

# Security Dimension of Financial Support for the Sustainable Development of Ukrainian Regions

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## Abstract

The purpose of the article is to present the results of determining the security level of financial support of the regions of Ukraine in the conditions of the concept of sustainable development implementation. The research substantiates a set of indicators that monitor the level of financial support for the development of the region from the following sources: the financial market, the corporate sector, and public finance. The proposed indicators and their security levels include the following aspects: the sustainability of public finances, the level of entrepreneurial activity, the investment climate, the development of the banking sector and the standard of living of the population. The level of financial security of Ukraine's regions was assessed on the basis of an integrated approach. Systemic interrelationships between the resulting indicator of the financial security of the regions and the factors affecting its level were also revealed. The obtained results provided an answer to the questions regarding the existing problems of financial support for the sustainable development of the regions of Ukraine. Based on the results of the research, the priority directions for ensuring the financial security of the region are substantiated. The recommendations are developed on the basis of the study of the impact of the security factors of the financial market, the corporate sector, and public finances on the achievement of sustainable development goals.

*Keywords: financial security of the region, indicator analysis, sustainable development, decentralization*

## 1. Introduction

Today, one of the important challenges for regional economies is the strengthening of internal sources of financing sustainable development processes. After all, in 2015, the United Nations defined a comprehensive and ambitious vision of Sustainable World Development by 2030. Ukraine has also joined the Sustainable Development Agenda. Accordingly, achieving the goals of sustainable development by 2030 requires substantial and sustainable financing. The problem of finding financing mechanisms for the development of Ukraine's regions is one of the most significant problems of the country's economy since the moment of gaining independence in 1991. In 2000, this activity was transformed into a discussion of the financing of the Millennium Development Goals (MDGs), and in 2015, respectively, of the Sustainable Development Goals (SDGs).

In modern conditions, it is becoming increasingly clear that achieving the SDGs requires not only the effective use of funding provided by international governments and organizations, but also the involvement of the country's domestic financial resources.

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Since 2014, the problem of financial independence and autonomy of Ukraine's regions has been aggravated by the processes of decentralization. The COVID-19 pandemic and military events are further intensifying the problem of ensuring the financial development of regions. This is caused, first of all, by the need for local authorities to fully perform the functions entrusted to them through ensuring the revenue part of the budget, effective tax policy, support of small and medium-sized businesses, etc.

The agenda in the field of sustainable development until 2030 approves 17 Sustainable Development Goals and 169 tasks for their achievement. The Sustainable Development Goals are a call to action to end poverty, protect the planet, and ensure peace and prosperity for all people on Earth, to be achieved by 2030. The Sustainable Development Goals are interrelated, as the achievement of goals in one area affects the results of achievement of goals in others. Thus, the development of each aspect should balance social, economic and environmental sustainability. At the same time, in the context of the sustainable development paradigm, social sustainability is the main goal, economic sustainability is a means of its implementation, and environmental sustainability is presented as a prerequisite. In this context, ensuring the financial security of regions forms their financial capacity in achieving the goals of sustainable development.

Achieving the SDGs by 2030 requires substantial financial investment in areas such as health and education, environmental protection, infrastructure and energy, agriculture, peace and security, and action to combat climate change. Investments in sustainable development should have maximum effectiveness and, first of all, should be directed to those regions or territorial communities, whose progress in sustainable development is the least. The need for financial resources to implement the 2030 Agenda for Sustainable Development is very significant, but countries have increasing opportunities to mobilize new and additional sources of financing, as well as to use a variety of innovative financing approaches (UNDP, 2018)

Researching the multifaceted problems of financial support for the sustainable development of Ukraine's regions is a very difficult issue, especially in combination with military events in the country. The presented article is the result of work on the assessment of financial support for the implementation of the concept of sustainable development in Ukraine.

The purpose of the article is to substantiate the security level of financial support of the regions of Ukraine under the conditions of the implementation of the concept of sustainable development. In the first part, on the basis of literary sources, the key issues related to the concept of sustainable development and the state of research on the sources of financial support for sustainable development at the regional level are considered. The second part presents an indicator analysis of the security dimension of financial support for regional development, on the basis of which the level of financial security of the regions of Ukraine was assessed, factors affecting its level were determined and analyzed. The third part of the article is devoted to the identification of problematic aspects of financial support of sustainable development processes and the development of recommendations for increasing the level of financial security at the regional level.

## 2. Sources of funding for the goals of sustainable development of the region – Literature review

In recent years, developing countries have significantly expanded their opportunities to attract financing from a number of public and private, domestic and international sources. Domestic sources of financing include tax and non-tax revenues, business and non-governmental organization finances. International financing includes direct foreign investments, international non-governmental organizations, grants and loans, and other official financial flows.

