

CURRENCY SECURITY FOR SMALL ENTERPRISES IN UKRAINE

ВАЛЮТНА БЕЗПЕКА МАЛИХ ПІДПРИЄМСТВ УКРАЇНИ

The work is devoted to the analysis of threats to the currency security of small businesses in Ukraine, which is a component of the financial security of Ukraine. A full-scale war in Ukraine requires a review of approaches to the formation of monetary policy in the sphere of state regulation of the financial system and the search for new effective methods of state management. The main challenges for the current financial system of Ukraine are a decline in production, an increase in the number of unemployed, a weakening of the stability of state finances, and threats to the stability of the currency. It has been proved that today the currency security of Ukraine is under the influence of a large number of internal and external threats, including the growth of the foreign debt, the outflow of funds abroad, the high degree of dollarisation of the economy, the inefficient structure of gold and foreign currency reserves, the imperfection of the currency and exchange rate policy, the presence of currency risks, the conduct of illegal currency transactions, the intervention of international financial organisations, foreign advisers and consultants in the currency policy of Ukraine. The conducted monitoring of the financial activity of a small enterprise is aimed at making certain effective management decisions providing the enterprise with currency and financial security in the modern conditions of the financial system of Ukraine as a whole. The current state of currency security of small businesses of Ukraine is analysed in terms of the need for a deeper study of it in order to solve existing problems related to its provision. As a result of the study of this problem, it is proposed to take measures to ensure the currency security of the country's small businesses and to support the long-term stability of the national monetary unit. The role of state banks in the implementation of state programmes for the support of small business should be strengthened, and for the safety of their activities a comprehensive system of state banks should be created, including highly specialised state commercial banks, state banks of a broad profile, state development banks, partner financial institutions, regional funds, insurance organisations.

Key words: war, currency security, small business, Ukraine, state, financial and economic security.

Робота присвячена аналізу загроз валютній безпеці малих підприємств в Україні, яка є складовою фінансової безпеки України. Повномасштабна війна в Україні вимагає перегляду підходів до формування валютної політики у сфері державного регулювання фінансовою системою та пошуку нових ефективних методів державного управління. Ключовими викликами для нинішньої фінансової системи України є падіння виробництва, ріст числа безробітних, послаблення стійкості державних фінансів, загрози валютній стабільності. Доведено, що сьогодні валютна безпека України перебуває під впливом великої кількості як внутрішніх, так і зовнішніх загроз, серед яких розрізняють зростання зовнішнього боргу, відтік коштів за кордон, високий рівень доларизації економіки, неефективну структуру золотовалютних резервів, недосконалість валютно-курсової політики, наявність валютних ризиків, проведення незаконних валютних операцій, втручання міжнародних фінансових організацій, іноземних радників та консультантів у валютну політику України. Проведений моніторинг фінансової діяльності малого підприємства направлений на прийняття певних ефективних управлінських рішень, які забезпечують підприємству валютну та фінансову безпеку в сучасних умовах фінансової системи України в цілому. Проаналізовано сучасний стан валютної безпеки малих підприємств України в умовах необхідності більш глибокого її вивчення задля вирішення наявних проблем, пов'язаних з її забезпеченням. В результаті вивчення цієї проблеми запропоновано вжиття заходів забезпечення валютної безпеки малих підприємств країни та підтримки стійкої стабільності національної грошової одиниці. З огляду на численні результати проведених досліджень, неузгодженими залишаються питання щодо методів оцінки валютної безпеки малих підприємства, зокрема, функціонування фінансово-економічної безпеки малих підприємств. Також має бути посилена роль державних банків для реалізації державних програм підтримки малих підприємств, для ватної безпеки їх діяльності, створено розгалужену систему державного банкінгу, яка включає глибоко спеціалізовані державні комерційні банки, державні банки широкого профілю, державні банки розвитку, партнерські фінансові установи, регіональні фонди, страхові організації.

Ключові слова: війна, валютна безпека, мале підприємство, Україна, держава, фінансово-економічна безпека.

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Problem statement. A full-scale war in Ukraine requires a review of the approaches to the formation of monetary policy in the sphere of state regulation of the financial system and the search for new effective methods of state management. The main challenges for the current financial system of Ukraine are a decline in production, an increase in the number of unemployed, a weakening of the stability of state finances, and threats to the stability of the currency. The currency

security of the enterprise occupies an important place in the activity of any enterprise. Currency security depends on many factors arising both inside and outside the company. The effective functioning of financial security is only possible if the company carries out a systematic analysis of performance indicators and possible risks arising in the course of the company's activities. The issue of financial security is particularly relevant for small businesses,

as they are the most vulnerable to certain risk factors. In Ukraine, the number of small and medium-sized enterprises is decreasing, as is the number of active individuals and private enterprises. The level of employment and the volume of production, sale of products and provision of services are decreasing. There are subjective and objective reasons for this. But among them, the problem of economic security of business, and especially its financial component, remains perhaps the most significant.

