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THE INFLUENCE OF GOVERNMENT DEBT ON THE FINANCIAL POSITION OF THE STATE

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Introduction. Difficulties on the way to financial stabilization and economic growth of Ukraine are largely due to lack of financial resources. One of the tools to alleviate financial problems and revive the economic situation in the country is external borrowing. In the context of the economic and political crisis in the country, the conduct of hostilities in the eastern part of Ukraine, the spread of the coronavirus pandemic and the forecast of declining domestic GDP, the problem of ensuring the debt security of our country is relevant.

Historically, throughout almost the entire period of independence, Ukraine has been actively attracting foreign loans to cover the budget deficit. As a result, public debt has grown steadily, Ukraine's external financial obligations have increased, which a priori threatens the country's financial security and may lead to default. The problem is that the deficit of the state budget and balance of payments, inefficient mechanism of borrowing and their use, disregard for the objective laws of public external debt management can exacerbate the financial crisis and the collapse of the financial system as a whole.

Analysis of recent researches and publications. The scientific works by Ukrainian scientists are devoted to the study of issues related to public debt, analysis and mechanism of its management and maintenance, such as: O.V. Borysiuk [1], N.V. Zrazhevskaya [2], V.P. Kamenska [3], S.L. Londar [4], O.P. Makar [5] et al. In the works by these scientists, the influence of various factors on the formation of public debt, on the areas of public debt management in Ukraine, made an assessment and forecasts of public debt for the future.

Purpose. The purpose of this study is to deepen the theoretical aspects and practical recommendations, identify the main problems and possible solutions to Ukraine's debt problem.

Results. The problem of external public debt has always been, and remains chronic for Ukraine. In the context of the corona crisis, this problem has acquired new, more complex shapes. A large number of countries, including Ukraine, find themselves in a situation of shortage of financial resources, it takes more than one year for economic recovery. To stabilize the situation, attracting loans from foreign organizations, lenders, countries where there is excess capital has become the only possible alternative.

To analyze the current state of Ukraine's foreign debt, we will use official statistical information. Table 1 shows the structure of the total public debt of Ukraine for 2014-2019.

Table 1

Analysis of the dynamics of the volume and composition of the total public debt of Ukraine for 2013-2019, billion UAH. [10]

Indicator	Years						Deviation (%) in 2019 compared to	
	2014	2015	2016	2017	2018	2019	2014	2018
The total amount of debt	1100,8	1572,2	1929,8	2141,7	2168,4	1998,2	81,52	-7,85
State debt:	947	1334,3	1650,8	1833,71	1860,3	1761,3	85,99	-5,32
internal	461	508	670,6	753,4	761,1	829,5	79,93	8,99
external	486	826,3	980,2	1080,3	1099,2	931,8	91,73	-15,23
State-guaranteed debt:	153,8	237,9	278,9	308	308,2	236,9	54,03	-23,13
internal	27,9	21,5	19,1	13,3	10,3	9,6	-65,59	-6,80
external	125,9	216,5	259,8	294,7	297,8	227,3	80,54	-23,67

The above data show a sharp increase in the amount of total public debt from UAH 1100,8 billion during 2014-2018 up to UAH 2168,4 billion. That is, for the specified analyzed range the public debt has doubled. The amount of public debt decreased only in 2019 by 7,85% compared to 2018, but compared to 2014, a significant increase of 81,52%. Some reduction in public debt in the reporting year is due to the maturity of obligations to creditors. Figure 1 shows the composition and structure of Ukraine's public debt for 2014-2019.