World experience shows that the most important and widespread source of funding for the SDGs is domestic government spending. The experts of the World Bank note that a significant share (from 50–80 %) of the finances necessary for the financing of the SDGs should be mobilized at the expense of domestic state resources (World Bank, n.d.). However, progress in mobilizing domestic public resources to finance development is still insufficient. As a result, there is a significant need to mobilize internal resources and increase the efficiency of their use. Also, in one of the UNDP studies (UNDP, 2018), the tendency in many countries to gradually increase the workforce with an average level of income, which is able to make a significant contribution to national tax revenues (the so-called demographic dividend), was noted. In turn, high domestic revenues will reduce dependence on foreign loans and increase the level of creditworthiness of the country.

At the same time, developing countries in general are increasingly turning to private sources to finance sustainable development and the SDGs. In particular, foreign direct investment (FDI) is an important source of external monetary flows. In this area, UNDP experts emphasize the simplification of relevant legislation, as well as the implementation of incentive measures (for example, tax benefits).

Many developing countries have also expanded domestic debt markets, and in some cases, subsovereign debt markets. This allows countries to quickly and in sufficient volumes receive resources for financing sustainable development. Domestic debt markets have contributed to the development of local financial markets and the mobilization of domestic savings to finance government spending. Domestic debt also reduces foreign exchange risks and can help reduce dependence on foreign aid. It is expected that both domestic and international bond financing will expand as a key source of development financing going forward (UNDP, 2018).

World-renowned foreign scientists emphasize the study of decentralization processes and their role in the development of the country's territories (Masgrave, 1959; Oates, 1972; Tiebout, 1961; Woś *et al.*, 2003). An important role in the system of sustainable financing belongs to a favorable public investment policy (Plastun *et al.*, 2020), which should be aimed at the formation and implementation of strategic funding priorities for achieving the goals of sustainable development (Kucher, 2022). Scientists include the transformation of the accounting system in the direction of integrated reporting for sustainable development (Alrowwad *et al.*, 2022; Serpeninova *et al.*, 2022, 2023) among the strategic prerequisites for financial support for sustainable development (Stadnyk *et al.*, 2020; Zoidze, 2023). The issue of the formation of capable territories, including taking into account their financial capability, is devoted to the work of such Ukrainian scientists (Danylyshyn, 2016; Kucher *et al.*, 2021a, 2021b; Sember *et al.*, 2015). Today, the problem

of forming a system of indicators for assessing the financial capacity of individual territorial units of the country in the context of decentralization is quite acute today (Lelyuk, 2014, Matviychuk and Neshko, 2017; Nikolchuk, 2020). At the same time, the publications known to us do not disclose the security dimension of financial support for the sustainable development of regions.

### 3. Methodology

To date, there is no generally accepted methodology for assessing the level of security of financial support for the development of regions or individual territorial communities of the country. The basis of the development of the author's approach to conducting such an assessment was the indicator approach. It consists in comparing the actual indicators of financial security with the normative values – indicators characterizing the financial independence, stability and ability for sustainable development of the region. The composition of these indicators may be supplemented or narrowed depending on the specifics of the region's development and the purpose of the assessment. Deviations from threshold or normative values can lead to threats to the financial security of the region. Therefore, according to this approach, the highest level of financial security of the region can be achieved only when all indicators are above the normative or within the permissible values.

The relevant indicators were grouped into three blocks: the financial market block, the corporate sector block, and the public finance block. With the help of substantiation of indicators, an assessment of the level of financial security of the regions of Ukraine was carried out, which made it possible to determine the objectivity of relations and identify the most significant characteristics. It also provided an opportunity to determine the dependence of the GRP structure on financial parameters in order to reflect the impact on regional financial security.

The calculation of the level of financial security of the region was carried out according to the following methodology:

1. Determination of deviations of the actual values of the indicators from the critical ones: if the norm of the indicator is characterized by growth:

$$x_i = \frac{a_i}{a_i^n} \quad (1.1)$$

if the norm of the indicator is characterized by a decrease:

$$x_i = \frac{a_i^n}{a_i} \quad (1.2)$$

where  $a_i$  – actual value of the indicator;

$a_i^n$  – critical value of the indicator.

2. Integral security indicator of the corresponding indicator block:

$$Y = x_1 \cdot i_1 + x_2 \cdot i_2 + x_3 \cdot i_3 + \dots + x_n \cdot i_n \quad (1.3)$$

$i$  – indicator weight in a separate block;

$n$  – number of indicators in a block.

3. Calculation of the actual level of financial security:

$$R_{FS} = Y_1 + Y_2 + Y_3 + \dots + Y_N \quad (1.4)$$

4. Calculation of the critical value of the level of financial security:

$$R_{FS(cr)} = N \quad (1.5)$$

$R_{FS(cr)}$  – critical value of the financial security indicator;

$N$  – number of indicator blocks included in the calculation.

5. The resulting indicator of the level of financial security of the region:

$$R = \frac{R_{FS}}{R_{FS(cr)}} \quad (1.6)$$

6. Determination of the level of financial security of the region:

high level ( $R > 1.2$ );

sufficient level ( $1.2 > R > 1$  or  $R = 1$ );

insufficient level ( $0.7 > R < 1$ );

low level ( $0.4 < R < 0.7$ ),

critical level ( $R_{dev} < 0.4$ ).

