UDK 330.3(075)

Methodological Eclecticism in the Interpretation of the Essence of Financial System*

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ABSTRACT. The article is dedicated to critical analysis of competitive conceptual approaches to determining the essence of financial system. The system establishing element of the financial system resource concept is understanding finance as economic relations of formation, allocation and use of financial resource funds with the purpose of performing functions and tasks of the state/company and provision of conditions for expanded reproduction. According to this approach, the notion «financial system» is further determination of finance and shall be interpreted as the totality of relatively separated but mutually related spheres and links of relations, in the process of which centralized and decentralized financial resource funds are created and used. The institutional concept of the financial system considers finance as a social institution that organizes determined ways of interactions between individuals or their separate groups in the society. Its target purpose is to minimize transaction expenses arising at exchange of binding requirements for real resources in the economy. Under this approach, the financial system is understood as an aggregate of means – financial institutions and markets – which result from the evolution of social contracts and with the help of which intertime decisions and interactions are fulfilled and coordination of savings and investments in the economy is performed. The article shows that the alternative theoretical models of financial system contain structural elements heterogeneous by content and nature of interrelations, with various properties. The differences between them concern methodological approach to distinguishing qualitative signs which determine the essential nature and structure of the financial system; mechanism of formation and functioning of financial relations; nature of distribution and scheme of financial resources flow; the nature of functions of the financial system in the economic environment; special mechanism of effect of the financial system upon the economic system. Considering the theoretical and methodological differences between the resource and institutional concepts of the financial system, the author offers to divide them into two theoretical models – financial system concept and the concept of the system of finance.

KEYWORDS. Finance, financial system, financial sector, theoretical models of the financial system, methodological principles, systematic approach.

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*This article was translated from its original in Ukrainian.

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IEP, № 21, (2014) pp.95—116

ISSN 1811-9832/2014/№ 2 (21)

ISSN 1811-9832.INTERNATIONAL ECONOMIC POLICY.2014.№ 2 (21)

Introduction

The immanent property of the modern economic development is the increase of its financial capacity nature and enhancement of dependency of the real economy sector on the condition of financial system. Changing the stimuli and restrictions of business entity activities, it influences the behavior of the economic system: the dynamics of savings and quality of investment process, stability of economy operation and rates of economic growth etc. This requires development of those characteristics and properties of the financial system which conform to the needs of economic development, i.e. clear understanding of its structural signs and mechanisms of operation. And yet the problems of the theory of financial system in its integrity are mostly outside the frameworks of contemporary scientific research. In foreign literature, research of the financial system mostly concerns modern transformation of its functional characteristics, comparative analysis of financial structure models, effect of this system upon the economic growth, problems of financial stability etc.[2]. In domestic literature, such research works are integrated in the elaboration of the theory of finance and are centered upon