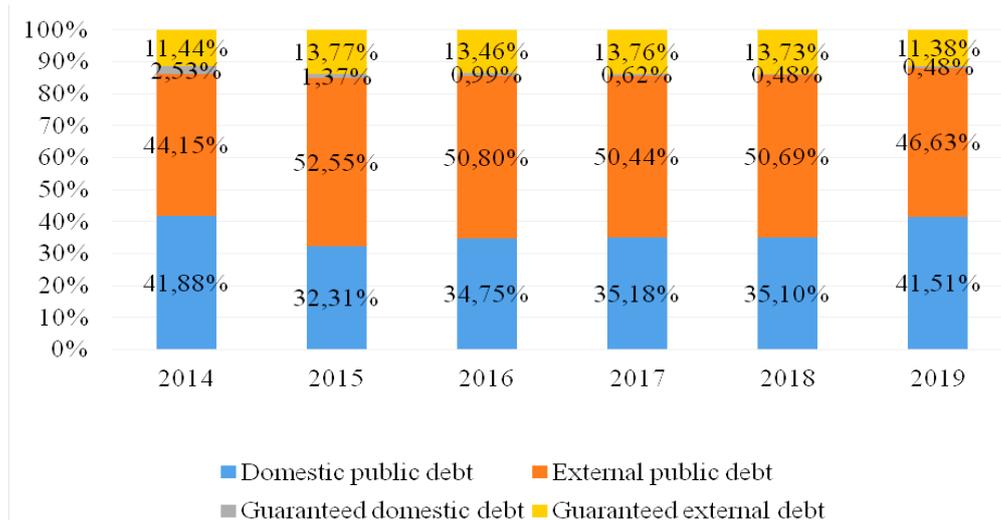


Fig. 1. Dynamics of the composition and structure of Ukraine's public debt during 2014-2019, %

Source: State Statistics Service of Ukraine [12]

As illustrated in Fig. 2.1. data, in the structure of public debt, the total external debt accounts for about 58%. Of these, 46,63% is external public debt and 11,38% is guaranteed public debt. Against the background of declining share of external debt, the share of domestic public debt is growing. Despite some reduction in their share in 2019, the external public debt occupies a significant share. Therefore, the Ukrainian government needs to pay considerable attention to the issue of external debt management. Attracting external credit puts significant pressure on the country's financial security and increases the amount of external debt. In the future, the burden on the country's national economy will only increase, because sooner or later the debts must be repaid.

Let's follow the dynamics of changes in Ukraine's external public debt during 2014-2019 we will present the necessary information on fig.2.

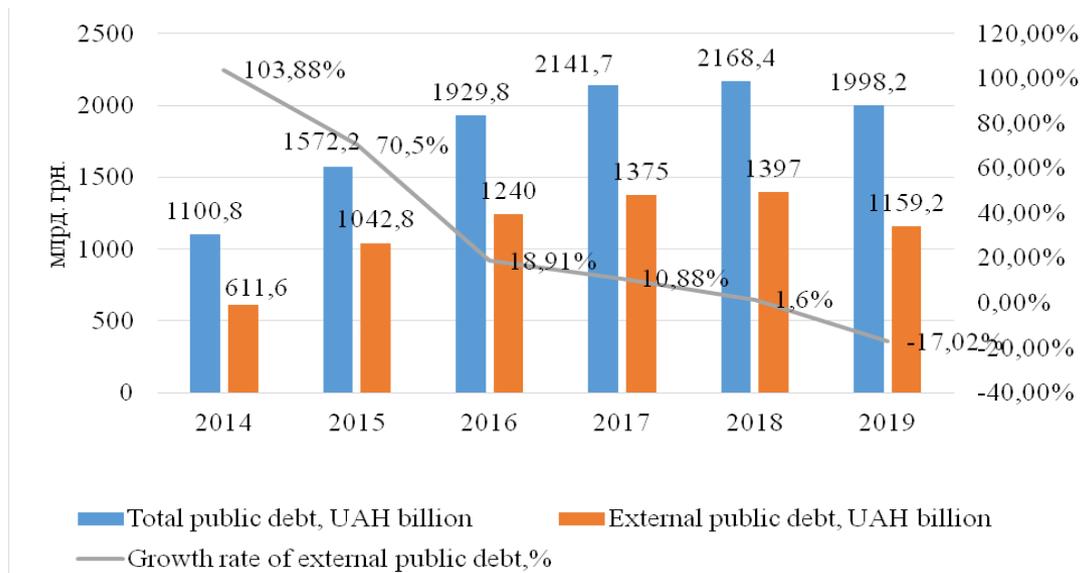


Fig. 2. Dynamics of changes in Ukraine's external public debt for 2014-2019.

Source: State Statistics Service of Ukraine [10]

The data in Fig.2 show that the external public debt is more than half of the total public debt. At the same time, during the study period there is a steady upward trend and only at the end of 2019 it was reduced by 17.03%. After all, it is for the period 2019-2021 that the payment of most of the external public debt is serviced. Ukraine managed to cover part of the debt from the state reserves, but by the end of 2020 it was projected to further increase the external public debt due to the projected decline in GDP due to the temporary closure of enterprises due to the spread of coronavirus.

