PROSPECTS FOR THE DEVELOPMENT OF FINANCE IN THE CONDITIONS OF EUROPEAN INTEGRATION OF UKRAINE

Monograph

Estonia, Tallin
2022

ISBN: 978-9916-9769-8-2 (Online Edition)
P.34: PROSPECTS FOR THE DEVELOPMENT OF FINANCE IN THE CONDITIONS OF EUROPEAN INTEGRATION OF UKRAINE

P.34 **Prospects for the development of finance in the conditions of European integration of Ukraine**: monograph / Ptashchenko L., Yehorycheva S., Chychkalo-Kondratska I., Onyshchenko S., Berezhna A. [etc.]; in general ed. Ptashchenko L. Tallin: Estonia, IRETC MTÜ, 2022. 212 p.

The monograph is dedicated to the consideration of the problems of the development of the financial market of Ukraine that are relevant in the context of European integration. Very important issues of today, which are highlighted in the monograph, are the restoration of budgetary stability and debt security of Ukraine in the post-war period, improvement of monetary and budgetary policy aimed at macroeconomic stabilization in the country. The authors emphasize the tools that can ensure anti-crisis regulation of the banking system, financial business management. The monograph examines the issues of ensuring the economic security of the construction industry, directions for improving the accounting policy in the field of business as a whole, and improving the quality of audits.
These and other aspects of the current problems and priority directions of the development of the financial market are devoted to the monograph of the team of authors who carry out up to date researches within the scientific school of the National University "Yuri Kondratyuk Poltava Polytechnic".

ISBN: 978-9916-9769-8-2 (Online Edition)

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CHAPTER 2. ENSURING THE STABILITY OF STATE FINANCES IN THE CONDITIONS OF EUROPEAN INTEGRATION OF UKRAINE

FINANCIAL GLOBALIZATION: FEATURES OF THE CURRENT STAGE, CHALLENGES AND DEVELOPMENT PRIORITIES

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Globalization is a process by which markets and production in different countries of the world become increasingly interdependent due to trade in goods and services, capital and technology flows. Globalization of the economy is a process of unprecedented growth in the volume of international transactions in trade, financial and investment spheres, movement of information, ideas and cultural values associated with technological exchange.

Considering financial globalization, it is worth noting that it is one of the constituent parts of the globalization of the economy. So, it should be noted that according to the general definition, financial globalization is a process that is a component of the general process of globalization, it is aimed at the formation of a single financial market and proceeds on the basis of the intensification of the international movement of financial capital [1]. Changes in financial markets are the basis of financial globalization.

Also, considering financial globalization, it is worth noting that on the one hand, it promotes the integration of countries into the world financial system, which can have many benefits, especially for developing countries with segmented financial markets. On the other hand, financial globalization, in addition to its positive effects, causes and deepens the asymmetry of the regional and structural-functional distribution of global capital, stimulating its excessive concentration in a small group of post-industrial countries and creating a kind of financial captivity for backward countries, which through the mechanisms of external financing and liberalization internal financial markets face the threat of losing economic and political sovereignty [2].

A broad reflection of the problems of financial globalization was noted in the writings of such Western scientists as: J.P. Allegret, V. Andref, B. Badi, B. Balashshi, R. Baldwin, E. S. Brezis, S. Hoffman, P. Zoido-Lobaton, B. Eichengreen, V. Eng, A. Comford, J. Kregel, P. Krugman, F. A. Lees, L. J. Mauer, M. Obstfeld, K. Okina, F. Martin, L. Neal, E.C. Rose, F. Root, J.T. Stewart, P.D. Sutherland, A.M. Taylor, D. Tobin, M. Feldstein, D. Frenkel, C. Horioka, W.F. Sharp, M. .Shirakawa, S. Shiratsuka, S. L. Shmukler and others. The dynamics of the development of globalization processes and their relationship with the peculiarities of the development of various segments of the world economy were studied in sufficient detail by these scientists.

Financial market analysts note that the globalization of the financial system is based on the interaction of the following phenomena [3]:

– technical progress, which makes it possible to carry out international financial agreements in real time and significantly reduce costs for transport and communication;

– growing competition: on the one hand, between credit and financial institutions in the financial markets, and on the other, between the financial markets themselves as a result of significant development of information technologies and telecommunications;

– restructuring of credit and financial institutions through their merger and acquisition as a result of growing competition between them;

– broad internationalization of business due to the strengthening of the transnational nature of the activities of corporations;

– consolidation of regional integration associations (in Europe – Economic and Monetary Union);

– loosening of firm control over the implementation of international agreements related to the movement of capital of stock exchanges;

– macroeconomic stabilization and reforms in a number of developing countries and countries with economies in transition, which created a favorable climate for foreign investors;

– widespread use of the "leverage principle" (significant borrowing of funds for one's investments) and the development of asset securitization processes in industrialized countries.

