

**FACTORS AND RISKS DETERMINING THE FINANCIAL  
SECURITY OF A BANK**

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**Introduction.** The variety of factors influencing the formation of the security of a commercial bank, differences in the origins, directions and forms of their identification necessitate the need to systematize the factors. Moreover, such systematization is relevant, firstly, as a methodological tool for studying financial security; secondly, as a methodological basis for identifying quantitative dependencies on the factors that form it and constructing a proper forecast; thirdly, consideration of necessary factors during the development of specific proposals regarding areas for improving safety.

**Aims and objectives of the research.** The purpose of this work is to identify the factors that determine the financial security of the bank.

**Results of the research.** Currently, there is insufficient systematic study of the elements that determine the financial security of a bank. At the same time, usage of the available experience in the economic literature to systematize the factors that affect the safety and reliability of a commercial bank is useful for studies. As R. Schiller rightly notes, today clear criteria have not yet been developed by which individual factors should be assigned to one or another group, signs of differentiation of these groups, there are no clear indicators for assessing the significance of these factors. The classification of factors that affect safety should be constructed in various directions and taking into account different characteristics.

Particular attention should be paid to identifying exogenous (external) and endogenous factors (which depend on the functioning of the bank itself) and ascertain the degree of their effect on the activities and condition of a financial institution. One of the important factors that influence the financial security of a bank is the situation in the country's economy. It is important to analyze factors at the macroeconomic and microeconomic levels. Thus, it is predominant to take into account the investment climate, the state of the country's balance of payments and the level of the state budget deficit. Moreover, tax policy also significantly influences the financial security of the bank. General economic factors need to be studied, which include such as the growth or decline of production, the level of employment, and the payment crisis. Another important constitutes are social and political factors. Additionally, in the conditions of further social and political stabilization of society, a more complete and consistent consideration of these factors should, from our point of view, play an increasing role. It is necessary to take into account the policies of government bodies at all levels, the standard of living, as well as the level of confidence in the banking sector.

It is also key major to take into consideration a group of financial factors, which include: the credit, interest rate and exchange rate policies of the central bank, the state of the money market. Inflation has a special impact on the state of the money market. In the context of a gradual decrease in inflation, there is a significant decline in the market interest rates, which leads to a reduction in margins and a fall in bank income. This requires a change in the structure of bank balance sheets in the direction of increasing the share of long-term assets.

The above considerations relate to the study of exogenous factors that influence the achievement of financial security by a commercial bank. At the same time, it is also necessary to review endogenous factors that depend on the functioning of the bank itself. Thus, depending on the nature of the impact of factors on the state of financial security of a commercial bank, they can be divided primarily into two groups: endogenous and exogenous. The latter, in turn, include: economic, socio-political and financial.

Economic factors may include: the state of the economy, the investment climate, the state of the country's balance of payments, the level of the state budget deficit and tax policy. Socio-political factors include the following: social stability, government security, political stability. Financial factors are the state of the money market, the credit, interest rate and foreign exchange policies of the central bank, and the amount of its foreign exchange reserves. Endogenous factors include: the adequacy of the bank's capital, the quality of the bank's assets, the level of management, the level of profitability, the liquidity of the bank's balance sheet, the solvency of the bank. The above factors are common to all commercial banks and significantly influence their achievement of a state of financial security.

**Conclusions.** Such a classification of factors that determines the financial security of a bank does not aim to be complete. Thus, in the future, a more in-depth analysis of grouping is needed, as well as a classification of factors in other areas and taking into account other characteristics. But already such an initial classification of the factors that form the financial security of a bank makes it possible to more substantively identify the components of financial security and suggest ways to achieve it.

### **Reference**

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