To date, it is indisputable that the stability of the national currency and its convertibility are the most important features of the financial and monetary security of any country. In order to achieve stability in this matter, it is necessary, first of all, to have an ideal currency legislation, a reliable currency strategy in the centre of the country, the existence of currency agreements and the currency market. Currency policy, the main link of which is the exchange rate of the national monetary unit, is a key element connecting the economy of Ukraine with the global economic complex.

Analysis of recent research and publications.

Such scientists as L. Abalkin, I. Binko, M. Bilyk, T. Vasylytsiv, E. Goodvin, O. Grunin, A. Kozachenko [13], A. Liashenko, V. Muntiyany, O. Novykova [13], V. Senchagov Shushkova Yu.V. As for the financial security of small businesses, research was conducted by N.V. Bondarchuk, A.S. Pedko [9].

Ukrainian scientists such as Baranovskyi O.I. [8], I.F. Binko, V.V. Butenko [10], L.M. Kravchenko, V.I. Mishchenko, A.M. Moroz, S.M. Polovko, O.E. Severyn and others. But despite all the importance of the developments, there were others.

However, despite the importance of the above-mentioned authors' work and the fact that the problem has been studied to some extent, there are still no comprehensive studies that fully reveal the role of monetary policy in ensuring the country's economic security.

However, not only the imperfection of currency legislation, but also the actual absence of a national currency (in the true sense of the word) until the mid-1990s, the proper volume and composition of currency reserves, normal currency parity, conditions of convertibility, a well-thought-out currency policy, effective currency control, as well as the unreasonable rate of the national currency unit, led to disorganisation in this sphere, which is very important for the vital activity of Ukraine.

Setting objectives. The purpose of scientific work is to identify problems and necessary state measures aimed at ensuring the currency security of the state. Therefore, it is very important to clearly define what currency security is, what influences its level and what should be done to increase it.

Presentation of the main research material. The concept of monetary security remains incompletely

defined at the legislative level. For example, the Law of Ukraine "On the Fundamentals of National Security of Ukraine" only states that one of the directions of the state policy on national security issues in the economic sphere is to ensure the internal and external security of the national currency, its stability, protection of the interests of depositors and the financial market. According to some scientists, the currency security of the state is the degree of security of its currency funds sufficient to maintain a positive balance of payments, fulfil international obligations, accumulate the required amount of currency reserves and maintain the stability of the national monetary unit. The Order of the Ministry of Economy of Ukraine of 2 March 2007 "On Approval of the Methodology for Calculating the Level of Economic Security of Ukraine" [7] defines that currency security is such a state of exchange rate formation that creates optimal conditions for progressive development of domestic exports, unimpeded inflow of foreign investments into the country, integration of Ukraine into the world economic system, and also protects as much as possible from shocks on the international currency markets.

Financial and economic security plays a decisive role in the functioning of any enterprise, especially in unstable conditions of its operation. Control over the financial security of the enterprise is expressed in the implementation of the following measures: fulfilment of the goals and tasks of the enterprise; ensuring a sufficient level of efficiency of financial and economic activity; access to economic resources and markets; creating conditions for sustainable development; protection against external and internal threats and dangers. Modern Ukrainian society is under the influence of various actual and potential threats. Among the considerable number of national security problems, the financial component plays an important role. Today, the state faces a large number of external and internal threats. These threats have a negative impact on the stability of the financial system, the state of the national currency and the economy as a whole. Financial security can be defined as the ability and opportunity of an enterprise to develop in the conditions of conflicts, risks and uncertainties of today's conditions. From the point of view of classification into external and internal factors, the necessary level of economic security of Ukraine can be provided only by internal systemic factors, which determine its integrity and flexibility to changes.

The objects of monetary security are the exchange rate of the national currency unit, the situation on the foreign exchange market, the level of international reserves, the state of the balance of payments and the level of foreign debt.

Currency security is a state of exchange rate formation characterised by high public confidence in the national currency, its stability, creating optimal

conditions for the progressive development of the domestic economy, attracting foreign investments to the country, integration of Ukraine into the world economic system, and also protecting as much as possible from shocks on the international currency markets [12].

The conditions for achieving real stability and turnover are perfect currency legislation, a well-founded currency strategy, an effective currency policy, a clear national currency system, the existence of currency agreements and a normally functioning currency market. The monetary policy, the core of which is the exchange rate of the national monetary unit, is a key link connecting the economy of Ukraine with the world economic complex.

The subjects of currency security are the National Bank of Ukraine, the Government of Ukraine, the Ministry of Finance of Ukraine, the State Customs Service and other state regulatory bodies with relevant powers in the field of currency regulation, authorised banks, enterprises – subjects of foreign currency exchange, households.

Current monetary policy, which is a complex of interrelated economic, legal and organisational measures taken by the state in the sphere of international and domestic economic relations, cannot but affect the level of monetary security of the state. The ability of monetary policy to influence both internal and external spheres of the economy determines its special role in the economic policy of the state.