Features of the modern development of the global financial market are:

– speculative nature of transactions on the financial market,

– integration of national financial markets,

– the lack of effectiveness of mechanisms for regulating the activities of the global financial market,

– deepening the liberalization of international financial operations, which determines the spontaneous nature of the development of financial markets in the global environment.

When studying financial globalization, it should be noted that it does not have the same impact on different groups of countries, therefore the attitude towards the processes of financial globalization is ambiguous. Usually, the benefits of financial globalization are appropriated by a small number of economically developed countries, and for developing countries, globalization has the effect of increasing dependence on world financial markets [4]:

– increase in the amount of investment and credit capital coming into the country on favorable terms and at low interest rates;

– implementation by the World Bank of the credit program for the rehabilitation of the financial sector;

– reducing transaction costs and increasing the efficiency of competition between financial market entities;

– increasing the profitability of financial markets for their agents;

– stimulation of macroeconomic growth;

– growth of the volume of market operations due to the maximization of trades, in other words, economies of scale and growth of market activity;

– acceleration of interstate transfer of technologies, innovations and know-how;

– availability of financial products for consumers;

– effective cooperation with international institutions in the financial sector (International Organization of Securities Commissions (IOSCO), Organization for Economic Cooperation and Development (OECD), International Finance Corporation (IFC), national securities commissions).

It is also worth considering the negative consequences of financial globalization processes, which include [5]:

– asymmetry of results for different groups of countries, which leads to the emergence of conflicts at the regional, national and global levels;

– instability of the world financial system, which causes regional and global instability due to the interdependence of national financial systems at the global level;

– reduction of the regulatory role of national states, which strengthens the importance of supranational entities and the influence of TNCs;

– destabilization of the economy due to the mass outflow of capital, which leads to the undermining of the stability of the exchange rate of the national monetary unit and the reduction of the gold and foreign exchange reserve;

– the growth of the world debt of countries due to external borrowings, which leads to the debt dependence of debtor countries on creditor countries;

– the spread of the use of offshore zones in international business, which leads to the concealment of tax-free funds from national and international control.

Since the beginning of the current century, the rapid development of the digital economy has played an extremely important role in the evolution of globalization. This formed almost another direction in the development of globalization processes. Digital globalization now has a more tangible impact on economic growth than trade in goods.

One of the important creations of the digital economy was the emergence of anonymous cryptocurrency (Bitcoin, etc.). The former Director of the Department of Strategy, Policy and Analysis of the IMF, M. Mulheisen, recognizes the status of new financial instruments: "The basic technology underlying these currencies is likely to radically change finance, making transactions faster and safer, while better information about potential customers can improve the setting of loan rates due to a better assessment of the probability of repayment" [6, p. 6]. At the same time, he notes, "But what makes these assets attractive also makes them potentially dangerous." The fact is that the uncontrolled emission of cryptocurrency is fraught under certain conditions with a disruption of the macroeconomic mechanism, in particular, an increase in inflation. In this regard, the problems of combating money laundering, the illegal trade in drugs, weapons, hacking tools, and toxic substances are complicated.

The widespread use of cryptocurrency gives a new impetus to the long-standing debate in economic and political circles about the replacement of national reserve currencies, primarily the US dollar, with a universal international currency. Special drawing rights (SDRs) already existing in the IMF - unlike national currencies - cannot be used for operations on private foreign exchange markets, as well as as an instrument of currency interventions. At the current stage, it is not possible to endow the SDR with such functions.

In the final analysis, the adjustment of the processes of globalization, the development, primarily taking into account the digital revolution, of the "rules of the game" of national states is carried out with the help of universal international organizations: first of all, the World Bank (WB), the IMF, UNCTAD, UNIDO, the Bank for International Settlements, etc. In order to achieve effective results, these organizations must respond in a timely manner to changing circumstances and produce installations corresponding to the needs of individual states.

A particularly significant role remains for the IMF. IMF experts say: "Now is not the time to rely on traditional approaches. The time calls for leadership and international cooperation, which must complement each other. Many of the problems that seem difficult to solve cross national borders, and it would be difficult for the leaders of countries to fulfill their wishes of their peoples without cooperation. Mechanisms of cooperation - within the framework of existing multilateral organizations, the G20 and other political forums - can help realize the hopes placed on globalization and limit its negative consequences" [7, p. 17].

It would be an exaggeration to claim that the above-mentioned facts are putting the basic structures of the previously formed global system of international economic relations under attack and that traditional protectionism is once again replacing the globalized economy. However, there is also no reason to ignore what happened and is happening. It is obvious that the changes are largely disordered. However, their dominant trend was the steady transition from a unipolar to a multipolar system of the world economy.

Summarizing what has been said, we note the following:

First, there is no reason to assume that the development of globalization will have a uniformly progressive character, as it was in the recent past.

Secondly, taking into account the rapid introduction of various innovations, especially digital information technologies, we can expect a thorough transformation of the structure and mechanisms of international economic relations. This also implies a possible prospect of increased diversification of national and regional currencies used in international calculations.

