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FINANCIAL SECURITY OF HOUSEHOLDS IN THE CONDITIONS OF CHANGE

The article examines the problems of financial security of Ukrainian households in the conditions of changes. The issue of ensuring the financial security of households has recently become relevant in connection with the strengthening of the COVID-19 coronavirus pandemic and the introduction of martial law.

Peculiarities of the financial security of households, in contrast to the financial security of other participants in the financial market, are highlighted. The amount of GDP per capita and the human development index were studied. It was determined that the level of financial security depends on the choice of the model of financial behavior of a particular household. It has been proven that the level of financial security depends on the choice of the model of financial behavior of a

particular household. The correlation of these concepts is manifested in the proposed methods.

Key words: financial security, households, human development index, sustainable economic development.

ФІНАНСОВА БЕЗПЕКА ДОМОГОСПОДАРСТВ В УМОВАХ ЗМІН

В статті досліджені проблеми фінансової безпеки домогосподарств України в умовах змін. Проблематика забезпечення фінансової безпеки домогосподарств останнім часом актуалізується у зв'язку з посиленням коронавірусної пандемії COVID-19 та військового стану. Виокремлено особливості фінансової безпеки домогосподарств, на відміну від фінансової безпеки інших учасників фінансового ринку. Досліджено обсяг ВВП на душу населення та індекс людського розвитку. Визначено, що від вибору моделі фінансової поведінки того чи іншого домогосподарства залежить рівень його фінансової безпеки.

Ключові слова: фінансова безпека, домогосподарства, індекс людського розвитку, сталий розвиток економіки.

Problem setting and its relationship with important scientific and practical tasks. The current state of development of the economy of Ukraine is characterized by an increased level of risks, which is caused by the instability of the financial system, the imperfection of the current legislation, and the dependence of the domestic economy on global financial markets. Households are the most prone to such risks, since they, as economic agents are represented in the labor market of consumer goods and services, financial markets and other areas of the economy, contribute to the formation of production potential, generally influencing the results of economic and social reforms, being at the same time their direct participants.

Analysis of recent research of the problem. Such foreign scientists as K. Dinen, N. Kiplanger, D. Michael Collins, M. Hilgert, and M. Sheraden devoted their works to the study of the problems of household financial security (Pshyk B., 2020). They considered the essence of household financial security, its principles, tools and methods of provision. If in economically developed countries the issue of financial security of households is given due attention in the

scientific and practical sphere, then in Ukraine this issue is not yet sufficiently studied and requires further research.

The main results and their rationale. Today, households are in the formed system of macro- and microeconomic relations and are one of the most important socio-economic institutions with norms, traditions, and mechanisms of self-regulation of life activities. In modern conditions, the economic condition of households significantly affects the state of the country's financial system. This is due to the fact that in conditions of concentration of the main share of national income in the hands of households, the division of their income structure into consumed and saved parts makes it possible to finance both simple and extended reproduction in any economic system. Therefore, it is clear that households not only form a separate level of economic relations, but they also are an integral part of the economic system of the state, and their well-being is of strategic importance for the national economy. This requires the creation of an effective and efficient mechanism for ensuring their financial security, aimed at the timely detection and prevention of external and internal threats, ensuring the protection of financial interests, and increasing the welfare of households. In addition, the issue of ensuring the financial security of households has recently become relevant in connection with the intensification of the COVID-19 coronavirus pandemic, which is currently unfolding and creating unprecedented challenges for individual citizens, households, businesses, and the state, because for the first time world economies are facing an economic and financial a crisis caused not by the distortion of market mechanisms, but as a direct consequence of the slowdown in economic growth related to people's health. And so the formation of a new reality as a result of global instability caused by the spread of the COVID-19 coronavirus infection without borders and boundaries requires a rethinking of the mechanisms for ensuring the financial security of households, as well as the achievement of socio-economic stability and prospects for the development of global and national economic systems from the standpoint of the formation of a complex of mutually coordinated measures in financial, budgetary, fiscal, social, economic and other spheres. The social and institutional environment directly affects the

specific goals of any household, so their implementation depends on interaction with other economic entities.