The largest increase in external public debt of 103.88% was observed in 2014, which was caused by the country's entry into a deep political and economic crisis. Thus, the Revolution of Dignity, the flight of the former President of Ukraine abroad, the invasion of foreign troops in the eastern part of the country, the devastation of gold and foreign exchange reserves required the attraction of foreign loans. Without them, our state would not be able to exist and it would threaten the country's financial security.

Figure 3 shows the structure of Ukraine's external debt as of 31.12.2019.

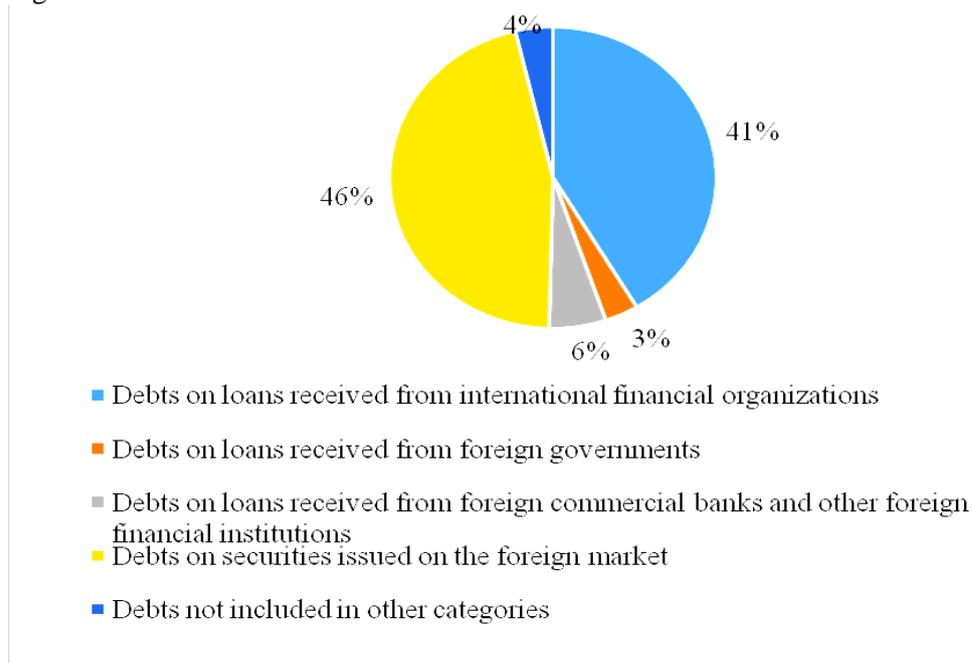


Fig. 3. The structure of Ukraine's external debt as of December 31, 2019, %

Source: State Statistics Service of Ukraine [10]

The largest share of external debt is accounted for by debt on securities issued on the foreign market – 46%. In order to ensure the inflow of foreign investment, the National Bank of Ukraine sold securities on foreign markets. In second place in terms of the share of debt is debt on loans received from international financial organizations, which accounts for 41% of all external liabilities.

Among the international financial organizations are: the International Bank for Reconstruction and Development, European Cooperation, the International Monetary Fund, the European Bank for Reconstruction and Development, the European Investment Bank and the Clean Technology Fund. These international organizations have become the main strategic partners for Ukraine and have provided and continue to provide financial assistance. In total, debts on securities issued on the foreign market and debts to international financial organizations account for about 87% of all external liabilities or UAH 1018 billion.

Debts on loans from foreign banks account for only 6%. Among foreign banks, there are 4 main ones, to which Ukraine has the largest debt: Cargill, Chase Manhattan Bank Luxembourg S.A., Credit Agricole Corporate and Investment Bank and Deutsche Bank AG London.

Ukraine also has debts to foreign governments in the amount of UAH 38.,58 billion, which is 3% of all foreign debts. Our country owes debts to the governments of Japan, Russia, Poland, Canada, Germany, Poland, France and the United States. Debts not included in other categories account for 4%.

According to the structure of debt, the main creditors of Ukraine are financial international organizations, as well as liabilities on issued securities.

Significant amounts of external debt pose a threat to the country's financial security. It is especially dangerous when a significant share falls on liabilities in foreign currency. After all, the domestic national currency is unstable and has the ability to depreciate. Accordingly, there is an additional threat of debt growth in terms of national currency. It is advisable to show the structure of external debt in fig.4 in terms of repayment currencies.