Consider the fluctuations of indicators characterizing the level of globalization during the first two decades of the current century. Let's start with the volume ratio of cross-border financing and world GDP. Its fluctuations were caused by significant changes in the macroeconomic situation, primarily associated with the global financial and economic crisis of 2007 - 2009. The total amount of international financing (excluding direct foreign investment) increased from 2311.4 billion dollars. on average for the five-year period 2000-2004 up to 8832.8 billion dollars. in 2007 (or 3.8 times). Its ratio with world GDP increased accordingly from 10.2 to 15.7%, i.e. 1.5 times [8]. In the following two years (2008-2009), the total amount of cross-border financing, on the contrary, decreased by 5.8 times, and its share in global GDP decreased by 6.3 times (to the level of 2.5%). Later, the indicator stabilized at a level close to 2%.

It should be noted that the reduction of international currency and credit operations during the crisis years occurred mainly at the expense of international bank loans and deposits. In 2008 and 2009, funds raised by banks from abroad exceeded those they provided to their foreign borrowers. In the first case, by 1,081 billion dollars, in the second - by 1,637 billion dollars (-1.7% and -2.7% of GDP, respectively). The negative result of international banking operations also took place in 2012 and 2013. According to the assessment of the McKinsey Global Institute, the reduction of bank lending between countries for the period 2007-2020 accounted for 3/4 of the reduction in the total volume of cross-border financing [9]. European banks suffered the greatest losses from the resulting stagnation of international credit activity.

Another indicator of the level of financial globalization is the issue of international debt securities. The dynamics of this indicator (excluding placement of shares on foreign markets) during the first two decades of the 21st century. basically corresponds to the evolution of the entire international financial sphere, although with a relatively smaller amount of fluctuations. Thus, in 2007, the issue of international bonds increased by 2.9 times compared to the average annual value for 2000-2004, and during the crisis years of 2008-2009, it decreased by approximately 1.5 times. The share of the issue of cross-border debt securities in the global GDP in the first case increased by 1 percentage point, and in the second case it decreased by 2.8 percentage points. It is significant that in subsequent years the ratio of the annual issue of these papers to GDP did not return to the former level - on average for 2010 - 2020 it was only 1.05% [10].

As for the stock market (portfolio investments), this indicator did not experience sharp fluctuations. Therefore, it does not have a significant impact on the final dynamics of transnational lending.

In our opinion, consideration of another component of cross-border economic activity - foreign direct investment - requires special attention. The latter create the material basis of international production, shape its structural elements and directions of evolution. According to UNCTAD conclusions, compared to portfolio investments, remittances and official development assistance, foreign direct investment remains the largest and most stable source of financing for developing countries [10].

In real terms, the average annual indicators for the first five years of the current century have decreased: the inflow of direct foreign investment has decreased by 10.4%, and its share in the total global growth of gross investments in fixed capital has decreased by 2.2 percentage points. This was a consequence of the financial crises of the end of the last century. However, in 2007, compared to 2006, the inflow of foreign direct investment increased by more than 30% (from 1.4 to 1.9 trillion dollars), and its share in the global growth of gross investments in fixed capital reached a record high value of 13.6% [11].

In 2008, under the influence of the global financial and economic crisis, the inflow of foreign direct investment sharply decreased - to 1.5 trillion dollars, that is, by 21.5%, and its share in the growth of gross investments in fixed capital - from 13.6% to 9.7%. As a result of overcoming the crisis and the gradual weakening of tension in the global economy, a tendency to stabilize foreign direct investments appeared. On average, for the period 2008-2014, the inflow amounted to 1,432 billion dollars, and its share in the growth of fixed capital was 8.5% [11].

Since 2016, in a situation of sluggish economic growth and painful political disturbances, global flows of direct foreign investment again showed some reduction - from 1,774 billion dollars. in 2015 to 1,746 billion dollars, or by 2%. At the same time, according to the results of 2017, there was an increase in the total volume of global direct foreign investment to 1.8 and in 2018 - to 1.85 trillion dollars, including an increase in direct investment in developing countries, which amounted to about 10 %.

However, according to UNCTAD, this amount of foreign direct investment as a whole remained far below the level required annually to achieve the UN Sustainable Development Goals of 2030. At the same time, it is emphasized that the achievement of the expected parameters may be hindered by political uncertainty and geopolitical risks, as well as changes in tax policy, which can have a serious impact on international investment flows [11].

The UNCTAD report describes the main changes in the directions of world investment flows in 2019 compared to 2018, in relation to certain groups of countries. Particularly noticeable losses were experienced by developing countries, where investments decreased by 14% to 646 billion dollars, including: in Asia - by 15%, to 443 billion dollars; in Africa - by 3%, to 59 billion dollars, mainly due to low prices for raw materials; in Latin America and the Caribbean - by 14% [11].

Foreign branches of transnational enterprises as a whole continued to increase international production. However, the dynamics of this process has significantly slowed down in recent years. During 2011-2019, the average annual growth rates of key indicators decreased: the sale of foreign branches of TNCs by 7.3%, the increase in the amount of added value at the enterprises of foreign branches - by 4.9%, and the increase in employment - also by 4.9%. This is significantly less than during the five years until 2010 (respectively, 9.7, 10.7 and 7.6%).

