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**Zarządzanie i finanse**

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## **DEVELOPMENT OF NATIONAL FINANCIAL SYSTEM AND ITS INFLUENCE ON ECONOMIC GROWTH OF UKRAINE**

Under modern conditions of creating national market economy basis, the financial aspects of the domestic economy development are of a great importance since the financial relations are a significant constituent of both economic and social relations. Finance, in particular, the financial methods and leverage play an essential role in the state regulation of the finance market mechanism and take a central part in the structure of the financial system of Ukraine.

System, in the broad sense, represents the whole that is combined with the integrant parts, in other words, it is said to be the totality of independent, clearly expressed and naturally linked elements where a particular connection or interaction exist.

The concept “financial system” is treated differently by various domestic and foreign scientists, scholars and economic experts. These divergences in views of the essence of the category are explained both by the methodological approach towards the subject content clarification and formation of the system structure by itself.

According to a thorough analysis of the researchers’ and economic experts’ works, the financial system is scanned from a position of functioning as for the internal constitution as well as from the viewpoint of the institutional expansion that is due to the organizational structure [2, p. 117; 3, p. 32-36; 7, p. 360; 9, p. 38; 11, p. 52; 12, p. 275; 13, p. 74-102; 15, p. 25-26; 18, p. 42] and formulate a definition of the term “financial system”. It is understood as a totality of relatively sepa-

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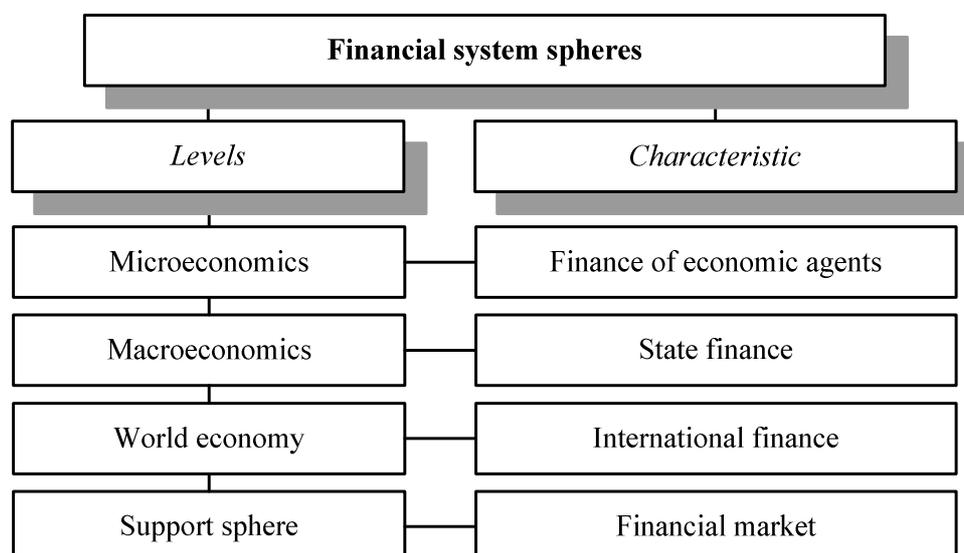
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rated interrelated financial relations that reflect corresponding forms and methods of gross domestic product distribution and re-distribution as well as a totality of financial authority and institutions, which control over cash flows.

In addition to that, it is important to mark that constituent element separation of the financial system in its internal constitution is carried out by the sign of the cash flows channels and the place of financial resources concentration.

Relying on the analysis of the financial system internal structures, we can assure of their reflecting impartial totality of the financial relations among different economic agents and corresponding institutions which are common to all countries and consist of particular spheres and links [9, p. 38].

Both foreign and domestic scholars distinguish four spheres of financial system (Pic.1).



Pic. 1. Classification of the financial system spheres.

Source. It is drawn up on the basis of the scientific publications [4, p. 42; 9, p. 39; 14].