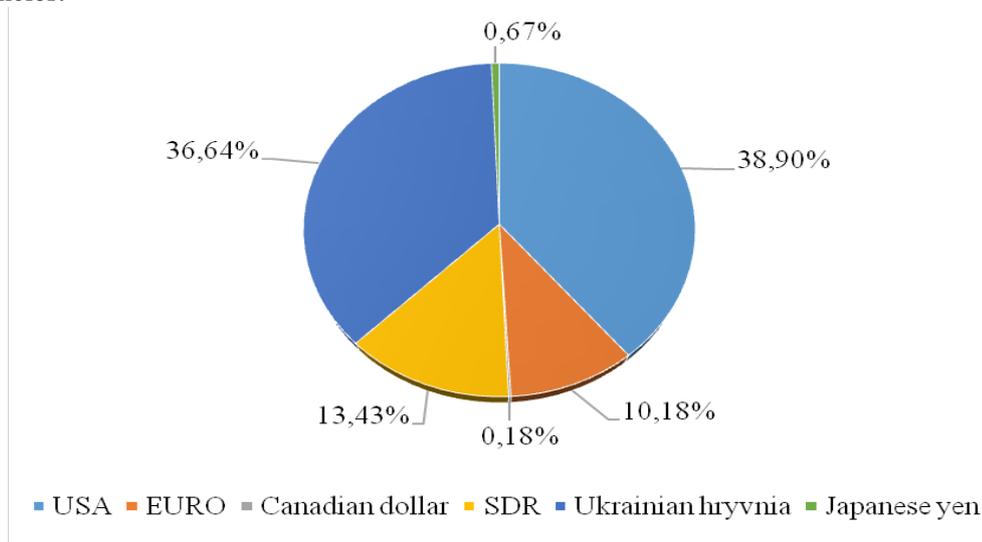


Fig.4. The structure of Ukraine's public debt in terms of repayment currencies as of December 31, 2019, %

Source: State Statistics Service of Ukraine [12]

Analyzing the data illustrated in fig. 4., It should be noted that only 36,64% of public debt is denominated in Ukrainian hryvnia. Whereas 63,36% is accounted for by government bonds denominated in foreign currency. Of these, 38,9% are denominated in US dollars. This is dangerous for the economy of Ukraine. After all, the national currency is unstable and, as a rule, its value is constantly decreasing compared to foreign currency. For example, as of February 4, 2021, the exchange rate of the US dollar against the Ukrainian hryvnia was UAH 28,05, while at the end of 2014 this figure was UAH 16,27 for a dollar (accordingly, the Ukrainian economy in 2021 needs to attract more finances to service foreign debt).

The current size of Ukraine's external debt is quite significant, although in 2019 it did not decrease significantly. All this puts a lot of pressure on the state budget of Ukraine due to the necessary deductions for the fulfillment of obligations. It is in 2019-2027 that the maturities of significant amounts of external borrowings are approaching. Therefore, significant amounts of revenues to the state budget will be deducted

for the repayment of external debt. Table 2 shows the dynamics of debt settlements in 2014-2020, as well as probable forecasts for 2021.

Table 2

Dynamics of debt settlements in 2014-2020

Indicator	Years							
	2014	2015	2016	2017	2018	2019	2020	2021 forecasts
In total, UAH billion	168,8	501,1	207,2	474	351,2	464,5	400,7	434
Public debt service, including UAH billion	48	84,5	95,7	110,4	115,5	119,2	131,6	170,1
external, UAH billion	15,7	28	33,2	40,4	41,7	46,2	49,7	71
domestic, billion UAH	32,3	56,5	62,5	70	73,7	73	81,8	99,1
Repayment of public debt, including UAH billion	120,8	416,9	111,4	363,5	235,7	345,2	269	264
external, UAH billion	52,8	325,4	9	66,5	68,7	83,8	119,5	112
domestic, billion UAH	68	91,2	102,3	297	166,9	261,4	149,5	152
Revenues from government borrowings, including UAH billion	295,2	514,1	307,6	478,6	286,5	411,9	365,1	404,3
external, UAH billion	90,6	415,1	61,2	103,4	112,3	86,2	134	141
domestic, billion UAH	204,6	98,9	246,4	375,2	174,2	325,6	231,1	263,3