Since 2019, compared to the previous year, sales volumes of foreign branches of TNCs have increased by 4.2% and their added value by 3.6%. At the same time, the rate of return on the volume of direct foreign investment continued to decrease: from 6.2% in 2018 to 6.0% in 2019. The number of people employed in foreign branches reached 82 million.

The crisis related to COVID-19 caused a sharp drop in foreign direct investment in 2020. Global foreign direct investment flows fell 35% to $1 trillion from $1.5 trillion in 2019. This is almost 20% below the minimum value of 2009 after the global financial crisis [12]. Investments in industry and new infrastructure projects in developing countries have been particularly hard hit.

This is a serious concern, as international investment flows are vital for sustainable development in the world's poorest regions. Increasing investment to support a sustainable and inclusive post-pandemic recovery is now a global policy priority. This entails promoting investment in infrastructure and the energy transition, sustainability and health.

The World Investment Report is the result of monitoring global and regional investment trends and the development of national and international policies. The 2021 report examines investment in the Sustainable Development Goals and shows the impact of investment policies on public health and post-pandemic economic recovery. A concerted global effort is needed to increase investment in the 2030 Sustainable Development Goals. The package of recommendations proposed by UNCTAD to promote investment in sustainable recovery is an important development tool for policymakers and the international community.

With the obvious advantages of international production, practice shows that cross-border financial operations are associated with serious macroeconomic risks. Excessive inflow of capital from abroad increases inflation. There is a danger of financial and currency crises, especially in small countries with open economies. At the same time, the insufficient inflow of capital inhibits the economic growth of individual countries and contributes to the deepening of the recession. UNCTAD experts rightly draw attention to the close interdependence between the movement of individual components of the world economy [13]. Hence the constant search for optimal, balanced and safe levels of cross-border financing.

Despite falling profits in 2020, the 100 largest MNCs have significantly increased their cash reserves, a testament to the resilience of the largest companies. In 2020, the number of state-owned TNCs, which is about 1,600 worldwide, increased by 7 percent [12].

The main part of state-owned TNCs (more than 1,000 companies or almost 70% of the total number) operates in the service sector, approximately 23% - in manufacturing industries and 8% - in the raw materials sector. Finally, major economic groupings such as the G20 and APEC have an increasingly significant influence on the structure and dynamics of global foreign direct investment. The inflow of foreign direct investment to the G20 countries reached a record level of $1 trillion for the first time [12].

In 2021, global flows of foreign direct investment recovered the lost positions and increased by approximately 10-15 percent. That still leaves the level of foreign direct investment 25% below 2019 levels. According to optimistic forecasts, a further increase in foreign direct investments in 2022-2023 will return them to the level of 2019 [13]. The outlook is uncertain and will depend on many factors, including the pace of economic recovery and the possibility of a recurrence of the pandemic, the potential impact of spending packages on the recovery of foreign direct investment and political pressure.

Let's consider the influence of international financial organizations, in particular, such as the International Monetary Fund (IMF) and the World Bank (WB), on globalization processes. They represent the interests of economically developed countries, global in terms of their institutional and organizational structure and scope. The IMF and the World Bank, as global institutions, have a specific target function - promoting the processes of integration of countries and markets into the global economic system.

According to Fig. 1, it can be seen that from 2020 to 2022, lending decreased, while in the Western Hemisphere, on the contrary, it increased. Between the beginning of the pandemic at the end of March and September 15, 2020, commitments were made to provide 80 member states with approximately USD 91 billion (or SDR 64 billion), of which USD 30 billion was directed to emergency financing (RCF and RFI). In the field of lending, the main activity was carried out in five directions. As global growth recovers during 2021, demand for IMF financing has gradually shifted away from emergency financing driven by urgent balance of payments needs in connection with the pandemic, toward senior credit tranche (SCR) mechanisms, including to address long-term negative consequences of the pandemic. Also, due to the war in 2022, economic growth slowed down in Ukraine [14, 15, 16].

