

COMPARATIVE ANALYSIS OF PRECONDITIONS OF BUILDING THE INSTITUTIONAL STRUCTURE OF FINANCIAL SYSTEM IN THE REGION

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In time when crisis conditions are escalating, the special attention is required to the issue of relations between the state and regions and the impact of their interaction on enterprises. The problem of effective public policy at the meso-level is one of the main tasks of the country's Government. It is confirmed by legislative acts of recent years, which emphasize on spontaneous, unregulated policy of central and local governments, as well as considerable differentiation of development and degree of protection of interests of regions, which is one of the most influential factors in terms of functioning of each entity and Ukraine's economy in general.

The development of theoretical and practical issues of managing financial development was highlighted by such domestic scientists as B. Samorodov [1], O. Snizhko [2], and O. Suntsova [3].

In view of request of the Ukrainian society in decentralization of the government and the insufficient level of financial support of this process, the special attention of scientists should be paid to the formation of the concept of financial development of local government entities. Thus the target of the work is to determine prerequisites of building the institutional structure of the financial system in the region.

The results of analysis of literature sources [4–6] concerning interpretation of the essence of the concept «development», allows making a conclusion that development of any system is transition to more qualitative state through complication of its structure which is characterized by the absence of contradictions between form and content.

As for the financial development, the study of current views on the essence of studied concept performed by authors [1–3; 7; 8] revealed the difference in the vision of key

features of the concept «financial development» by domestic and European scientists. Ukrainian scientists [1–3] associate financial development with the development of financial system only both at the macro and micro level of economy. Foreign scientists [7; 8] in their turn while studying financial development base on the predominant role of financial intermediation being the instruments of access to capital markets and financial services. According to the authors, such differences in interpretation of studied concept is based on the weakness of institutional aspects of the formation of capital markets in Ukraine, prevalence of fiscal leverage in the distribution functions of finance, which together prevents proper functioning of financial market. At that time the main focus of financial integration of the European Union is an association of banking and capital markets for economic development. Thus, summarizing of theoretical studies of many Ukrainian and foreign scientists allowed to define the essence of the concept «financial development» as a process of transition of financial system to a new quality through complication of its institutional structure which will contribute to strengthening the usage efficiency of traditional capital market instruments and financial services for improvement the efficiency of formation, distribution and redistribution of financial resources. Shifts of emphasis from administrative and fiscal component of distribution function of finance towards mechanisms of market regulation will facilitate harmonization of modern requirements for the content of financial relations with the form of their implementation [9].

Basing on the proposed interpretation of the nature of financial development in order to determine the sequence of its flow it is necessary to determine the "initial conditions". Regarding the level of local government it means to determine the level of openness of the financial system and the level of financial self-sufficiency of the region. The openness of the financial system is characterizes by the ability of local governments to raise additional funds through foreign direct investment to the region (index: foreign direct investment (equity) per capita). Financial self-sufficiency of the region is the ability of the region to generate sufficient financial resources (index: level of local budgets (without transfers) per capita). Graphic representation of regions distribution in terms of definite criteria was built by authors according to the ballroom ranking of regions [10] and is shown in Fig. 1.

