

of Excellence in cooperation with leading international centers. However, the reality is that the development of modern production is hardly possible without significant financing of research, solutions, innovations, and technology.

**Conclusions.** A significant disadvantage of the Recovery Plan is the lack of harmonization of various political initiatives in the context of the national budget. In particular, the economic recovery section clearly states, “Reducing the fiscal burden on businesses and the population to a level stimulating the economic growth, namely no more than 30 % of GDP”. However, the tax reduction is incompatible with huge investments in the infrastructure, compensation for losses caused by the war, and massive fiscal support for businesses in priority sectors. Undoubtedly, tax incentives can be introduced as a short-term urgent measure in emergency conditions. But the Recovery Plan is long-term and implies deep structural reforms. In such conditions, the current level of tax burden in Ukraine is fairly acceptable (compared to other European countries), and fiscal sustainability problems make the planned tax reform unreasonable. The increase in the budget deficit as a result of tax reduction is also inconsistent with the reduction in the national debt, which is specified in the Recovery Plan.

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#### MODERN TRENDS IN THE FUNCTIONING OF THE DOMESTIC BANKING SYSTEM DURING THE WARTIME PERIOD

**Introduce.** From the end of February 2022, a martial law was announced in Ukraine and initiated significant upheavals, challenges and uncertainties in the domestic banking system. But, despite the difficulties, National Bank is trying to make the neces-

sary stabilizing decisions, and the commercial banks are trying to overcome their own needs and comply with the regulations. Today the banking system is forced to adapt quickly to economic changes, counteract the consequences of the pandemic, work in war conditions and introduce new services in the era of digitalization.

**The aim** of this article is a definition of modern trends in the functioning and structure of the domestic banking system in wartime conditions.

**The main part.** Today the Ukrainian economy and the banking system in particular, face new challenges and problems caused by the war: the impossibility of normal functioning, the destruction of critical infrastructure, power outages, air alarms, the outflow of customers, deterioration in the level of their services. That's why commercial banks set new priorities for their development, which are aligned with the standards and requirements of the NBU. In the period of martial law in Ukraine National Bank prepared resolution № 18 in order to ensure stable operation of the banking system and amendments to it, which is grouped in table 1.

Table 1 – Resolution of the Board of the NBU and amendments to it

Resolution № 18	Amendments to Resolution № 18
<ul style="list-style-type: none"> <li>• banks should continue all operations to the restrictions stipulated by this Resolution;</li> <li>• all cashless payments should be made without limitation;</li> <li>• release of cash from client accounts in foreign currency should be prohibited (with exceptions);</li> <li>• cash withdrawals from client accounts should be limited to UAH 100,000 per day (with exceptions);</li> <li>• payments to and by the Ukrainian government should be made without restrictions, in accordance with legislation governing this special period;</li> <li>• ATMs should be supplied with cash without any restrictions;</li> <li>• uninterrupted access to safe deposit boxes should be provided;</li> <li>• the NBU should provide unlimited cash support;</li> <li>• the NBU should provide unsecured refinancing to banks to maintain liquidity without restrictions on its amount for up to 1 year with the possibility of extension for one year;</li> <li>• suspend the operation of the FX market of Ukraine, except for operations of selling foreign currency to customers;</li> <li>• National Bank fixed the official exchange rates as at 24 February 2022;</li> <li>• introduce a moratorium on cross-border foreign currency payments (with exceptions);</li> <li>• banks should stop debit transactions on the accounts of the residents of the state that effected the armed aggression against Ukraine;</li> <li>• banks issuing e-money should suspend issuance of e-money, replenishing e-wallets with e-money, and e-money distribution [1]</li> </ul>	<ul style="list-style-type: none"> <li>• identified cases where authorized institutions are allowed on behalf of clients to trade in currency valuables, as well as the procedure for these transactions;</li> <li>• suspended, until a special decision, the calculation of the reference value of the hryvnia exchange rate against the US dollar in accordance with the agreements concluded in the FX market of Ukraine as of 12 p.m.;</li> <li>• identified cases where authorized institutions are allowed to carry out cross-border transfers of currency valuables from Ukraine on behalf of clients;</li> <li>• prohibited authorized institutions from conducting any FX transactions in which:               <ol style="list-style-type: none"> <li>1) russian rubles and belarusian rubles are used;</li> <li>2) the participant of said transactions is a legal entity or an individual based in the Russian Federation or in the Republic of Belarus;</li> <li>3) the participants of said transactions intend to meet commitments to legal entities or individuals based in the Russian Federation or the Republic of Belarus;</li> </ol> </li> <li>• established a procedure for conducting the NBU's daily transactions to purchase US dollars from banks;</li> <li>• authorized banks to sell foreign currency to customers at the expense of their own currency position in order to fulfill their customers' obligations to other banks under credit agreements (including interest);</li> <li>• authorized banks that have currency valuables in their vaults at the time of the adoption of this Resolution, to sell said currency valuables to customers, provided that the amount of such sales does not exceed said level of currency valuables [2]</li> </ul>