The financial security of households, in contrast to the financial security of other participants in the financial market, has its specific features because:

- household finances are the least regulated by the state, at the same time they are interconnected with other areas of the financial system;
- households have characteristic features and methods of formation and use of financial resources, which must include support for life activities, development of human potential, etc.;
- the change in household income depends on both economic and non-economic factors; when household incomes decrease, certain items of their expenses increase; households cannot reduce their spending below the level of consumption of everyday goods;
- the risk of households is determined by the risk of other financial market participants and has a macroeconomic origin.

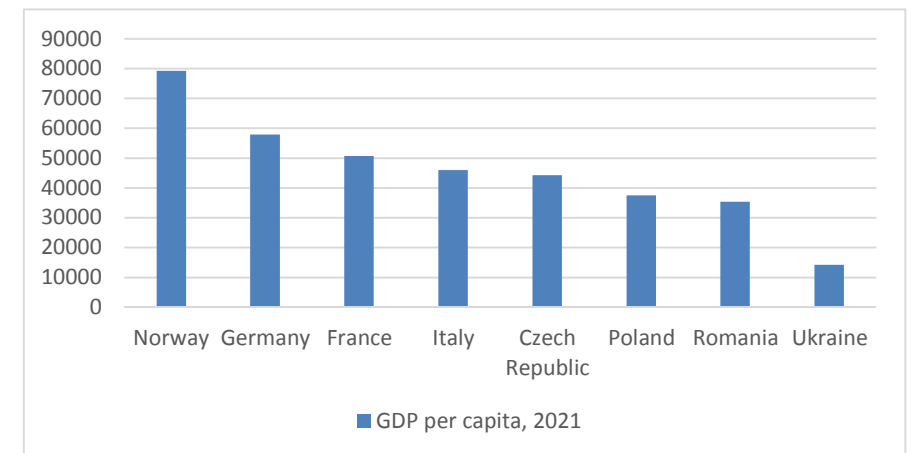


Fig. 1. The amount of GDP per capita, 2021

* Built according to the data of the World Bank (GDP per capita, 2022)

Very often, households are unable to make a free and, most importantly, optimal choice in the financial sphere due to the lack or insufficiency of education, qualifications, and experience, as well as

due to the scale and complexity of financial information, which requires deep understanding and detailed analysis (Human Development Report, 2015).

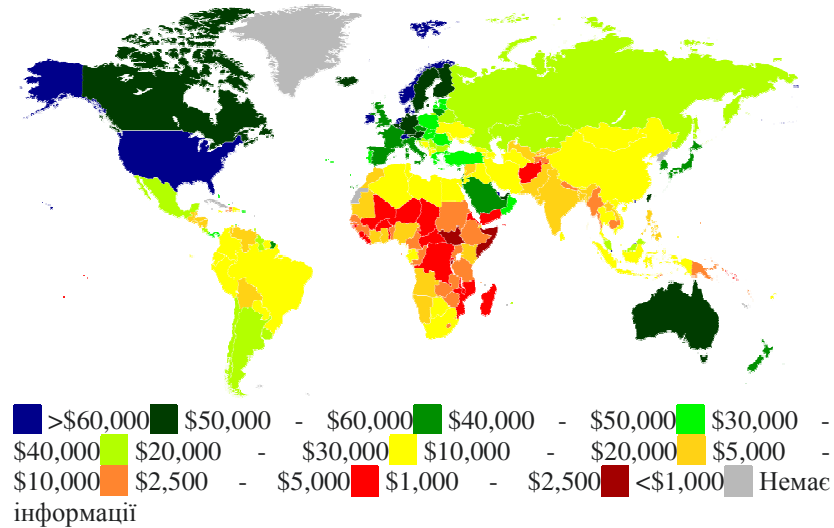


Fig. 2. Countries of the world by GDP per capita (in international dollars) in 2021 according to the IMF*

* Source: Alice Hunter (2021).

Although GDP is a measure of the volume of aggregate production, this indicator does not reflect changes in the composition and distribution of products, which, in turn, can affect the financial security of the population. GDP growth due to the development of the defense-industrial complex, which is caused by active military actions in the country, rather hurts the financial security of households, as it reduces the potential opportunities for the growth of the population's well-being than GDP growth due to the education sector or financial and insurance services. The Human Development Index (HDI), which is presented in three dimensions, which reflect key opportunities in ensuring the entire process of human development, is considered a generalized indicator: to live a long and healthy life (dimension – longevity); acquire, expand and update knowledge (dimension – education); to have access to means of

livelihood that ensure a decent standard of living (dimension – the material standard of living).