At the macro level, monetary policy is aimed at the implementation of the political, social and economic guidelines of state policy, determining the goals and methods of their achievement by the participants in monetary relations. Such a policy is subject to general economic interests and is connected with the need to solve such tasks as: ensuring a high degree of convertibility of the national currency unit; managing the exchange rate; concentrating the value of currency in the hands of the government to solve current and strategic tasks of the country's economic development; regulating and controlling the movement of currency funds in the economy; ensuring conditions for the effective functioning of the foreign exchange market; managing the balance of payments and helping to solve the problem of the country's foreign debt; managing the gold and currency reserves of the Central Bank; developing a system of methods and instruments for insurance against currency risks; protecting the economy from the effects of various types of external shocks and neutralising the consequences of internal negative real and monetary disturbances.

The objectives and methods of implementing monetary policy must be subordinated to the country's economic development strategy and correspond to its socio-cultural, institutional and economic

characteristics. At the same time, for the new quality of integration processes, the principles and norms of the national monetary policy should be consistent with interstate agreements and arrangements in the monetary sphere. The effectiveness of the monetary policy and the successful implementation of the tasks assigned to it depend to a large extent on the perfection of the government's possession of the means of its implementation. This underlines the need for in-depth study of monetary regulation.

A country's currency security is largely determined by its currency strategy [1].

The main exchange rate regimes and their characteristics are listed in Table 1. By analysing them, it is possible to identify all the advantages and disadvantages of one or another exchange rate regime.

The current monetary policy, which is an important component of the economic and foreign trade policy of the state, cannot fail to affect the level of monetary security of the state. In particular, the level of currency security is influenced by the exchange rate regime (fixed or floating), currency parity, the existence or non-existence of foreign exchange interventions, the existence or non-existence of restrictions on foreign exchange transactions, differences between the transaction regime for residents and non-residents, the existence or non-existence of sufficient foreign exchange reserves, the possibility of introducing a currency blockade, as well as the depth of the country's participation in international currency mechanisms.

For example, the Czech koruna was considered a model for Central European currencies as the first of the former Eastern European currencies to be allowed to exchange at a market rate. It remained stable for six years. In May 1997, the Central Bank of the Czech Republic spent more than 3 billion USD (almost 30% of its reserves) to support the koruna, but then gave up and let it float on its own. When domestic economic problems intensified, a fixed exchange rate did not help. As in Mexico in 1994 and Thailand and the Philippines in 1997, the Czech government decided to protect its currency by introducing price controls on the koruna's floor and ceiling. Maintaining a fixed exchange rate in the face of rapid changes in the domestic economy proved to be an overwhelming task for all four of these effective transition countries.

A common feature of all young market economies – from the Czech Republic to Thailand – that are currently facing currency devaluation is a fundamental mismatch between the freedom of capital flows and the lack of domestic economic reforms. Having opened their markets to the world's capital, their leaders have opened their economic programmes to the harshest of judges – international financial managers. And if the government officials and businessmen of these countries do not make

Table 1

Main currency regimes and their characteristics

Exchange rate regime	Characteristic	Notes
Free floating rate	Complete freedom. Setting the exchange rate based on private supply and demand for foreign currency.	It is rarely used in practice in the long term. As a rule, the central bank tries to intervene.
Guided floating course	The central bank intervenes, but only to maintain equilibrium.	Often used, the problem is that the central bank may not know whether the exchange rate is a short-term fluctuation or a long-term trend.
Crawling peg	The central bank intervenes to achieve certain exchange rate objectives, often on a regular basis. The exchange rate moves in accordance with pre-established targets determined in accordance with expected inflation rates, i.e., programmed devaluation.	It is used quite frequently, but yields positive results only when market movements are in line with the Central Bank's forecasts of exchange rate movements; such forecasts are based on a formula that is periodically published in the press. This method is used by countries that are unable to stop inflation and where a fall in the relative purchasing power parity of the national currency is the main factor behind the depreciation of its exchange rate. The crawling peg was used in Poland.
Currency tunnel	It involves a significant fluctuation of the market exchange rate around a specially determined so-called central value within a fairly narrow range (from 0.5 to 6%), within which it is maintained through foreign exchange interventions.	As a rule, this is a collective measure: interventions are carried out by the central banks of all countries that are members of the agreement. The parameters of the tunnel are adjusted from time to time. A typical example of this method of currency regulation is demonstrated by the European Monetary Union.
Fixed exchange rate within a currency band	Fluctuations are permitted within acceptable limits; the central bank intervenes to keep the exchange rate within the specified range. The size of the band is not fractions or units of a percentage, but tens of percent.	Market participants have no guarantee of even relative stability. It is absolutely unclear when the exchange rate will reach the lower bound: at the end of the announced period, in the middle of it, or the next day. The principles of the central bank's interventions also remain uncertain. When the exchange rate approaches the upper or lower bound, the central bank faces the same problems as in fixed exchange rate systems.
Fixed exchange rate with possible deviations	It is fixed (if necessary, with the participation of the Central Bank) for a long-term period, taking into account the likelihood of minor deviations, but can change significantly if equilibrium is disturbed or if there is a significant market impact on the exchange rate.	Characteristic of the Bretton Woods monetary system (permissible fluctuations were 1% to one side or the other of the established parity with the dollar); widely used in 1945-1972, when cases of fundamental deviation from equilibrium were to be determined by the IMF. If the exchange rate is not adjusted in time, the regime specified in the intervention plan may turn out to be too expensive.
Exchange rate set by the central bank	More rigid compared to a fixed exchange rate with possible deviations.	The goal is to fix the exchange rate for an indefinite period, but it is not guaranteed; the exchange rate can change without prior agreement; otherwise, significant interventions are required. Currently, it is practically not used. Fixing for a long period was used when capital was controlled and not very mobile (British and Irish pounds before 1979).
Exchange rate set by the currency board (or gold standard)	The money supply (cash plus bank accounts) must be fully covered by foreign currency (or gold) at a fixed rate.	Strict discipline that ensures the convertibility of the money supply at a fixed exchange rate that is brought closer to the market rate through arbitrage. However, such an exchange rate can affect the economy (e.g., banks), production, or lead to political pressure to change the exchange rate or abandon the currency board system.
Single currency	Abandoning the national independent currency and introducing a new single currency for the group of countries.	In this case, the question may arise as to whether the country's monetary policy will be partially independent or fully influenced by other countries. On 3 January 1999, the single European currency, the euro, was introduced.