[2] For instance, see: *Allard J.* Market Phoenixes and Banking Ducks Are Recoveries Faster in Market-Based Economies? / Working Paper № 11/213 / J. Allard, R. Blavy. — Wash. : IMF, 2011. — 26 p.; *Allen F.* Comparing Financial Systems / F. Allen, D. Gale. – Cambridge, MA : MIT Press, 2000. — 520 p.; *Beck T.* Stock markets, banks, and growth: Panel evidence / T. Beck, R. Levine // Journal of Banking & Finance. — 2004. – № 28. — P. 423—442; *Borio C.* Change and constancy in the financial system: implications for financial distress and policy / BIS Working Papers № 237 / C. Borio. — Basel : BIS, 2007. — 21 p.; *Culpepper P.* Institutional Change in Contemporary Capitalism: Coordinated Financial Systems since 1990 / P. Culpepper // World Politics. — 2005. — № 57. – P. 173—199; *Demirgüc-Kunt A.* Bank-based and market-based financial systems: Cross-country comparisons / A. Demirgüc-Kunt, R. Levine // Financial Structure and Economic Growth: A Cross-Country Comparison of Banks, Markets, and Development. — Cambridge, MA : MIT Press, 2001. – P. 81—140; *Koetter M.* Finance and Growth in a Bank-Based Economy: Is it Quantity or Quality that Matters? / M. Koetter, M. Wedow // Journal of International Money and Finance. — 2010. — Vol. 29 (№ 8). — P. 1529—1545; *Levine R.* Finance and Growth: Theory and Evidence / R. Levine. – Handbook of Economic Growth / Ed. by P. Aghion, S. N. Durlauf. — Elsevier B.V., 2005. — Vol. 1A. — P. 866—934; *Mavrotas G.* Financial Sector Structure and Financial Crisis Burden / G. Mavrotas, D. Vinogradov // Journal of Financial Stability, 2007. — Vol. 3 (№ 4). — P. 295—323; *Mishkin F.* Global financial instability: framework, events, issues / F. Mishkin // Journal of Economic Perspectives. – 2000. – Vol. 13 (№ 4,Ž). – P. 4—20; *Rajan R.* The great reversals: the politics of financial development in the twentieth century / R. Rajan, L. Zingales. // Journal of Financial Economics. – 2003. — Vol. 69 (Issue 1). — P. 5—50; *Haber S.* The Political Economy of Financial Systems / S. Haber, E. Perotti / Tinbergen Institute Discussion Paper / TI 2008-045/2. – Tinbergen Institute, 2008. — 62 p.; Shaping the New Financial System / J. Viñals, J. Fiechter, C. Pazarbasioglu, L. Kodres, A. Narain, M. Moretti / IMF Staff Position Note 10/15 — Wash. : IMF. — 2010. – 30 p.; *Schmidt R.* The Convergence of Financial Systems in Europe / R. Schmidt, A. Hackethal, M. Tyrell / WPS Finance & Accounting № 75. – Frankfurt/Main : JWGU, 2001. — 43 p.; *Schinasi G.* Safeguarding Financial Stability: Theory and Practice / G. Schinasi. – Wash. : IMF, 2006. — 309 p. та інші.

analysis of functioning of the financial system in the national economy in the globalization context[3]. At that, the existing theoretical models of the financial system differ greatly by methodological bases, and interpretation of the notion «financial system» is not univalent even within the frameworks of one scientific school. As a result of that, there is no integral theoretical concept of the financial system in the contemporary economic science, as well as no joint understanding of formation of financial structures or general regularities of financial systems development. The objective base is variation of the general system logic of national financial systems historical development, differentiation of their organizational structures and models of interrelation with the real economy. In theory, eclecticism of approaches can be explained by two circumstances: the first is the differences between economic schools and ontological problems related to adequate interpretation of categories «finance» and «financial system»; the second is the differences in conceptualizing the notion «system». The principal differences refer to the systemic characteristics of the financial system and methodological approaches to distinguishing qualitative signs which determine its essential nature and structure; essence, formation and operation of financial relations; nature of financial system functions in the economic environment and specifics of the mechanism of its effect upon the economic system etc. Depending on the chosen theoretical and methodological principles, the assessment of components form-

[3] For instance, see: *O. D. Vasylyk.* Theory of finance / O. D. Vasylyk. – K. : NIOS, 2000. – 416 p.; Increase of efficiency of banking and real sectors of economy interaction in the conditions of globalization and European integration: monograph / edited by O. I. Baranovskyi. – K. : UBS NBU, 2010. – 482 p. [In Ukrainian]; *B. A. Karpinskyi.* Financial system: training textbook / B. A. Karpinskyi, O. V. Gerasymenko. – K.: CNL, 2003. – 184 p. [In Ukrainian]; Financial and monetary levers of economic development: in three volumes. / Institute of economy and forecasting of the National Academy of Sciences of Ukraine / Edited by A. I. Danylenko. – K.: Feniks, 2008. — Volume 1. — 468 p.; — Volume 2. — 441 p. [In Ukrainian]; — Volume 3. — 308 p.; *P. M. Leonenko.* Theory of finance: training textbook / P. M. Leonenko, P. I. Yukhymenko, A. A. Illienko / Edited by O. D. Vasylyk. — K.: CUL, 2005 [In Ukrainian]; *D. G. Lukianenko.* Global financial crises and global regulation / Managing international competitiveness in the terms of globalization of economic development: Monograph: in 2 volumes. – T. I / D. G. Lukianenko, A. M. Poruchnyk, L. L. Antoniuk et al.; Edited by D. G. Lukianenko, A. M. Poruchnyk. – K.: KNEU, 2006. – 816 p. [In Ukrainian]; *V. M. Oparin.* Financial system of Ukraine (theoretical and methodological aspects): monograph / V. M. Oparin. – K.: KNEU, 2005. – 240 p. [In Ukrainian]; Establishment of doctrine of financial system of Ukraine: monograph / Edited by S. I. Yurii, O. M. Desiatniuk; National Economic University of Ternopil. — T.: Economic Thought, 2008. — 192 p. [In Ukrainian]; *N. V. Stukalo.* Globalization and development of financial system of Ukraine: monograph / N. V. Stukalo. – D.: Innovation, 2006. – 248 p. [In Ukrainian]; Theory of finance: textbook / edited by S.I. Yurii, V.M. Fedosov. 2nd edition. – K.: «Znannya», 2012. – 687 p.; Financial system of national economy: problems of development and administration of changes: in 3 volumes / edited by T. I. Efymenko; DNNU «Financial Administration Academy». – K, 2012. – Volume 1. – 894 p. [In Ukrainian]; – Volume 2. – 726 p.; – Volume 3. – 958 p. [In Ukrainian]; *S. G. Shkliaruk.* Financial system: structure, mechanisms of functioning, optimization. Financial markets, financial institutions and participants, financial instruments, methods of analysis, regulation and optimization / S. G. Shkliaruk. – K.: «Nora-Print», 2003. – 568 p. [In Russian] etc.