Conducting an assessment of the security level of financial security is a mandatory and integral element to ensure the sustainable development of the region. First of all, the calculation of the values of these indicators makes it possible to draw certain conclusions regarding the safety of participants in the financial market of the region, business entities and the financial condition of public finances, as well as to identify problematic aspects and, with the help of appropriate analysis, to improve measures to increase the level of financial security of the region.

Determination of the level of financial security was carried out in several stages. At the first stage, an array of initial data was formed in the form of the main financial and economic indicators from 24 regions of Ukraine, necessary for calculating the relevant indicators of their financial security. At the second stage, the value of the financial security indicators of the regions was determined directly. The obtained indicators were grouped into three predefined security blocks (financial market, corporate sector and public finance). The third stage of calculations helped to determine the integral values of financial security for each of the blocks and the resulting indicator of financial security based on taking into account the limit values of the indicators and weighting factors. The values of the resulting indicators are the starting point for the assessment of the security level of financial support for the development of the region and the development of appropriate recommendations.

### 4. Results and discussions

Finances under the direct control of the state or local governments play a significant role in financing the sustainable development of each country. Revenues of the consolidated budget of Ukraine are formed from revenues to the state and local budgets in the form of taxes and non-tax payments. As part of the implementation of the United Nations Joint Program to promote the processes of strategic planning and sustainable development financing in Ukraine, the UNDP team in Ukraine conducted a study on the assessment of development financing in Ukraine, the purpose of which was to analyze the most significant sources of financing and their focus on the SDGs. Within the framework of the study, an expert comparison of various funding streams with the SDGs, which they affect, was carried out. UNDP has determined that the largest amount of expenditure from the consolidated budget of Ukraine falls on SDGs No. 16 “Peace, Justice and Strong Institutions”, including expenditure on security and defense (Fig. 1).

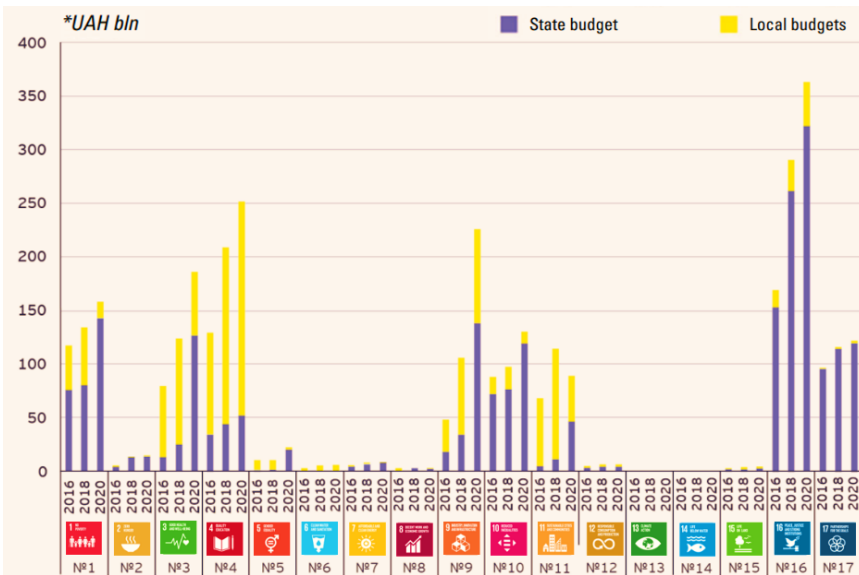


Figure 1: Comparison of expenditures of the State and local budgets of Ukraine according to the Sustainable Development Goals  
 Source: UNDP, 2022.

It should be noted that from the state budget of Ukraine in 2020, the largest amount of expenditure is allocated to the financing SDG No. 1 (Poverty Reduction), SDG No. 3 (Strong Health and Well-being), SDG No. 9 (Industry, Innovation and Infrastructure), SDG No. 10 (Reducing Inequality), SDG No. 16 (Peace, Justice and Strong Institutions) and SDG No. 17 (Partnership for Sustainable Development). And at the expense of local budgets, the largest amount of funding is allocated to the SDGs No. 4 (Quality Education), SDGs No. 11 (Industry, Innovation and Infrastructure).

Quite a small amount of funding from both the state and local budgets is allocated to the financing of SDG No. 2 (Overcoming hunger, development of agriculture), SDG No. 5

(Gender equality), SDG No. 6 (Clean Water and Proper Sanitation), SDG No. 7 (Affordable and Clean Energy), SDG No. 8 (Decent Work and Economic Growth), SDG No. 12 (Responsible Consumption and Production). At the same time, public funding almost does not cover individual goals, such as SDG No. 13 (Mitigation of the Consequences of Climate Change), SDG No. 14 (Conservation of Marine Resources), SDG No. 15 (Protection and Restoration of Terrestrial Ecosystems).