Source: compiled by the authors based on their own research

the same tough financial decisions as their foreign investors, they will very quickly be overwhelmed. The openness of capital flows creates pressure that eventually forces politicians to move in the right direction. This is the price of failure to reform, which is inevitable in an open system.

At the same time, it should be noted that the exchange rate and the level of interest rates are not monetary phenomena that can be regulated separately, they are the result of positive developments in the real economy and the perfection of economic policy.

Improving the standardisation of currency circulation helps to increase the level of currency security. To this end, in 1997 the State Standard of Ukraine approved and implemented the state classifiers of currencies (DSTU ISO 4217-95) and countries of the world (DSTU ISO 3166-95), developed in accordance with the programme of transition of Ukraine to the international system of statistics and accounting (Resolution of the Cabinet of Ministers of Ukraine dated 4 May 1993 No. 326).

An important milestone in the development of foreign exchange policy was the adoption in 1997 of international commitments by the Government and the NBU to lift restrictions on the convertibility of the hryvnia for current transactions under Article VIII of the IMF's Articles of Agreement, which created certain conditions for attracting foreign investors' capital to the Ukrainian market. In this regard, it is worth mentioning the following definition (which is considered to be a typical one) by Stanford University Professor R. McKinnon: "A currency is convertible when citizens of a given country who wish to purchase foreign goods or services, without any special restrictions, can freely sell local currency in exchange for foreign currency in the single market at a single, possibly fluctuating, exchange rate applicable to all current transactions, including normal trade credit, while foreigners (non-residents) holding local currency funds obtained from current transac-

tions can sell them at the same exchange rate or freely purchase local goods at preferential prices in that currency."

Ukraine's acceptance of the obligations under Art. VIII of the IMF Charter is its assurance to the international community that it will pursue a sound economic policy, avoiding restrictions on the making of payments and transfers under current international operations, and thanks to this will contribute to the efficient functioning of the multilateral payment system. In addition, the acceptance of such obligations implies minimising the risk of changes in the national currency exchange rate by stabilising it; optional sale of foreign currency received in the course of export operations; no restrictions on repayment or servicing of external loans, as well as repatriation of foreign investors' income.

It is necessary to emphasize the fact that "a chain of certain relations can be traced: the economic security of the country is closely connected with the problems of the convertibility of the national currency; convertibility does not exist without achieving financial stability; financial stability is impossible without eliminating the causes of crisis factors in the development of the economy; the latter can be overcome by structural restructuring of the economy, primarily material production; material production will allow to develop an environment of competition primarily in the domestic market, and competition can be created only by forming the owner – producer of goods in".

Global practice has accumulated experience in several types of national currency convertibility (turnover) (Table 2).