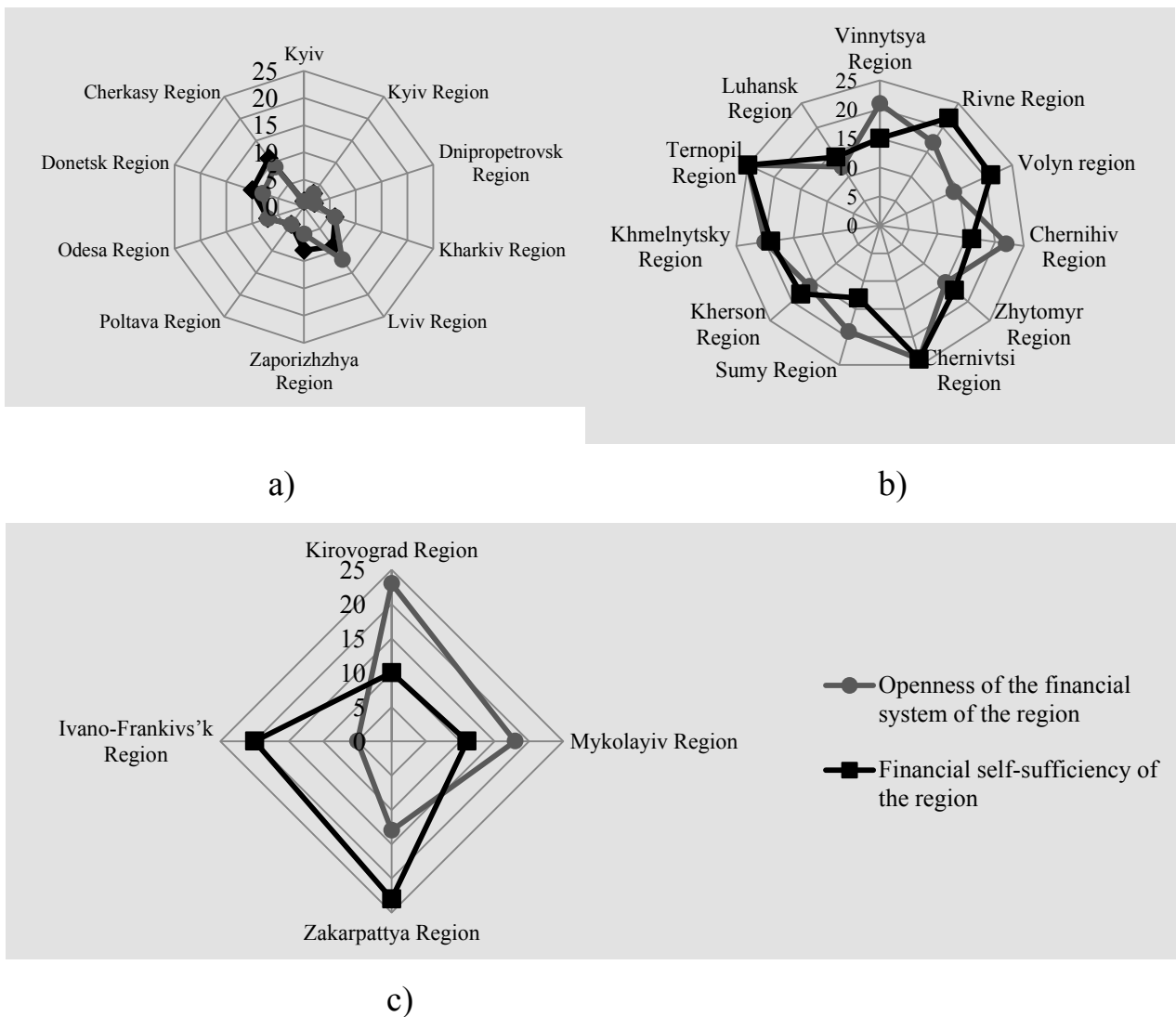


Fig. 1. Distribution of regions in terms of openness of the financial system in the region and its financial self-sufficiency

As shown in Fig. 1, Ukrainian regions were divided into three groups. The first group (10 regions – see Fig. 1.a)) includes regions with high level of openness and self-sufficiency of the financial system (ranked not lower than 12th by both criteria). The second group (11 regions – see. Fig. 1.b)) consists of regions with low levels by both criteria (the ranking below 12th). The third group includes four regions with low level by one of the criteria while high level by the other (see. Fig. 1.c)). Thus, basing on nature of the proposed criteria and essence of the concept of financial development it can be stated that regions from the first group have the most favorable conditions for development of institutional structure of their financial systems. A further line of research involves development of a mechanism of building the institutional structure of the financial system in the region.

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