Therefore, the state financing of individual sustainable development goals is mostly predominant. This is explained by the fact that in Ukraine, the standard ratio of state and local budget revenues of most EU countries – 50:50 – has not yet been achieved. As we can see, the largest share of local revenues in the consolidated budget was 31.36 % in 2002, and the smallest – 19.05 % in 2022 (Table 1).

**Table 1:** Revenues of the consolidated and local budgets of Ukraine

Years	Revenues of the consolidated budget, UAH million	Revenues of local budgets, UAH million		Share of local revenues in the consolidated budget, %	Share of official transfers in the structure of local revenues, %
		Total	including transfers from the state budget		
2022	2196273.3	555097.1	136753.6	19.05	24.6
2021	1662333.6	580746.5	202733.3	22.74	34.9
2020	1376673.8	471481.9	160177.1	22.61	34.0
2019	1289849.2	560531.3	260302.0	23.28	46.4
2018	1184290.8	562421.8	298939.7	22.25	53.2
2017	1016969.5	502098.3	272602.9	22.57	54.3
2016	782859.5	366143.1	195395.3	21.81	53.4
2015	652031.0	294460.2	173980.0	18.48	59.1
2014	456067.3	231702.0	130600.9	22.17	56.4
2013	442788.7	221019.4	115848.3	23.75	52.4
2012	445525.3	225273.5	124459.6	22.63	55.2
2011	398553.6	181530.4	94875.0	21.74	52.3
2010	314506.3	159397.1	77766.2	25.96	48.8
2009	272967.0	134559.4	62180.1	26.52	46.2
2008	297893.0	137455.3	59112.7	26.30	43.0
2007	219936.5	107050.5	44655.9	28.37	41.7
2006	171811.5	75895.2	34150.3	24.30	45.0
2005	134183.2	53677.3	23361.1	22.59	43.5
2004	91529.4	39604.2	16819.4	24.89	42.5
2003	75285.8	34306.5	11729.1	29.99	34.2
2002	61954.3	28247.4	8818.1	31.36	31.2

*Source: formed and calculated by the authors on the basis of official statistical data.*

Despite this, the effectiveness of the results of budgetary decentralization in Ukraine can be noted. This is evidenced by the tendency to decrease the dependence of local budgets on official transfers from the state budget, from the level of 59.1 % in 2014 to 24.6 % in 2022. That is, already in 2022, this indicator reaches the limits of the normative value (less

than 30). For the most part, this reduction occurred due to the growth of tax revenues of local budgets.

In financing the goals of sustainable development, it is necessary to pay special attention to the role of the security level of financial support for the security of regions. Since the region as an economic category is a dynamic system, its financial security is not a static phenomenon, which requires constant control and effective management.

Based on the above, the question arises of substantiating the list of indicators (indicators), on the basis of which it will be possible to calculate the general indicator of the region's financial security. To solve this task, we justified the structure of financial security of the region based on the definition of three basic blocks of security: the financial market, business entities and public finances of the region (Table 2). Taking into account the opinions of experts, the weight of each indicator in the overall structure of the relevant block was determined.

**Table 2:** Security levels of indicators of the region's financial support

Name of the block of indicators	Indicator code and name	Limit values
1. Financial markets security	1.1. Volume of lending by banks to the real sector of the economy, % of GRP	not less than 30
	1.2. Ratio of loans to bank deposits in the region	not less than 100
	1.3. Rate of change of the index of the official exchange rate of the hryvnia (UAH) to the US dollar until the previous period, %	not more than 106
	1.4. Rate of change of foreign direct investment in the region	not less than 100
	1.5. Share of foreign direct investment in GRP, %	not less than 15
2. Corporate sector security	2.1. Ratio of balance of financial results of enterprises to GRP	more than 7
	2.2. Profitability of operational activities of enterprises, %	more than 10
	2.3. Rate of change in industrial production volumes in the region	more than 100
3. Public finances security	3.1. Rate of change of GDP	not less than 100
	3.2. GRP share in state GDP, %	not less than 5
	3.3. Specific weight of local budget revenues to GRP, %	not less than 25
	3.4. Level of budgetary independence, %	not less than 80
	3.5. Level of tax resistance, %	not less than 25
	3.6. Level of tax independence, %	not less than 30
	3.7. Rate of change in the amount of arrears from the payment of wages	less than 105
	3.8. Consumer price index in the region	less than 110
	3.9. Ratio of expenses to the income of the population	less than 80

*Source: developed by the authors based on research (Dziurakh et al., 2022; Nikolchuk, 2020; Lelyuk, 2014; Matviychuk and Nesbko, 2017).*

It can be stated that the assessment of the security level of the region's financial support involves the calculation of such an indicator of the region's financial condition, which is characterized by the degree of stability of public finances, the conduct of business



activities, the investment climate, the development of the banking sector, and the standard of living of the population.

Thus, on the basis of the relevant calculations of the determination of financial security indicators (Table 3), it is possible to track the efficiency and effectiveness of the financial support of the regions of Ukraine. The comparison of these indicators with the limit values makes it possible to determine the “bottlenecks” of financial security and to develop appropriate measures to improve the level of financial support for regional development.