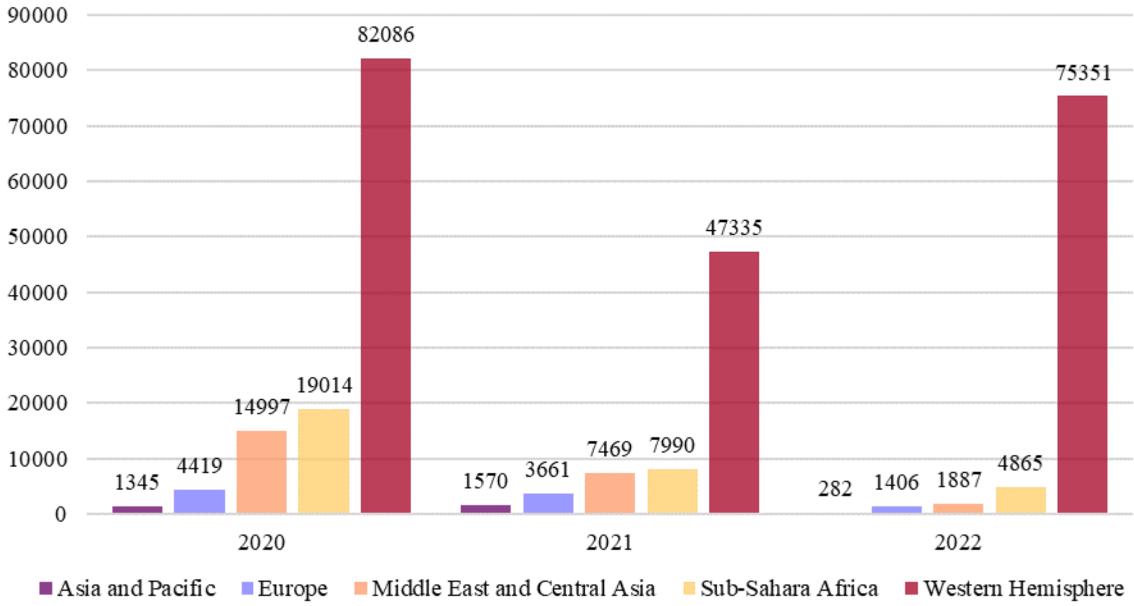

Fig. 1. Financial assistance of the IMF, 2020 – 2022, million SDR [14,15, 16]

Analyzing expenditure by main areas, it can be seen that more expenditure was spent on surveillance, bilaterally and technical assistance. That is, the IMF supported countries in collecting and publishing economic data to improve the process of economic decision-making and increase transparency. Also, a comprehensive plan of measures was developed and implemented, which was drawn up taking into account the specific needs of countries and their potential for the development of aid, which is one of the most expensive areas of activity.

As for the costs of capacity development, which occupy a significant part of the structure of costs in 2022, it should be noted that they are focused on the main areas of competence of the IMF, such as:

- state finances;
- stability of the financial sector;
- operations of the central bank;
- macroeconomic fundamentals and economic statistics;
- assistance to countries in solving interdisciplinary issues, such as income inequality and gender inequality, corruption, climate change and digital money.

The main focus of direct aid is focused on working with central banks to modernize their financial systems. For example, exchange rate policy, inflation policy, debt policy and banking supervision. This strengthens the financial stability of the country, stimulating the growth of the domestic economy and international trade.

Therefore, it should be noted that, based on the analysis of the activities of the International Monetary Fund, which was given above, the influence of this financial institution on the global economy and globalization processes is significant, and in most cases positive [17].

The World Bank is an equally important global organization. To begin with, it should be noted that it includes two institutions, such as: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Two strategic goals are the basis of the activity of the IBRD, namely: promoting social improvements for the benefit of the poorest population in developing countries and financing investments aimed at economic growth. The dynamics of funds provided by the IBRD by region can be followed in Fig. 2.

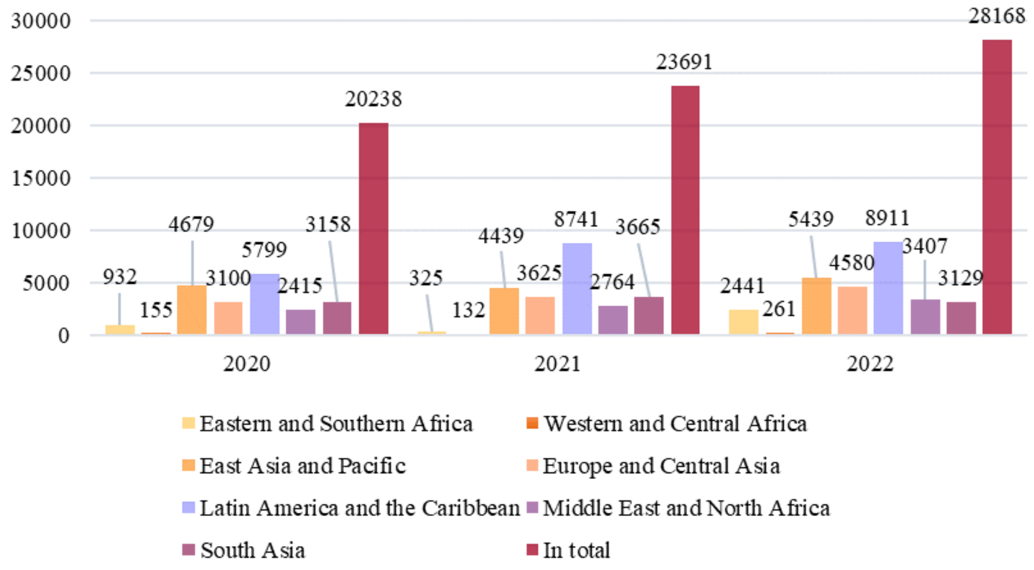

Fig. 2. Dynamics of funds provided by the IBRD in the 2020 – 2022 financial years, million dollars USA [18]

The huge scale of the financial market allows the United States to play the role of a global center that accumulates a significant part of the world's savings and transforms them into its financial obligations, as well as through further reinvestment into financial instruments of other countries. The activities of this center have evolved over time. Today, the USA performs the functions of a "world venture capitalist", which issues debt securities with fixed income and other obligations and uses the funds raised mainly for capital export in the form of direct foreign investments and portfolio investments in shares [19, p. 12]. Developing a financial strategy helps the US adapt to long-term changes in the global economic situation and maintain a privileged position in the international movement of capital.