Back in 2014, total payments on debt amounted to UAH 168,8 billion, and in 2020, according to the plan, UAH 400.7 billion, which is more than twice as much as in 2014. In subsequent years, debt the burden on the state budget will only increase, as the terms of settlements are approaching the final point every year. To reduce the debt burden, the government began to place Eurobonds on foreign markets, which allowed Ukraine to extend its short-term debt obligations. In particular, in 2018 it placed Eurobonds worth \$ 2,35 billion. with a rate of about 9-10%. Foreign investors actively bought Eurobonds and domestic government bonds placed on the financial market. This testified to the increase of the country's investment attractiveness and allowed to ensure economic growth.

The current situation is stable, but even the greatest experts cannot with 100% probability predict the state of the economy at the end of 2020 and 2021, which are characterized by the spread of coronavirus and the possible global economic crisis. If the national economy continues to decline, GDP declines, and creditors do not make concessions and allow short-term liabilities to be extended, Ukraine will need to attract additional foreign loans to repay term liabilities. This situation will only increase the burden on future generations and the state budget in the coming years. Today there is a high level of uncertainty about the state of Ukraine's national economy and the possibility of effective external debt management.

In the world economy, it is customary to determine the debt burden in the country based on the calculation of debt per capita. This analysis allows you to determine the amount of debt imposed on each citizen of the country. Using the relevant statistics in fig. 5, we present the amount of total public and foreign debt of Ukraine per capita.

According to the above data, each citizen of our state will receive almost UAH 28,000 in 2019 external debt, which is less than in 2016-2018. This is due to the coverage of part of the debt in 2019 to external creditors. Despite the above, this figure is quite high given the fact that theoretically only at birth a child already "lays" a debt of 28 thousand UAH. This is evidence that further external debt commitment will be a major burden on the younger generation.

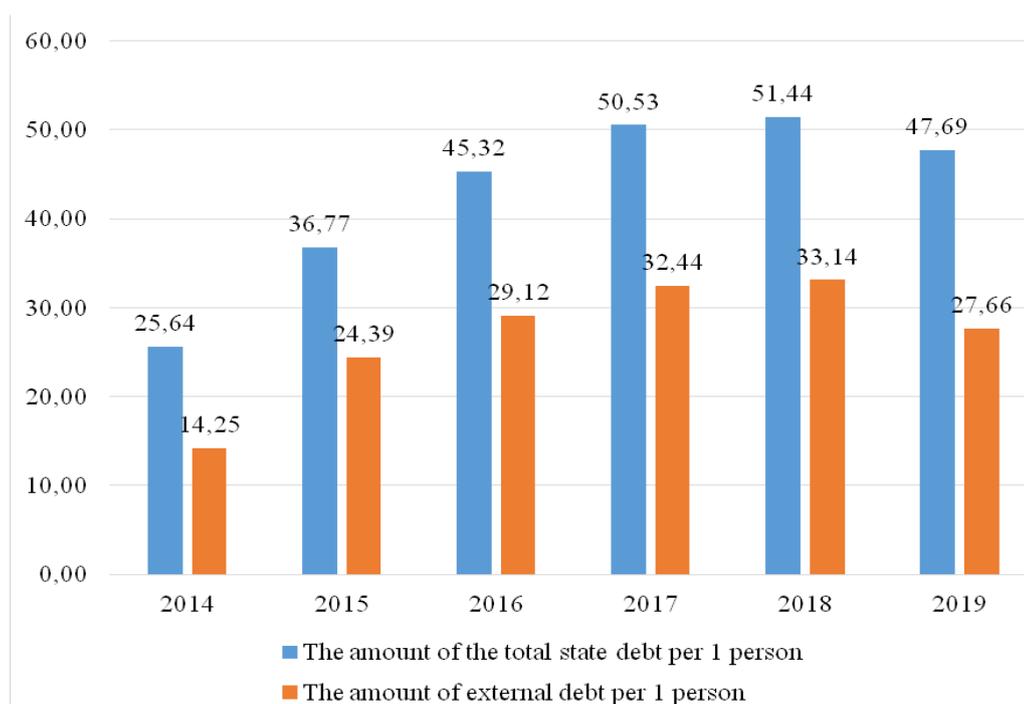


Fig.5. The amount of total public and external debt of Ukraine per capita, thousand UAH

Source: State Statistics Service of Ukraine [13]

Conclusions. Given the realities of the current government of Ukraine, it is necessary to pursue a competent policy on external debt service. It is also important to refrain from taking additional loans to cover temporary "holes" in the state budget, because such a policy will not lead to any positive changes. Foreign credit funds should be attracted to the economy of Ukraine in order to finance vital long-term investment projects.