**Table 3:** Financial security indicators of regions of Ukraine

Indicator code	Weight	2017	2018	2019	2020	2021
<b>1. Financial Market Block</b>						
1.1	0.20	44.6	39.4	32.1	29.6	18.0
1.2	0.20	113.1	115.0	90.7	70.3	50.0
1.3	0.10	103.2	98.6	85.5	119.4	96.5
1.4	0.20	63.4	95.4	176.4	12.0	524.6
1.5	0.30	2.8	2.2	2.9	0.4	1.5
Integral safety indicator		0.81	0.83	0.93	0.46	1.41
<b>2. Corporate Sector Block</b>						
2.1	0.35	9.2	12.1	16.7	7.2	20.5
2.2	0.35	8.8	8.1	10.2	6.2	12.6
2.3	0.30	121.8	116.5	98.9	100.0	144.7
Integral safety indicator		1.13	1.24	1.49	0.52	1.90
<b>3. Public Finance Block</b>						
3.1	0.10	124.9	119.5	111.0	105.9	130.2
3.2	0.10	3.2	3.2	3.2	3.2	3.2
3.3	0.10	10.1	9.7	9.9	9.7	9.1
3.4	0.10	45.7	46.8	53.6	66.0	65.1
3.5	0.15	40.5	40.8	47.8	59.7	60.9
3.6	0.15	54.3	53.2	46.4	34.0	34.9
3.7	0.10	95.2	132.2	111.7	114.7	103.4
3.8	0.10	113.7	109.8	104.1	105.0	110.0
3.9	0.10	98.8	99.0	100.3	98.4	99.8
Integral safety indicator		0.90	0.87	0.94	1.06	1.09
Indicator of the region's financial security		0.95	0.98	1.12	0.68	1.47

*Source: created by the authors.*

From Fig. 2 it can be seen that the integral indicator of financial market security has an inherent unstable dynamics during 2017–2021. In particular, the level of security of the financial market is insufficient in 2017–2019. The value of the integral indicator is characterized by upward dynamics, but does not reach the safe level of 1. And in 2020, it sharply decreases to 0.46, which corresponds to a low level of security.

This is explained by the decrease of direct foreign investments in the regions of Ukraine by 88 % (from USD 3,767 million in 2019 to the level of USD 452 million). It is also worth noting that the share of foreign direct investment in the GRP structure does not reach the optimal value of 15% during the researched period. It is worth noting the negative trend

towards an annual decrease in the volume of lending by banks to the real sector of the economy from 44.6 % of GRP in 2017 to the level of 18.0 % of GRP in 2021. The value of 2021 does not reach the limit of 30 % of GRP.

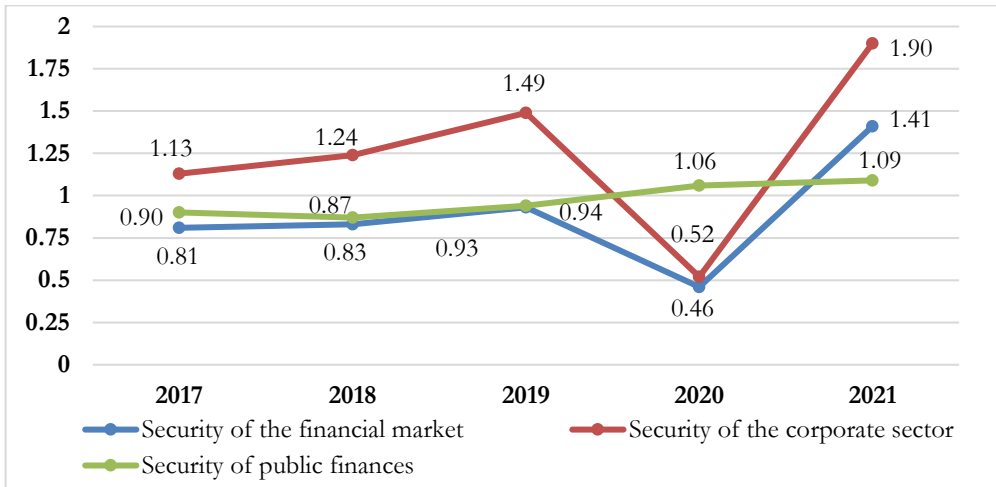


Figure 2: An integral indicator of the security of the financial market, the corporate sector, and public finances of the regions of Ukraine

Source: created by the authors on the basis of official statistical data.

It should be noted that the rapid growth of financing due to foreign direct investments in 2021 led to the achievement of the highest value of financial market security – 1.9, which corresponds to a high level of security. Therefore, direct foreign investments remain the most important source of foreign monetary flows for Ukraine.

Corporate Finance Security is characterized by an increasing trend from 2017 to 2019, a sharp decrease in 2020, and an increase in 2021. Accordingly, the values of the safety indicators in 2018, 2019 and 2021 correspond to a high level, in 2017 – sufficient, and in 2020 – low. The negative consequences of COVID-19 were also reflected in business in Ukraine. Thus, the balance of financial results of enterprises in 2020 will decrease by 50 % compared to 2019 from the level of 664,849.8 million UAH to the level of 303,219.3 million UAH, the profitability of operating activities decreases from 10.2 % to the level of 6.2 %, respectively.