It is worth noticing that the structure of the financial system in the course of economic growth is being constantly improved, intensified and supplemented by the appropriate elements [14].

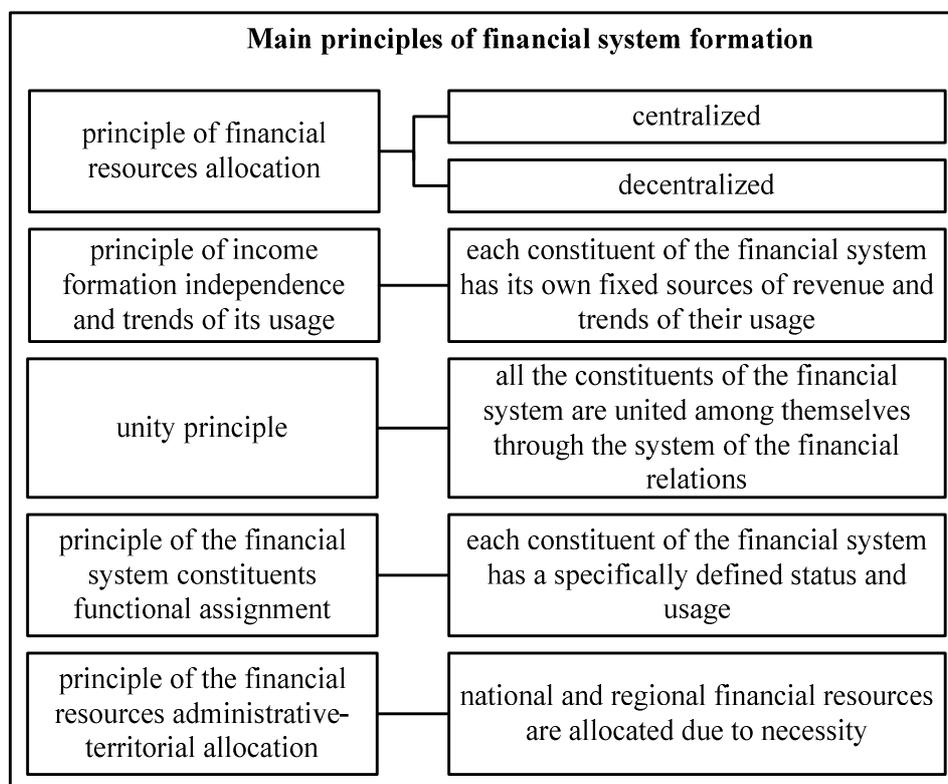
Nowadays the financial and economic studies are constantly deepening and widening the understanding of the financial system, its structure and functions, which the system carries out. Once the financial system was given to the same status to state finance, currently on the level of the economic growth, due to the fact that the constituents of the financial system have been essentially enlarged, the

household finance, state credit, insurance and off-budget funds and other elements have been embraced.

As practical experience indicates, clear and correct definition of the financial system and its separate elements is of a great significance as long as it assists the clear building up of the efficient financial policy in the country which in its turn promotes country's economic growth and provides welfare [9, p. 40].

The analysis of the scientific publications shows that the formation of the organizational structure of the domestic financial system consists of the financial apparatus that directly manages finance and some financial institutions which has an impact on its formation and efficient development.

The domestic financial system is based on the appropriate principles (Pic. 2).