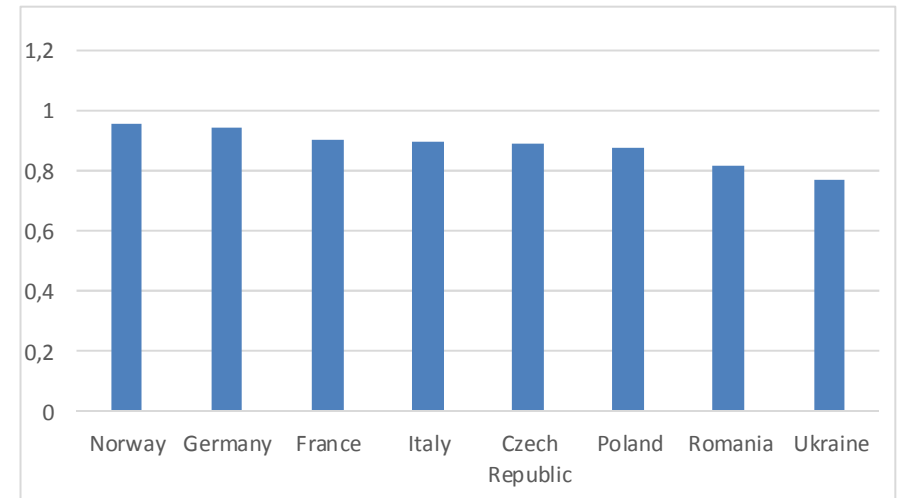


Fig. 3. Human Development Index, 2021

* Built on data [Human Development Report \(2022\)](#)

The HDI indicator for each country shows how much remains to be done for that country to achieve the selected goals - an average life expectancy of 85 years, full literacy of the population and continuous coverage of education for the youth, and a level of average annual income per person of \$40,000 at purchasing power parity national currency. These goals are closer, the closer the HDI value is to one. Ukraine ranks 77th in the ranking of countries according to the Human Development Index, having risen by 10 points compared to 2019, in which it ranked 88th. The third component of HDI is most relevant to the financial security of households, as it characterizes the socio-economic component of citizens' lives. Incomes and expenses are of the key characteristics of the financial condition of households that directly affect their financial security.

One of the reasons for the low level of financial security of households in Ukraine is that part of the population lives in "debt". That is, a certain number of the younger generation lives on the income of the older working generation. Otherwise, the younger generation of the nation works and earns outside the state, and spends together with older relatives inside the country. In both cases, living expenses outweigh income.

Conclusions. As already mentioned, the level of financial security depends on the choice of the model of financial behavior of a particular household. The relationship between these concepts is manifested in this way. 1. If the financial security of households is considered from the standpoint of a financial state resistant to the influence of external and internal threats, households resort to such models and strategies of financial behavior aimed at improving it or at least maintaining it at a constant level. 2. Since the main function of household financial security is the implementation of a set of measures aimed at preventing and neutralizing threats to the household's financial condition, its members must be aware of such threats, assess their consequences, and choose appropriate models and strategies for financial behavior given the nature of their impact and expected implementation results financial decisions made. 3. A necessary condition for ensuring the financial security of households with rational financial behavior is that citizens possess a set of financial knowledge, the ability to independently analyze and evaluate the main trends of the economic life of the state and, by the circumstances, to model the strategies of their financial behavior, choosing the most effective and optimal of them. 4. The financial security of households involves the ability to realize the financial interests of all family members and provide them with a decent standard of living, which involves the choice of specific financial strategies and, accordingly, tools to achieve goals and interests. 5. Since household finances continuously interact with all links of the financial system, accordingly, their financial security directly depends on the activities of other participants in financial relations, primarily the state. Therefore, in order to choose the most acceptable and effective model of financial behavior that will allow the rational realization of the financial potential of 6465 households, it is

necessary to take into account the complex system of relations with other subjects represented by such markets as the labor market, financial market, financial services market, capital market, the goods market, as well as state and public institutions. 6. Since the insufficient level of financial security is most often due to the low level of household income and high level of expenses, this causes the vulnerability of their financial condition and requires the selection of the most appropriate strategy of financial behavior, taking into account not only current opportunities but also development prospects.

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