The high level of development of the financial market has a positive effect not only on the import, but also on the export of capital from the USA. The presence of such a market simplifies the access of American corporations to loans and investments, thereby expanding their opportunities for financing promising projects and operations abroad, including large mergers and acquisitions. This, in turn, contributes to the increase in the efficiency of American capital investments in other countries and the growth of the net investment income of the United States.

Along with the considered primary grounds of the financial power of the USA, in our opinion, a group of secondary factors derived from them should also be highlighted, which contribute to strengthening the levers of influence of the USA on the international financial system. These include the leadership of the dollar in the world monetary system, the leading positions of American financial institutions in international business, as well as the strong influence of the United States on the international system of organizations that form the architecture and information infrastructure of the international financial system.

The most important of the derivative factors is certainly the status of the dollar as the world's leading currency. Its wide appeal in the world dramatically increases the liquidity and attractiveness of American financial assets for non-residents. This stimulates the inflow of US capital and reduces the cost of its attraction [20]. In addition, the international demand for the dollar improves conditions for the export of capital from the United States, allowing American investors to make extensive use of their currency in deals to acquire assets abroad.

A significant source of US financial power is the activity of American banking institutions that occupy system-creating positions in the international financial system. The largest US banks are among the main operators of the global financial market. So, five banks - JPMorgan, Bank of America, Citigroup, Goldman Sachs and Morgan Stanley - are the leaders of the global investment banking market. They regularly lead the annual rankings of the world's financial institutions by the amount of income from investment banking services, including the organization of international syndicated loans and bond loans, IPO and M&A deals [21]. Four of them (with the exception of Morgan Stanley) are consistently among the top 10 organizations - the leading dealers of the global FOREX currency market. In 2021, they accounted for 30% of its turnover [22].

A notable role in global finance is also played by American investment and insurance companies, managing huge funds that they accumulate through their global networks and invest in financial instruments of even other countries. According to the results of 2020, the top 20 largest management companies in the world included 12 institutes from the USA, while four companies - BlackRock, Vanguard Group, State Street Global and Fidelity Investments - led the rating. Under their management were assets in the amount of 30 trillion dollars [23].

Finally, another pillar of US financial power is its strong influence on key international financial organizations involved in regulating international monetary and financial relations and lending to developing countries, as well as on leading companies and agencies that form the information infrastructure of the global financial market. and exert a serious influence on its conjuncture.

The United States is the largest participant in the IMF and IBRD (in 2020, their vote share was 16.52% and 15.98%, respectively), as well as a number of regional multilateral development banks, including the Inter-American Development Bank (vote share - 30.01%), EBRD (10.11%) and the Asian Development Bank (12.78%). Due to its status, the United States is able to exert formal and informal influence on the credit policy and ideological attitudes of these international financial organizations, and through them on the countries financed by them [24].

Although researchers are usually very cautious in evaluating the role of the United States in the management of international financial organizations, the general conclusion that their activities often contribute to ensuring American interests is quite clear. In particular, T. Dang and R. Stone come to the conclusion that the provision of IMF loans due to reforms in the financial sector of the borrowing countries has a strong positive correlation with the dynamics of agreements on the purchase of local financial organizations by institutions from the USA [25, p. 16].

The support of the financial power of the USA is also greatly facilitated by their leadership in the field of information support for the activities of the global financial market. Many of the leading organizations forming its information infrastructure are of American origin. Thus, the headquarters of media corporations Bloomberg and Thomson Reuters are located in the USA - two of the world's largest providers of financial information, the "big three" of global rating agencies (Standard & Poor's, Moody's).

Let's take a closer look at the financial integration of Asian countries. Currently, Asian countries are witnessing the active development of financial relations at the global and regional levels, as well as the expansion of the activities of new financial centers. This usually preserves the established model of foreign economic relations, when more than half of trade is carried out within the region, and financial relations are dominated by Western countries. Many large Asian exporters have a large positive current account balance, which is accompanied by the transfer of financial funds to the international capital market.

In terms of intra-regional capital flows, the countries of Asia are significantly ahead of the states of other developing regions, but they are inferior to the developed countries of Europe and America. The index of monetary and financial integration in Asia in 2019 (excluding direct investment) was at the level of 0.4080, Africa – 0.2854, Latin America – 0.3549 (EU indicator – 0.4651) [26].

Let's define the main directions of regional financial integration in Asia.