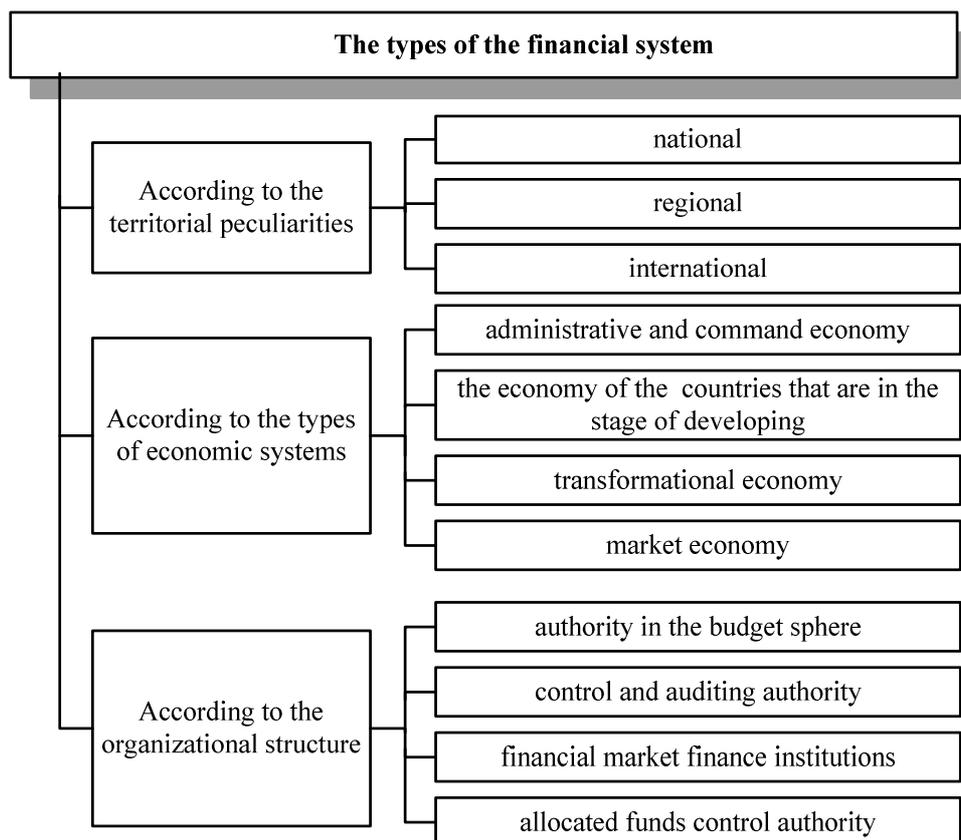


Pic. 2. Classification of the financial system formation principles.

Source. It is drawn up by the author on the basis of the scientific publications [9, p. 40; 4, p. 44].

The experience denotes that the financial system of each country is formed and developed in spite of the state regime and its economic growth. The particular type of the financial system corresponds to the definite state regime (pic. 3), however,

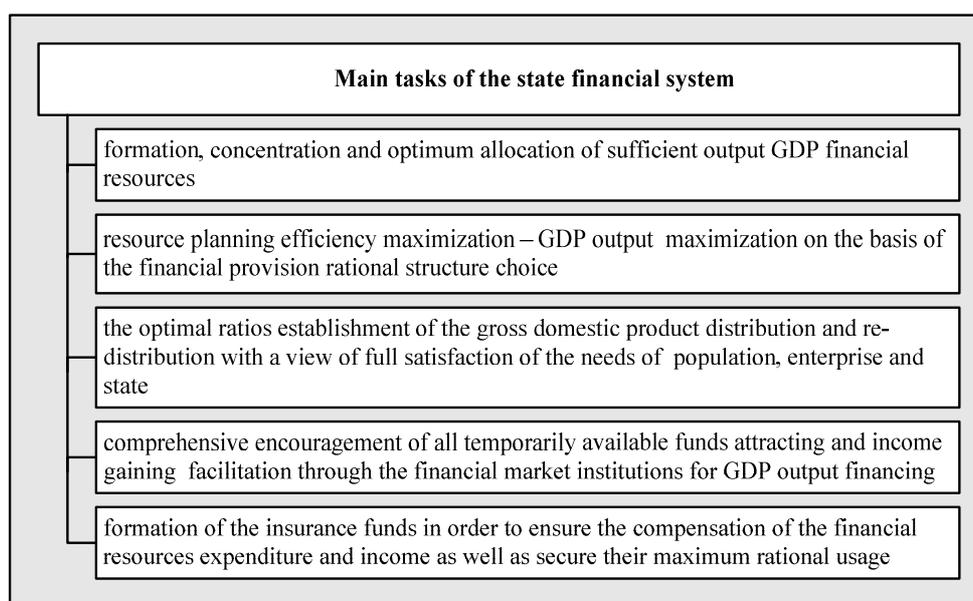
a common feature for the above depicted types of the financial system is inherent. This common characteristic means the totality of the various money funds which are notable for appropriate fund raising methods, peculiarities and trends of usage [4, p. 40; 16].