Now it is clear, that in a difficult period the basis of the country's economic security is the banking sector. To compare the number of existing banks in recent years, it should be noted that in 2019 there were 77 banks, in 2020 – 75, in 2021 – 74, in 2022 – 71 [3]. During the period of armed aggression, only two banks left the market for economic reasons, two banks stopped functioning due to belonging to Russian Federation. At the same time, the emission is absolutely inevitable during such war: budget expenses have doubled due to the war. The money supply is growing more slowly (+ UAH 230 billion) than the money being printed (+ UAH 310 billion) [4]. In 2022 nine banks successfully passed stress tests, most of them with foreign capital, as well as the state-owned Privat-Bank. PUMB and A-Bank also did not need capitalization [5].

Ukrainian Commercial banks continue to invest their own funds in government securities and deposit certificates of the National Bank of Ukraine due to their high interest rate, thereby supporting its profitability and capitalization. In turn, commercial banks invest less in Bonds of domestic state loans of Ukraine, placed by the Ministry of Finance due to lower profitability. From June 2022 NBU unexpectedly raised the discount rate from 10 % to 25 % per year. The bond rates at a maximum level of 14–16 % stopped to be attractive for a significant part of potential investors. Then the actual financing of the state budget deficit with the NBU funds began, which is a direct way to inflation and conflict between NBU and the Ministry of Finance. In our opinion, it is necessary to limit the support of banks through the instrument of NBU deposit certificates, because in the conditions of a fixed exchange rate, the function of eliminating currency risks through deposit certificates is not of significant importance. In the same way, there should be no “excess” lending in the conditions of war, since public finances critically lack liquidity for survival [6].

It is also important to say about anti-crisis decisions of the regulator, which are based on three key principles:

- protection of the interests of bank customers, especially depositors (banks must maintain access to their own and credit funds of customers, the ability to make payments and transfers);
- support for banks activity and their liquidity (the negative impact of hostilities on banks performance should not lead to banks being declared insolvent);
- transparency of reporting, reflecting the real financial condition of banks (in the absence of reliable and transparent reporting to the regulator, it will be difficult to implement effective measures to improve the banking system after the war) [7].

**Conclusions.** In our opinion, the renewal of Ukraine should include: the renewal of large-scale lending, the development of the mechanism of the national economy financing, the protection of physical and legal foundations by the cost of the World Bank. State should promote the development of relocated enterprises and housing construction programs, the restoration of destroyed enterprises and infrastructure. The banking sys-

tem will play the main role and should help to compensate the value of the lost property of the population. However, this role must be confirmed by capitalization, high liquidity, stability and sustainability. The most important thing for commercial banks now is to preserve the trust of customers and increase their number, expand the range of banking products and promote the implementation of the state program of energy efficiency and energy saving, developing new types of loans.

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### **THE STATE OF FINANCIAL SECURITY OF BUSINESS ENTITIES IN THE CONTEXT OF DIGITALISATION**

**Introduction.** The state of financial security of business entities in the country is an important factor of independence and sustainability. Ensuring financial security enables the state to solve its economic problems at all levels. The issue of financial security is of particular importance in the context of economic instability, crisis, and the military and political situation in Ukraine. In the context of ensuring financial security, it is important to understand that the digital world is developing rapidly. At the current stage of development of the economic space, the economy is undergoing a digital transformation. This process brings with it the possibility of certain risks and threats to business entities. Digitalization necessitates changes and adaptation to new operating conditions, ensuring stability and security of economic potential. Accordingly, it is worth paying attention to the issue of financial security as a key element of economic stability in the digital environment.