Asian financial markets are integrated to varying degrees with the global financial market. Tokyo, Hong Kong and Singapore are in the forefront. The volume of trading in the markets of Malaysia and Thailand is still limited. Hong Kong, Tokyo, and the offshore markets of Malaysia and Singapore are highly synchronized with the London market in the absence of crises. For the domestic markets of Malaysia, Singapore and Thailand, a different picture is characteristic: there, interbank rates often deviate significantly from the covered interest parity.

Financial integration is closely related to trade, production and labor. The strengthening of financial ties is facilitated by the removal of barriers to regional flows of capital and financial services, the improvement of communications and information channels, as well as the harmonization of regulatory and standards [27]. Regional initiatives to strengthen and deepen the bond market in local currency reduce dependence on external financing in dollars and euros, increase the financial stability of national markets and companies.

In order to develop general approaches to financial integration in the region in the first decade of the 2000s, a number of documents containing a conceptual justification of the directions of interaction were adopted. The main initiator of the development of regional cooperation is the Asian Development Bank. In 2006, he developed the Strategy of Regional Cooperation and Integration. The monetary and financial integration measures formulated in it were reflected in Strategy 2020, a long-term planning document. After that, there was an increase in the volume and share of projects in this area of integration in the total volume of operations approved by the new Operational Plan for Regional Cooperation and Integration for 2016–2020 [28].

Let's summarize the institutional foundations of financial integration in Asia.

The most serious problem of financial integration in the region remains its weak institutional basis. For several decades, integration in trade and related areas has been developing in Asia. However, multilateral agreements on the regulation of monetary and credit relations are of a limited nature, there are no interstate mechanisms for coordination of financial policy.

The Association of Southeast Asian Nations (ASEAN), which includes 10 countries, became an association that deals with the entire complex of economic integration issues and plays an independent role in international relations.

Since the end of the 1990s, in addition to bilateral agreements, multilateral agreements were concluded within its framework, which was determined by the need for collective efforts to overcome the adverse consequences of crises in the world economy, to regulate mutual trade relations, and to develop a unified approach to the problems of liberalization [29]. In order to expand economic relations with neighboring countries, the cooperation mechanism of the Association with China, Japan and the Republic of Korea (ASEAN+3) was launched [30]. Since the middle of the first decade of the 2000s, Free Trade Agreements have been concluded, including sections on the movement of investments.

The impetus for the institutionalization of financial integration was the creation of the ASEAN Economic Community (AEC) in 2015. Within its framework, a number of initiatives have been adopted to expand cross-border financial cooperation between capital markets in ASEAN and ASEAN+3. The following working groups were created for implementation:

- regarding the liberalization of the account of capital transactions and control of the implementation of priority directions for ensuring the free flow of capital in the region;

– by payment and settlement systems, and by 2022 – by the Operational Group within the ASEAN system on banking integration;

- on the liberalization of financial services, including banking and the insurance sector;

- regarding the development of the infrastructure of ASEAN capital markets with the aim of developing a set of measures for ASEAN issuers and investors to gain access to ASEAN cross-border stock and bond markets through integrated access, clearing, storage and settlement systems.

In addition, the ASEAN Capital Markets Forum (ACMF) is expected to be developed, focused on the harmonization of domestic legislation, regulations and the development of market infrastructure with the aim of integrating the regional stock market.

ASEAN has developed a "road map" for monetary and financial integration and a Strategic Action Plan for 2016-2025. They define the main approaches and stages of action in those areas that are considered crucial for financial and currency integration, namely: development of the capital market, liberalization of the account of capital transactions and financial services, currency cooperation. The development of the capital market involves the improvement of the regulatory and legal framework, the expansion of private financing, as well as the promotion of the expansion of cross-border cooperation, connections and harmonization of capital markets in the region. It is assumed that the orderly liberalization of the capital account will be accompanied by measures to protect against volatility and systemic risks [31].

Currency cooperation includes the development of an ASEAN payment scheme for regional trade to reduce demand for dollars and promote the stability of national currencies. A step in this direction was the introduction within ASEAN and ASEAN+3 of bilateral and then multilateral agreements on currency swaps and repos as credit lines against future financial shocks (Chiang Mai Initiative). There is an Agreement on Settlement in Local Currency for Trade and Investment between Indonesia, Malaysia and Thailand, which provides for the expansion of the network of bilateral agreements between them. Increasing integration with neighboring countries with sufficient capital (China, Japan, Republic of Korea) can increase capital flows, but will require the creation of a multilateral financial infrastructure.

Liberalization of trade and services within the framework of ASEAN increases the need for cooperation between central banks and commercial banking structures in the ASEAN regional market. The main measures for banking integration should be implemented by 2020-2025, but experts are already predicting possible problems of the transition period, especially for small players in the market of banking and financial services. For example, the Philippines, with its weak banking sector, is expected to face the most pressure from the outside, as competition from large foreign banks will increase markedly. In order to improve their competitive positions, countries with smaller banks by world standards should expand their banking networks and increase the capital of joint financial institutions [32].

