdens, expenditures, pension sizes, and subsidies. Monetary policy, in turn, controls the cost of money in the economy with the goal of ensuring price stability, fostering economic growth, and orienting towards achieving a low level of unemployment.

Consequently, monetary and fiscal policies are essential instruments of state regulation in socio-economic processes. However, in the context of macroeconomic instability, the coordination and coherence of these financial policy directions assume particular importance. Monetary policy, focused on controlling the money supply and interest rates, and fiscal policy, which influences government spending and tax rates, must interact to ensure stable economic growth. The harmonization of these policies aids in avoiding economic imbalances, reducing inflation and unemployment, and

promoting efficient resource utilization. Consistent and coordinated policies reduce uncertainty in the economy, fostering a stable environment for investment and growth. It requires continuous communication, shared objectives, and sometimes, legislative frameworks that guide the coordination process. Such a coordinated approach facilitates the achievement of congruent objectives and stimulates economic recovery and development.

1.3. The role of state regulation in fostering sustainable economic growth

The issue of financial support for comprehensive economic, social, and ecological development has been at the forefront of global community attention for at least the last 20 years. Concurrently, the challenges of ensuring sustainable development are compounded by factors such as climate change, deteriorating economic and social dynamics, the repercussions of the COVID-19 pandemic, and Russia's war against Ukraine, which has already inflicted significant environmental damage.

According to estimates by the Bank for International Settlements, environmental challenges represent a source of systemic financial risks and could trigger the next global financial crisis. Hence, the sustainable development goals outlined in the UN Summit's outcome document "Transforming our world: the 2030 Agenda for Sustainable Development" [30] necessitate the intensification of actions by individual countries and the international community. In response to these challenges, a new concept has emerged – sustainable finance, which defines a novel approach to the allocation of financial resources and the consideration of environmental, social, and governance (ESG) factors in financial decision-making. To counter climate challenges and achieve a sustainable future, countries adhere to global agreements such as the United Nations Framework Convention on Climate Change [31] and the Paris Agreements [32]. In 2015, representatives from 195 countries in Paris approved the UN's Sustainable Development Agenda for 2030 and the Paris Agreement on climate change, which stipulates that one of the three ways to combat climate threats in the context of sustainable development is to ensure the