The level of security of public finances during the studied period is characterized by a stable trend towards a moderate increase from the level of 0.93 in 2019 to the level of 1.09 in 2021. If in 2017–2019 the security of public finances was characterized by an insufficient level, then in 2020–2021 it exceeds the limit of 1 and is characterized by a sufficient level. This trend is characterized by the positive dynamics of tax revenue growth and a decrease in the level of official transfers from the state budget in the total revenues of local budgets (Fig. 3).

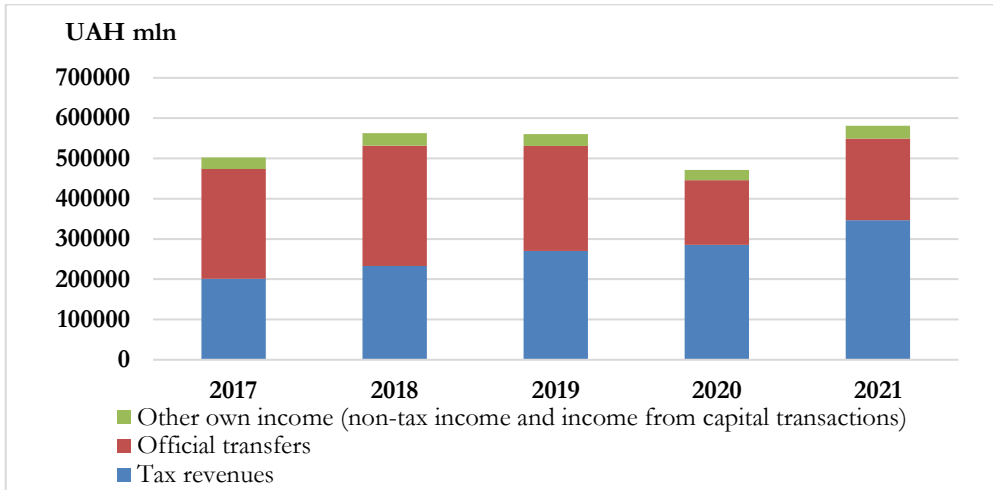


Figure 3: Own revenues of local budgets of Ukraine

Source: created by the authors based on own calculations.

Despite the relatively high value of the tax revenue indicator, there is an insufficiency of funding resources for social and environmental spheres, which directly hinders progress in achieving the SDGs. This may indicate inefficiency in the management of tax revenues and their redistribution.

According to the dynamics of the overall integral indicator of the financial security of the regions of Ukraine (Fig. 4), it can be seen that its highest value was observed in 2021, which indicates its high level. A sufficient level of the indicator of financial security of the regions was observed in 2019, however, in 2020 it is decreasing to a low level. So, we can note that in 2020 the state of the financial sector of the regions of Ukraine was the worst in comparison with other periods.

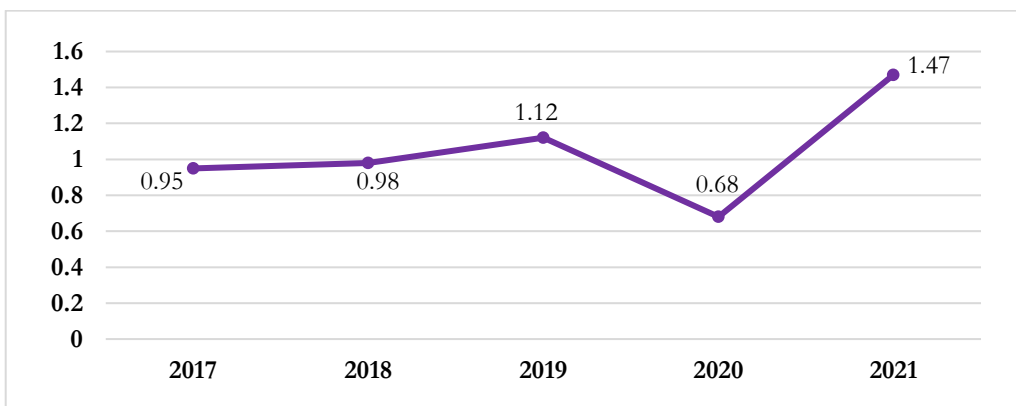
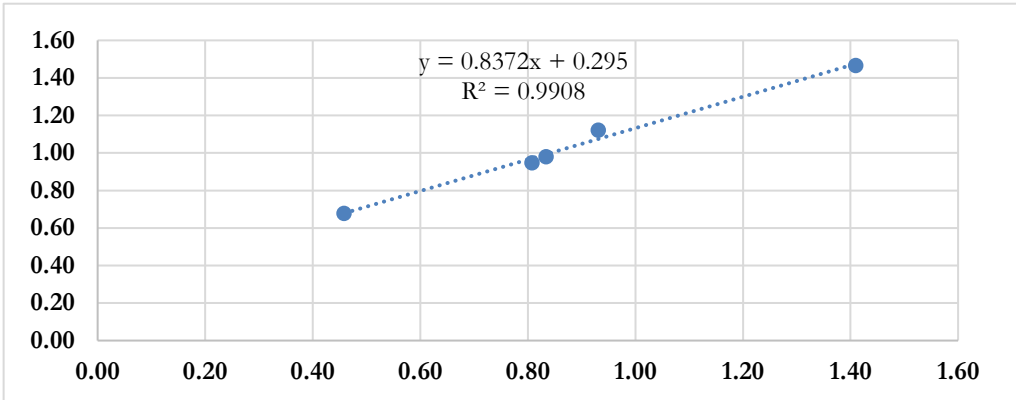