South Asia, due to reasons of the political and economic order, does not yet have sufficient organizational potential for the development of the basic directions of financial integration. Within the framework of the intergovernmental South Asian Association for Regional Cooperation (SAARC), a Group of Central Bank Governors and Ministers of Finance has been formed, with goals similar to those of ASEAN. So far, it provides only the exchange of information on macroprudential issues and does not take any significant steps to establish financial cooperation between member countries. The South Asian Development Fund has been established under SAARC, which invests mainly in socio-economic development projects in individual countries.

Another regional organization of Asia - The Executives' Meeting of East Asia and Pacific Central Banks, EMEAP - unites central banks and monetary regulatory authorities of the countries of East Asia and the Pacific Ocean. It plays an important role in the coordination and cooperation of the financial authorities of the region and works in close contact with ASEAN+3, ADB and the

Bank for International Settlements on the creation of the Asian bond market. The effectiveness and influence of organizations in the implementation of anti-crisis policy in Asia (Office of Macroeconomic Research of ASEAN+3, etc.), which concluded agreements with ADB on macroeconomic supervision and support of financial stability, have increased [33].

Thus, it is possible to distinguish four main groups of organizations that are fully or partially engaged in the development and implementation of the main areas of financial integration in Asia:

1) specialized sections within official regional intergovernmental organizations (ASEAN, SAARC, etc.);

2) specialized regional financial organizations (AMRO, CIMM, ACFM);

3) banking, investment and other associations;

4) regional programs implemented at the initiative of development banks (ABMI, ACIF).

In their efforts, the Asian states focus primarily on the European Union, which demonstrates the most modern model of regional financial integration. European integration is based on the functioning of a number of supranational institutions that carry out regulation both within the framework of the entire financial system and in its separate links (banking market, securities market, derivatives, etc.). In essence, the EU countries transferred part of their financial sovereignty "upwards". The introduction of the euro and the liberalization of the financial services market ensured a deep integration of their money and credit markets.

Compared to European, East Asian financial integration is still extremely weak. Its regulation is based on the NPP documents adopted in 2015, some of which are purely declarative in nature. Large players, such as Japan and the People's Republic of China, participate in integration mainly through intergovernmental development banks and regional institutions (ADB, AIB) and to a lesser extent through multilateral banking and portfolio programs of business circles [34].

According to ADB calculations, in 2016 the financial integration coefficient of Asia was 0.87 (EU indicator = 1). At the same time, the gap in institutional integration was estimated at 3.4 times, that is, even more than in Latin America. Thus, institutional integration remains the weakest link of economic, including financial, integration in the Asian region, and the situation is unlikely to significantly improve in the near future [32].

It can be assumed that direct investments will play a decisive role in intra-regional financing, and in various forms (mergers and acquisitions, new projects, etc.) such investments are directly related to the intensification of foreign economic activity, the formation of value-added chains, and the development of bilateral and multilateral investment agreements. Since the banking sector is the main source of financing for most of the countries in the region, the regional consolidation of banks, the creation of joint institutions for financing foreign trade and investments acquires the most important importance. Such processes will be significantly influenced by China, which, in the face of growing trade disputes and restrictions on the part of the United States, will increasingly reorient its trade and investment interests to East and South Asia.

At the same time, in a number of countries, the efficiency of portfolio operations remains low, there are no separate segments of the financial market, and its legal basis is insufficiently developed, which negatively affects the profitability and safety of Asian assets. However, as Asian countries continue to develop their financial systems and promote common regulatory standards, the regional market can be expected to attract an increasing share of portfolio and banking investments.

The main problem is the weak organizational basis of interaction, which is due to significant differences in the depth of financial markets of subregions and individual countries. Until now, organizational efforts are aimed mainly at reducing the vulnerability of national economies to regional and global crises.

To a lesser extent, they are aimed at creating an institutional structure for a unified financial and fiscal policy. Solving this task is connected with the liberalization of the capital accounts of the member countries, the gradual reduction of the share of dollar transactions, the creation of its own settlement and payment unit.

The main strategic trends in the further development of financial markets are:

1. Increasing the pace of competition on international financial markets between lenders and borrowers, which was the result of the action of two factors, such as the constant search for profitable areas of capital investment by transnational financial organizations and the need of consumers of financial resources for significant amounts of financing (while the need for funds exceeds their supply).

2. Significant integration of international capital markets, the impetus for which was the elimination of many barriers to entry into national capital markets of international lenders and borrowers, increased mobility of debt capital, reduction of transaction costs, rapid development of information systems.

3. The convergence of international financial markets, which became possible under the conditions of weakening the legal division of investment and commercial banking business, as well as the creation of financial holdings based on financial organizations of flexible specialization.

4. Concentration of international financial markets, i.e. the process of merger of both creditor and borrower organizations.

5. Computerization and informatization of financial markets, which consists in the widespread use by participants of international financial markets of the latest information systems, global databases and integrated operations management systems.

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