As for the timeframe for achieving convertibility of national currencies, global practice shows that some countries took a long time to achieve this. For example, it took almost 40 years for the Austrian schilling to achieve the status of a convertible currency, which it received in 1991. Ukraine has come this far in just a few years. However, unlike in Western countries, where the introduction of

Table 2

Types of national currency convertibility

Convertibility type	The essence of conversion
Full conversion	The freedom of exchange of the national currency for any foreign currency covers all types of foreign economic transactions, applies equally to all categories of legal entities and individuals (residents and non-residents) and extends to all regions of the world.
Partial conversion	Free exchange for foreign currency is only allowed for current transactions and is not permitted for transactions related to foreign investment and other international capital movements. According to IMF requirements, a country must at least ensure that it has achieved a degree of currency liberalisation such that its national currency can be included in the list of convertible currencies.
External convertibility	Only foreigners (non-residents) have full freedom to exchange the currency of this country for payments and settlements abroad, while local individuals and legal entities (residents) do not have such freedom.
Internal conversion	The freedom to exchange national currency for foreign currencies is granted only to residents of a given country, while the relevant rights do not apply to non-residents.

Source: compiled by the authors based on their own research

currency conversion provided favourable conditions for the development of industrial activity and the improvement of living standards, in Ukraine the introduction of hryvnia conversion has not brought even the slightest sign of economic prosperity. Moreover, the currency mechanism, which in a rational approach should facilitate effective interaction with the world economic and financial community and the use of the advantages of the international division of labour, was transformed in Ukraine into a factor of subordination of the foreign economic sphere to the narrow commercial interests of non-state structures, caused significant dependence of the state's financial condition on foreign sources and factors of influence, withdrawal of a large part of the money supply from bank circulation, significant dollarisation of the national economy, mass flight of domestic capital abroad. The level of currency safety is undoubtedly determined by the level of currency operations licensing. Currency safety is also influenced by the quality of the national currency exchange rate forecast. Currency safety is also determined by the direction of currency resources, the level of profitability of operations carried out with them. So, for example, recently one of the most attractive areas – the international currency market FOREX (Foreign Exchange Market), which has high liquidity. And the high profitability of FOREX operations – experts call the figures 5–10% (in a very favourable market – up to 20%) per month, which exceeds 60–120% per year, makes it the most attractive for a private investor.

Currency safety also depends on the organisation of currency control in the country. The need to ensure effective currency control is primarily due to the NBU's inability to directly regulate the amount of foreign currency in circulation, which can significantly affect the overall money supply. In 1996, in order to ensure the necessary level of international liquidity at the national level, a mechanism was created to control the external debt limit by licensing foreign currency loans from non-residents.

Threats to the monetary security of Ukraine should be considered as factors that, now or in the future, make it impossible or difficult to realise national economic interests, create obstacles on the way to normal development of the economy, and endanger the independent existence of the state and the well-being of the people.

Ukraine's monetary security is threatened by internal flight of foreign currency (a situation when demand deposits are converted into cash and leave the domestic banking system); mass legal export by non-residents and illegal export by residents of currency funds outside the country; "dirty money laundering" on the territory of Ukraine; failure to repatriate foreign currency to Ukraine within the time limits established by the legislation in force; growth of the foreign currency debt of the state and domestic

business entities; Violation of the NBU's instructions on working with currency funds; conducting illegal currency transactions; violations in the conversion of non-cash funds in foreign currency into cash; the development of crisis phenomena on the world currency market; the possibility of introducing a currency blockade; insufficient level of official currency reserves; the existence of currency risks; counterfeiting of foreign currency.

Maintaining an adequate level of currency security is also hampered by the fact that, despite the requirement that the sum of the credit entries in Ukraine's balance of payments should equal the sum of the debit entries and the overall balance should be zero, the reality is different. This is due to the fact that data on different sides of the same transactions are provided from different sources. For example, exports of goods are recorded by customs statistics, while foreign exchange receipts to companies' accounts for exports are recorded by banking statistics. At the same time, each source has certain drawbacks.

Undoubtedly, Ukraine's financial security is also undermined by the misuse or inefficient use of foreign currency loans from the IMF, the World Bank, the EBRD, other foreign financial institutions and foreign governments.

The current monetary policy, which is an important component of the economic and foreign trade policy of the state, cannot but affect the level of monetary security of the state. Thus, in particular, the level of currency security is influenced by the regime of exchange rate formation (fixed or floating), currency parity, the implementation or non-implementation of currency interventions, the presence or absence of restrictions on the conduct of currency transactions, differences between the regime of transactions for residents and non-residents, the presence or absence of sufficient currency reserves, the possibility of introducing a currency blockade, as well as the depth of the country's participation in international currency mechanisms.

Currency security is such a state of exchange rate formation that creates optimal conditions for progressive development of domestic exports, unhindered entry of foreign investments into the country, integration of Ukraine into the world economic system, and also provides maximum protection against shocks on the international currency markets.

In order to create an effective currency security system in Ukraine, it is necessary to clear and justified choice of the state's currency strategy; creation of a comprehensive, perfect legal framework and development of effective measures to prevent its violation; development, approval and implementation of a system of threshold values of currency security indicators of citizens, enterprises, organisations and institutions, commercial banks and the state; constant monitoring of the world currency market with

the aim of early detection of the emergence of crisis phenomena and taking the necessary preventive measures to minimise their negative impact on the domestic currency market; determination of the main principles of the state's currency policy.