Thus, in Ukraine there is a problem of significant external debt. According to the results of the analysis, it was established that the amount of external debt is almost UAH 2 billion and 67% of all government liabilities. Due to the lack of necessary own revenues, Ukraine resorted to attracting foreign loans. Ukraine's main creditors are international financial organizations, such as the International Bank for Reconstruction and Development, European Cooperation, the International Monetary Fund, the European Bank for Reconstruction and Development, the European Investment Bank and the Clean Technology Fund. The International Monetary Fund, with which Ukraine has signed an agreement on lending for its domestic needs, should be singled out. In terms of 1 person, the amount of external debt is almost 28 thousand UAH. Adding to the difficulties is the fact that most external borrowings were made in foreign currency, as a result of which their maintenance is quite expensive for Ukraine. Some shifts in the reduction of external debt at the end of 2019 were observed, in particular by reducing its size by 8% compared to the previous one. At the same time, the unplanned crown crisis made its adjustments and dealt a significant blow to the economy not only of Ukraine but also of other countries. Therefore, the future of external debt and debt will depend on the state of the economy, which depends on a number of factors.

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Скриль Віталія Вячеславівна, кандидат економічних наук, доцент. **Штепенко Катерина Павлівна**, старший викладач. Національний університет «Полтавська політехніка імені Юрія Кондратюка». **Вплив державного боргу на фінансове становище держави.** Для України завжди хронічною була і залишається проблема зовнішнього державного боргу. В умовах корона-кризи вона набула нових, більш складних обрисів. Велика кількість країн, у тому числі й Україна, опинилася у ситуації дефіциту фінансових ресурсів, на відновлення економіки необхідний не один рік. Для стабілізації ситуації залучення кредитів з боку іноземних організацій, кредиторів, країн, де існує надлишковий капітал, стало єдиною можливою альтернативою. Здійснено аналіз сучасного стану зовнішнього державного боргу України, виявлено його стрімке зростання. Аналіз структури державного боргу показав, що найбільша частка зовнішнього боргу припадає на заборгованість за випущеними цінними паперами на зовнішньому ринку – 46%. Встановлено, що головними кредиторами України виступають фінансові міжнародні організації, а також зобов'язання за випущеними цінними паперами. Так, значні розміри зовнішнього боргу створюють загрози фінансовій безпеці країни. Особливо небезпечним для нашої країни є те, що 63,36% зобов'язань номіновані в іноземній валюті. Усе це здійснює неабиякий тиск на державний бюджет України через необхідні відрахування на виконання зобов'язань. Прогноз динаміки розрахунків за борговими зобов'язаннями на 2021 рік показав, що якщо надалі стан національної економіки буде погіршуватися, ВВП знижуватиметься, а кредитори не підуть на поступки та не дозволять пролонгувати короткострокові зобов'язання, країні необхідно буде залучати додаткові іноземні кредити для погашення термінових зобов'язань. Така ситуація лише нарощуватиме тягар для майбутніх поколінь і державного бюджету наступних років. Сьогодні існує висока невизначеність стану національної економіки України та можливість ефективного управління зовнішнім боргом.

Ключові слова: державний борг, безпека, фінансова безпека, заборгованість, держава.

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Financial Position of the State. The problem of external public debt has always been, and remains chronic for Ukraine. In the context of the corona crisis, this problem has acquired new, more complex shapes. A large number of countries, including Ukraine, find themselves in a situation of shortage of financial resources, it takes more than one year for economic recovery. To stabilize the situation, attracting loans from foreign organizations, lenders, countries where there is excess capital has become the only possible alternative. The article analyzes the current state of Ukraine's external debt. It is revealed the rapid growth of the external public debt of Ukraine. If the situation does not change, then Ukraine will need to attract additional foreign loans to pay off urgent obligations. This situation will only increase the burden on future generations and the state budget in the coming years. Today there is a high level of uncertainty regarding the state of the national economy of Ukraine and the possibility of effective management of external debt.

Key words: public debt, security, financial security, debt, government.