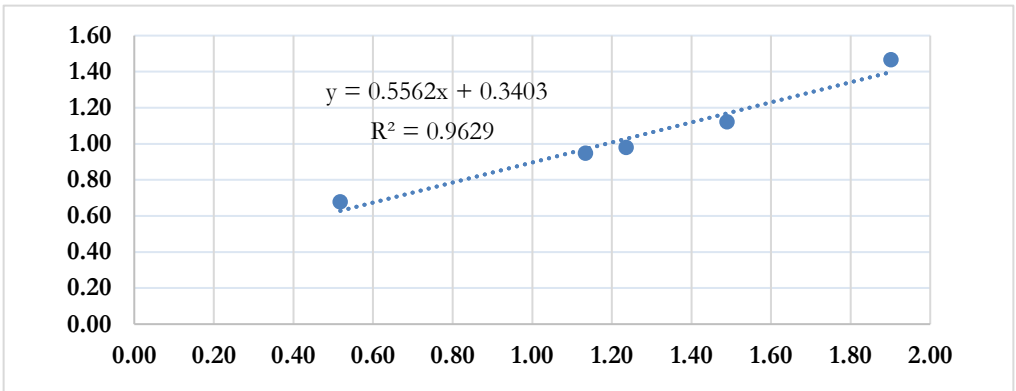
Figure 4: Financial security indicator of regions of Ukraine

Source: created by the authors based on own calculations.

The correlation-regression analysis confirmed that the financial security indicators of the financial market (Fig. 5) and the business sector have the closest relationship with the financial security of the regions. The relationship is clearly expressed, which reflects a significant dependence. This is evidenced by the coefficient of determination  $R^2$ , which is equal to 99.1 % in the first dependence (Fig. 5a) and 94.2 % in the second dependence (Fig. 5b).



a)



b)

Figure 5: The relationship between the level of financial security of the regions of Ukraine and the security indicators of the financial market (a), corporate sector (b)

Source: created by the authors based on own calculations.

On the basis of the obtained data, the following regression equations were obtained:  $y=0.8372x+0.295$ ;  $y=0.5562x+0.3403$ . According to the calculations made in the Excel program, it was found that these models meet the condition:  $F > F_{cr}$  and  $|t_r| > t_{cr}$ . So, according to the table “Critical points of the distribution of the t-student indicator”, for a significance level of 0.05 and 3 degrees of freedom,  $t_{cr}$  is 3.18,  $F_{cr}$  is 10.13.

Therefore, it can be asserted that the obtained values based on the results of the correlation check are:

in the first dependence:  $F=321.7$ ,  $t_{a_1}^* = 6.72$ ,  $t_{a_0}^* = 17.9$ .

in the second dependence:  $F=77.9$ ,  $t_{a_1}^* = 4.04$ ,  $t_{a_0}^* = 8.82$ .

Based on this, it can be concluded that the regression coefficients  $a_1$  and  $a_{01}$  are statistically significant in the two models, because  $|t_{a_1}^*| > t_{kr}$ . Accordingly, the presented models are adequate. This indicates that the results obtained by us have the right to practical application.

- So, it is possible to single out several main factors affecting the decrease in the level of financial support for the sustainable development of Ukraine's regions:

- insufficient volume of lending by banks to the real sector of the economy;
- discrepancy in the ratio of loans to deposits;
- instability of the index of the official exchange rate of the UAH to the US dollar;
- insufficient level of direct foreign investment;
- a low share of local budget revenues in the GRP structure;
- low level of budget independence and budget stability of individual regions of Ukraine;
- discrepancy between the ratio of expenses to the income of the population.

In general, the factors that ensure the growth of the financial security of the regions correlate with the factors that affect its economic security in general and are divided into direct and indirect. Let us consider in more detail the effect of factors that have the greatest influence on the level of financial support of regions.

The volume of lending affects the development of certain branches of the region's economy through solvent demand and increased turnover, increasing GDP, which undoubtedly contributes to the growth of the general welfare of the population. However, the availability of certain goods and the delusional vision of stability due to credit funds will cause negative consequences for the region's economy in the future, due to the inability to cover all the borrowed funds in the past.