Ensuring Ukraine's currency security requires a number of measures to be taken in the following areas: strengthening the effectiveness of the discount policy; improving the foreign exchange policy; developing the foreign exchange market, especially its term segment, in line with international standards; and intensifying the development of new technologies and instruments for insuring currency risks; significantly strengthening the role of prudential supervision and control, increasing transparency in the foreign exchange sector, and improving the NBU's communication policy; developing a medium-term strategy for currency liberalisation; improving the gold and foreign exchange reserves management system based on the experience of foreign countries.

The specified areas are the basis for determining a number of priority tasks for improving the provision of currency security of Ukraine, which should be: formation of effective interest rate management mechanisms and strengthening of their role in the regulation of currency and monetary credit markets; intensification of the processes of formation of a deep and liquid foreign exchange market, first of all, strengthening of its term segment with simultaneous creation of legal and institutional bases for monitoring and control of operations with high-risk currency and financial technologies and instruments; improvement of tactics, forms and methods of conducting currency interventions; strengthening market discipline as a complement to the administrative levers of foreign exchange regulation; strengthening the levers for encouraging subjects of the foreign exchange market to more actively use insurance instruments and transfer currency risks; developing and implementing informational methods of influencing the exchange rate; improving the national payment and settlement system in terms of servicing operations with derivatives, increasing its reliability and transparency; developing a phased strategy of currency liberalisation aimed at the priority provision of Ukraine's national interests; concentration of efforts on harmonisation of steps in the sphere of liberalisation of capital flows with the development of the domestic monetary and financial environment; monitoring of imbalances and risks of currency liberalisation with adequate improvement of prudential control norms and supervision over the activities of subjects of monetary and financial relations and the course of processes in the monetary and financial sphere; developing methods of active investment management of the NBU's gold reserves in accordance with international standards and principles.

Building an effective currency security system in Ukraine is a very complex and challenging issue. In

order to solve this problem, the following is required: a clear and justified choice of the state's foreign exchange strategy; the definition of the priorities of the state's foreign exchange policy; the creation of a comprehensive and perfect legal framework regulating the functioning of the foreign exchange market and the development of effective measures to prevent its violation; determination of the state body responsible for ensuring effective currency control in the country, clear organisation of currency regulation and control; ensuring the stability of the national currency unit, the hryvnia, increasing its role in the Ukrainian economy; optimising the overall volume and structure of foreign currency income and use in both sectoral and geographical areas; preventing inefficient use of funds from loans from international financial organisations, foreign governments and banks; solving as soon as possible the problems of repatriation of foreign currency illegally taken abroad and non-payment of foreign currency; preventing uncontrolled outflow of currency values abroad and "laundering of dirty money"; participating in the economic circulation of the currency funds of the population; accumulate sufficient official foreign exchange reserves (at least three months of imports) and improve their management system; improve the functional infrastructure of the national currency market; resume regular trading on the Ukrainian Interbank Currency Exchange; resolving the issue of renewing special statistical reporting and ensuring the availability of information on the availability and movement of funds in foreign currency of domestic enterprises and organisations of all forms of ownership, which will make it possible to control and comprehensively analyse all links of the movement of foreign currency of business entities to Ukraine and beyond, terms and sources of formation and use; improvement of the NBU's control over the domestic cash foreign exchange market (given the scope of exchange rate setting by exchange offices, their refusal to sell foreign currency freely, lack of proper documentation of foreign exchange transactions conducted by them); development, approval and implementation of the system of thresholds for currency security indicators of citizens, enterprises, organisations and institutions, commercial banks and the state; constant monitoring of the world currency market for early detection of the emergence of crisis phenomena and adoption of necessary preventive measures to minimise their negative impact on the domestic currency market; implementation of effective measures by law enforcement agencies to prevent and stop the activity of illegal exchange centres, smuggling and counterfeiting of foreign currency; prevention of false information to the NBU of international financial organisations about the real amount of official currency reserves of the state on a given date; strengthening of the integration

Table 3

Currency security indicators

Name of the indicator	Calculation procedure
1. Index of changes in the official exchange rate of the national currency to the US dollar, average for the period	Official exchange rate of the national currency to the US dollar in the current period, average for the period / official exchange rate of the national currency to the US dollar in the corresponding period of the previous year, average for the period
2. Difference between the forward and official hryvnia exchange rates	Official exchange rate of the national currency to the US dollar at the end of the period – forward exchange rate of the national currency to the US dollar at the end of the period
3. Gross international reserves of Ukraine, months of imports	
4. Share of loans denominated in foreign currency in total loans disbursed, percentage	loans to residents in foreign currency, million UAH / loans to residents, million UAH x 100
5. Balance of purchase and sale of foreign currency by households, billion USD	amount of foreign currency sold to households, billion USD – amount of foreign currency purchased by banks from households, billion USD
6. Level of dollarisation of the money supply, percentage	(transferable deposits in foreign currency, UAH million + other deposits in foreign currency, UAH million + securities other than shares in foreign currency, UAH million) / money supply (M3) x 100

Source: compiled by the authors based on their own research

of the domestic currency market into the world currency system.