Pic. 3. Types of financial systems.  
Source. Drawn up by the author.

Different systems prevail in the economy of each country: financial, credit, monetary, budget etc. They exist as if they were independent. Nevertheless, they carry out various functions and it means that they differ from each other by their structure, form and influence methods on economic and social processes. At the same time they act in the common definite economic space and have close interaction and interdependence.

Similarly to other systems, state financial system must be directed to the fulfilment and solving of the corresponding tasks, implementation of which would ensure the sustainable development of the national economy (pic. 4).



Pic. 4. Structure of the state financial system tasks.

Source. It is drawn up by the author on the basis of the scientific publications [9, p. 40-41; 17, p. 24 – 30].

Financial system, particular its structure, depends on the social and economic regime, state system within the country etc. Every country is sure to have its own corresponding regime, social and economic structure though it means that it has its own financial system which has been formed in accordance with the growth of both economic and social conditions of a particular country. The financial system of the former Soviet Union comprised the state finance, collective and cooperative enterprises and organizations finance, large-scale industrial enterprises finance as well as centralized purpose-oriented financial funds. Nationwide centralized purpose-oriented financial funds constituted state budget, state social insurance, state property and personal insurance. The constituent part of this system was a state credit. This relatively simple structure of the financial system corresponded to social and economic regime existing in USSR.

The formation of an independent and autonomous Ukrainian state in the USSR territory evoked the need of own financial system formation which would be up to meet the new social and economic requirements, the one that would foster the dynamic development of the national economy and provide the well-being of the nation. During the nineties of the last century such system was built up in Ukraine