Fixation and positive dynamics of the exchange rate of the national monetary unit affects the improvement of the situation with external debt, stabilization of the price level and inflation rates, growth of export-import operations, increase of foreign trade and payment balances. However, in 2020 was a significant increase in the exchange rate by 19.4 %. Such negative trends can lead to a low level of trust among international partners, an increase in the prices of imported goods, in particular, an increase in the price of gasoline, diesel fuel, and autogas, and, as a result, to an increase in the prices of domestic goods due to higher logistics costs.

An adequate level of inflation leads to strengthening of the national currency, enables businesses and citizens to plan their financial decisions for the future competently and clearly. In turn, this contributes to the stable development of the region's economy as a whole. Along with this, we should note that the increase in the inflation rate leads to a decrease in the purchasing power of the national currency, an unstable situation with demand and supply. Inflation in Ukraine is breaking long-term records. In June, prices in Ukraine increased by 21.5 % compared to June 2021. After the official dollar rate rises, inflation will only accelerate.

The growth of foreign direct investment contributes to the economic development of various branches of the financial sector, which in turn leads to the growth of the economy of the region as a whole. Along with this, we should note that the insufficient diversification of sources of attraction of direct foreign investment in Ukraine can cause

the dependence of the Ukrainian economy on the policies of several countries – the main investors.

Improving the financial results of enterprises contributes to the achievement of corporate interests and the creation of safe conditions for development. Conversely, a decrease in financial results can lead to the suspension of the company's activities due to unprofitability caused by a shortage of financial resources. In turn, the growth of the company's profitability affects the development and expansion of production, in particular, it directly influences the creation and introduction of new innovative solutions in the corporate sector activities.

The growth of the gross regional product contributes to maintaining economic stability, increasing financing of various industries in the region and raising the standard of living in general. And the balancing of incomes and expenses contributes to the formation of a surplus budget of the region, which, in turn, makes it possible to implement various social and economic tasks, to finance, first of all, development expenses (Liakhovych, 2023)

## 5. Conclusions

Therefore, it can be argued that the achievement of the appropriate level of financial security of the regions of Ukraine is impossible without determining the key structural elements of this security, which are the most important for each individual region. This research was based on the generalized and averaged indicators of the regions of Ukraine. At the same time, we note that each region has its own “bottlenecks” of financial support that require separate research.

Along with this, based on the generalized indicator of the study of the level of financial security of the regions of Ukraine, it is possible to propose the following priority directions for ensuring the financial security of the regions of Ukraine:

- implementation of mechanisms for more effective redistribution of available tax revenues;
- withdrawal of part of the regional economy from the “shadow”;
- effective and transparent management of state-owned enterprises, which will allow to achieve higher financial results and, as a result, to form an additional source of funding for the SDGs;
- raising the level of state regulation and implementing transparent reporting in accordance with international standards in order to provide incentives to investors;
- use of mixed financing mechanisms for investment in infrastructure (public-private partnership);
- issuance of bonds for the purpose of financing various projects related to the SDGs (green bond, social bond, sustainability bond, sustainability-linked bond).

In order to implement the above priorities, it is necessary to form a strategy for financial support for the development of each individual region of Ukraine. Such a strategy should be coordinated with the region's budgetary capabilities and planned indicators regarding the goals of sustainable development. At the same time, the practical implementation of any programs for the social and economic development of the region should provide for the need to assess potential risks from the implementation of such projects. Also, this

process requires linking the key indicators of the effectiveness of the budget passports of these programs to the tasks of the SDGs. This will make it possible to carry out a qualitative assessment of the effectiveness of budget expenditures from the point of view of the implementation of a specific task of the SDGs.

Currently, the use of the financial potential of corporate business and the financial market in Ukraine is extremely powerful. However, the ability of private business to direct investments towards development and the SDGs depends on the overall investment climate and economic growth in the country. As a result, a war was unleashed by Russia for no reason, Ukraine has already faced huge losses, including production assets and infrastructure. Economic and political instability limit the incentives and ability of businesses to invest in projects that will contribute to progress towards achieving the SDGs.

Business support is a valuable investment due to their importance in filling the regional budget. Also, business support measures are an effective means of social protection, because they provide workers with a guarantee that they will not lose their jobs and the means to support their families. An important factor for the activation of private financing in the areas of sustainable development is the availability of various innovative financial instruments and sources of funding for business. At the same time, another important challenge is focusing investors' attention on SDG-related investments. This is hindered by a number of additional limitations: the cost of capital usually does not take into account negative externalities (external effects), lack of transparency regarding the results of activities in ESG areas; excessive focus on short-term financial results rather than social or environmental effects.

Therefore, in terms of the development and implementation of measures to increase the level of financial support for the sustainable development of the regions of Ukraine, an important role is assigned to the state and local authorities. This, in turn, requires balancing and establishing the interaction of all local authorities, the public and business. The creation of favourable conditions and a harmonious environment for business support, the development of the financial market and the effective use of public finances will make it possible to develop the internal economic potential of the regions of Ukraine, which will contribute to increasing the financial flow to the budget of the region for the purpose of financing the goals of sustainable development.

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