Currency security also includes the security of the foreign exchange market. In the conditions of the globalisation of the world economy and the expansion of international economic relations, the adequate and balanced influence of the state on the monetary and financial sphere becomes particularly important. The results of the economic transformations in recent years have shown that an imprudent liberalisation of certain segments of the national economy can lead to significant losses. This was most obvious in the monetary sphere. Insufficient effectiveness of the implemented policy became one of the reasons for uncontrolled capital outflow, huge foreign debt, violations in the sphere of money circulation, fundamental macroeconomic instability, which generally affects the financial security of the state. One of the important indicators of the financial security of the state is the stability of the currency market.

The **foreign exchange market** is a system of economic and legal relations between consumers, sellers of foreign exchange and the state for the purchase and sale of foreign exchange, bank metals, payment documents and securities in foreign exchange, as well as the implementation of credit-deposit and other transactions with foreign exchange.

The tasks of the foreign exchange market are as follows: timely settlement of international transactions; exchange rate regulation; diversification of foreign exchange reserves; insurance of exchange rate risks; making a profit for participants in the foreign exchange market in the form of exchange rate differences; implementation of a foreign exchange policy aimed

at state regulation of the national economy and a coordinated policy within the framework of the world economy.

State regulation of the currency market in Ukraine is carried out by the National Bank of Ukraine. In accordance with the legislation, the National Bank of Ukraine carries out currency regulation, determines the procedure for foreign exchange transactions, organises and carries out currency control over banks and other financial institutions that have obtained a licence to carry out foreign exchange transactions.

The main participants in the foreign exchange market can be distinguished: commercial banks: they carry out the main volume of foreign exchange transactions. Other market participants hold accounts with banks and conduct the necessary exchange and deposit transactions with them; legal entities conducting foreign trade operations: create a stable demand for foreign currency (on the part of importers) and supply of foreign currency (exporters), as well as place and attract free currency balances in short-term deposits. At the same time, these organisations do not have direct access to the foreign exchange market and carry out conversion and deposit operations through commercial banks; companies engaged in foreign investment of assets (these companies, represented by various international investment funds, implement a policy of diversified asset portfolio management, mixing funds in securities of governments and corporations of different countries. This type of firms also includes large international corporations that make foreign production investments, such as establishing branches, joint ventures, and so forth); central banks (their main task is to regulate foreign exchange in

the external market, i.e., to prevent sharp jumps in national currency exchange rates in order to prevent economic crises, maintain the export-import balance, etc. Their influence can be both direct – in the form of currency interventions – and indirect – through regulation of the money supply and interest rates); currency exchanges (currencies are exchanged for legal entities, and the market exchange rate is formed. The state usually actively regulates the level of the exchange rate through exchanges, taking advantage of the compactness of the stock market. Although the foreign exchange market is predominantly over-the-counter and thus decentralised, operating 24 hours a day, some instruments are traded on an exchange); currency brokerage firms (their function is to bring together a buyer and a seller of foreign currency and to conduct a conversion or credit-deposit transaction between them. The brokers match the buy and sell orders, which allows them to maintain the anonymity of the parties); individuals (individuals carry out a wide range of non-commercial transactions in the field of foreign tourism, remittances of salaries, pensions, fees, and purchase and sale of cash currency. Individuals also have the opportunity to invest their surplus funds in the FOREX market for profit).

The exchange rate plays an important role in ensuring the stability of the foreign exchange market.

The exchange rate is the price of one country's currency expressed in another country's currency. There are several types of exchange rates: fixed, floating (formed under the influence of supply and demand) and unstable (set within a certain corridor); by market type – current, term (forward, futures, options).

The basis for the value of the exchange rate is the purchasing power of currencies, which expresses the prices of goods, services and investments. This economic category is characteristic of commodity production and reflects its relationship to the world market. When entering the world market, national products are valued according to an international measure of value. The exchange rate thus facilitates the exchange of goods in the world economy. The basis of world prices is the international price of production, which is based on the prices formed in the countries that supply their products to the world market.

The exchange rate allows: mutual exchange of currencies in trade of goods, movement of capital and credits. The exporter of goods exchanges the proceeds in foreign currency for national currency, since foreign currencies cannot circulate as legal tender in the territory of the state. The importer exchanges national currency for foreign currency in order to purchase and pay for services abroad.

The foreign exchange market, like any other segment of the financial market, is characterised by the presence of economic indicators. These indicators are used to predict the exchange rate.