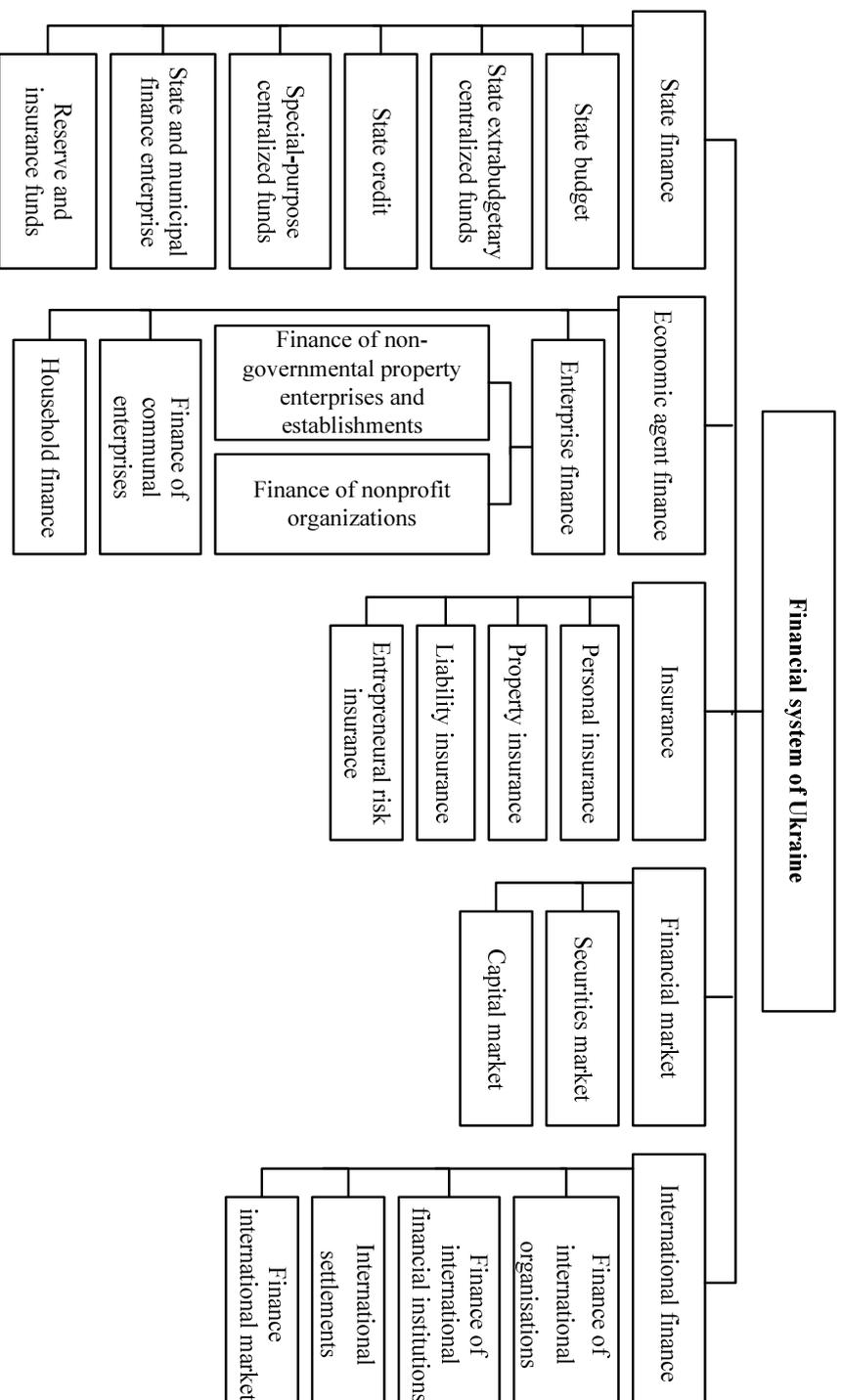
and in the beginning of the XXI st century it was mainly formed. Substantially, due to its structure, the system differs from the previous one as it turned out by the sources of the financial resources funds formation and the trends of their usage. In contrast to the financial system of the former Soviet Union which was based on the financial resources of the production social sector (state-owned enterprise income, collective and cooperative enterprises income), Ukrainian financial base of the state income is a private sector of economy and the citizens' income.

Financial system of Ukraine differs by its structure. The consensus of opinion according to the constituent elements of this structure among domestic consultant economist isn't reached, though all agree that the following constituents are to be included to it: state budget, budget of Autonomous Republic of Crimea, local budgets, special-purpose extrabudgetary state centralized funds, state credit, banking establishment credits, insurance funds, enterprise finance of all forms of ownership (pic. 5) [6, p. 268; 8, p. 22-25].

It is necessary to place an emphasis on the formation and development of the efficient financial system which considerably influences on the economic sustainable development of Ukraine. Hereby, gross domestic product grew by 18,5 % in 2010 compared with 2009, it is stated to have increased by 21, 6 % in 2011 per 2010 and was equal to 1 316 600 mln. hrn. that is for 30,0% more than in 2010 or for 50,0% in comparison to 2009 [5].

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Pic. 5. Financial system structure of Ukraine

Source. It is drawn up by the author on the basis of [1, p. 35; 4, p. 43; 10]

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### **Abstract**

#### **Rozwój krajowego systemu finansowego i jego wpływ na wzrost gospodarczy Ukrainy**

Artykuł omawia istotę, strukturę, funkcje oraz specyfikę rozwoju krajowego systemu finansowego w warunkach gospodarki rynkowej, jak również jego wpływ na wzrost gospodarczy Ukrainy.

#### **Development of national financial system and its influence on economic growth of Ukraine**

The essence, structure, functions and peculiarities of national financial system development under market economy as well as its influence on economic growth of Ukraine have been revealed.

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