Of the various economic indicators, the trade balance should have the most direct and immediate relationship with the exchange rate, as it is the difference between the country's total exports and imports. If the structure of the country's foreign trade is dominated by exports, this means that there is an excessive inflow of foreign currency into the country, and therefore an increase in the demand for the national currency and a rise in its exchange rate. Conversely, a trade deficit (when the volume of imports is greater than the volume of exports) should weaken the national currency.

Indicators of economic growth and gross domestic product are next in terms of influence on the exchange rate. Gross Domestic Product is a general indicator of the sum of value added created by all producers operating in the country during a given period. GDP is a generalising indicator of the strength of the economy (or, conversely, its weakness during periods of recession). Its relationship with the exchange rate is always present and quite direct – the more GDP grows, the stronger the national currency. For currency markets, this is one of the most important indicators. The reaction to the publication of not only the growth indicators of the major economies, but also their refined values, is quite significant.

The next economic indicators that affect exchange rates are monetary aggregates and interest rates. All actions taken by government regulators, especially central banks, that affect finance and money circulation are important factors for exchange rates. The price of a currency is primarily determined by the supply and demand for that currency on the international market. Therefore, the exchange rates of major currencies are set by the market, but central banks have a number of tools with which they can significantly influence exchange rates.

The formation of the world economic system, the internationalisation and globalisation of economic relations have led to the development of international currency relations, which are characterized by chaotic features that determine the aspirations of individual economic subjects, taking into account the diversity of their interests and motivations. In this sense, the foreign exchange market is the objective organiser of monetary relations, which is a segment and regulates the aspirations of various economic agents. The development of financial crises shows how closely the monetary and financial spheres are intertwined and how great their influence on the main spheres of economic activity and financial security in general can be under a certain coincidence of circumstances.

The factors of the level of currency security are distinguished: currency strategy; currency policy; standardisation of currency circulation; removal of restrictions on the convertibility of the hryvnia for current transactions; presence (absence) of foreign currency debt (debts of the state and economic

entities of the country in foreign currency) and its amount; the level of licensing of currency transactions; organisation of currency control in the country.

And also for the domestic currency market, additional factors are identified: internal outflow of foreign currency; failure to return foreign currency to Ukraine within the terms established by law; violation of the NBU's instructions on working with currency funds; conducting illegal currency transactions; insufficient level of official currency reserves; counterfeiting of foreign currency; presence of currency risks (the risk of currency losses due to changes in the exchange rate of the price to the currency of payment in the period between signing the contract and making the payment); excessive liberalisation of the domestic currency market.

Conclusions. As a result of the existing problems in the organisational and legal regulation of the foreign exchange market, crimes and offences in the foreign exchange sphere are being committed, which pose a great threat to the country's economy due to the reduction in the inflow of currency values to the National Bank of Ukraine and the violation of the state's interests. These include failure to repatriate foreign currency earnings from abroad, illegal opening or use of foreign currency accounts outside Ukraine, and violation of currency transactions regulations.

In addition, it should be noted that the intervention of international financial organisations, foreign advisors and consultants in Ukraine's monetary policy can also have negative consequences for its monetary security, but also for economic security in general. In general, the criterion for evaluating the effectiveness of interaction with international financial organisations should be the ratio of the expected profit from the achievement of openness and liberalisation of the country's economy and currency market to the possible losses for domestic producers, foreign trade agents and consumers. An important criterion should also be the compatibility of the requirements of the international financial organisations with the national economic interests and the general economic course of the country. Therefore, the provision of national economic interests should be based not only on the financial "infusions" of the IMF, but primarily on the country's own monetary and currency-financial policy. This requires the development and legislative approval of an appropriate legal framework for Ukraine's relations with international financial organisations.

The situation on the foreign exchange market of Ukraine demonstrates the objective necessity of developing and legislating an effective state strategy to ensure currency security.

The role of state banks in the implementation of state programmes to support small business should be strengthened, and a comprehensive state banking system should be created, including highly specialised state commercial banks, state banks of a broad

profile, state development banks, partner financial institutions, regional funds, insurance organisations.

Therefore, the concept of currency security of a small business is complex and requires a comprehensive systemic approach to understanding its essence and creating an effective management system. The content of the concept of "currency security of a small business" determines the application of a comprehensive approach to the formation and implementation of currency security of a small business, which should be aimed at protecting the interests of small business owners in the process of their financial and economic activity. The elements of financial security are not only the fulfilment of organisational tasks, but also the constant monitoring and analysis of financial and economic activity, which is an integral part of the financial security of the enterprise as a whole. Financial security can be defined as the company's ability and opportunity to develop in conditions of conflict, uncertainty and risk in relation to the conditions of the existing reality.

In order to improve the financial security of the enterprise, it is necessary to pay attention to the following aspects: development and implementation of effective mechanisms for the prevention of the above-mentioned threats; modernisation of the approach to the analysis of factors that may threaten the financial security of the enterprise; systematic and comprehensive approach to the issue of financial security of the enterprise; implementation of modern forms of interaction between various state structures and institutions in the field of financial security and financial monitoring.

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