ing the financial system also changes, and determination of the object of analysis conditions methods of research. This article is aimed at theoretical analysis of peculiarities and contradictions of contemporary approaches to conceptualization of the financial system.

Resource Concept of the Financial System

The concept of the financial system dominating in the post-Soviet scientific literature is based on the fact that finance is an economic instrument of distribution and redistribution of national revenue or aggregate public product. They are specifically expressed in financial resources, the forms of movement of which are the funds. It is stated that, as an aggregate of economic relations, finance is related to formation, distribution and use of funds of financial (monetary) costs for the purposes of performing functions and tasks of the state/company and ensuring terms of expanded reproduction[4]. According to this approach, the notion «financial system» is a further development of definition of finance. The financial system is interpreted as an aggregate of relatively separate but interconnected spheres and links of financial relations, in the process of which centralized and decentralized funds of financial (monetary) resources are formed and used. The financial system spheres characterize the aggregate of financial relations generalized by a determined sign, and links characterize their separated part. Each sphere and link possesses certain peculiarities in the formation and use of such funds, and different roles in public production[5]. As this approach focuses attention upon relations regarding formation and use of financial resource funds, this provides a base for distinguishing it as *the resource concept of the financial system.*

One of the characteristic features of this concept is its evolving nature. Theoretically its source is the Soviet scientific tradition in which the operation field of financial relations was lim-

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[4] See: *V. L. Bondarenko.* Definition of essence of finance from the point of view of philology and financial science history / V. L. Bondarenko // Finance of Ukraine. – 1999. – No. 11. — P. 126 [In Ukrainian]; *O. D. Vasylyk*. Theory of finance / O. D. Vasylyk. – K. : NIOS, 2000, p. 22; Theory of finance: textbook / Edited by S. I. Yurii, V. M. Fedosov. 2nd edition. – K.: «Znannya», 2012. p. 16—17 et al. [In Ukrainian]

[5] See: *B. A. Karpinskyi.* Financial system: training textbook / B. A. Karpinskyi, O. V. Gerasymenko. – K.: CNL, 2003. – P. 11—12, 21 [In Ukrainian]; *V.M. Oparin.* Finance (General theory): training textbook / V. M. Oparin. – K.: KNEU, 2004. – P. 24 [In Ukrainian]; Finance: textbook / edited by A. G. Griaznova, E. V. Markina. – M.: Finance and statistics, 2004. – P. 35 [In Russian]; Finance, monetary circulation and loans: textbook / edited by V. K. Senchagov, A. I. Arkhipov. – M.: «Prospekt», 1999. – C. 30 [In Russian].

ited to the role of the state monetary funds in the process of expanded reproduction, and the financial system was identified with the system of state (public) finance. Such understanding was caused by the determining role of the state budget and auxiliary nature of non-state finance in the conditions of non-market coordination of economic interactions in the society. The transition from administratively centralized economy to market economy, a new role of the financial system in the economy conditioned the change in the approaches to interpretation of this system and expansion of its content and component structure. First of all, it concerns the financial market which is included into the financial system as a separate sphere covering circulation of financial resources as specific goods and providing operation of other financial system spheres[6]. The new vision modifies the understanding of financial relations along with the essence of the financial system as an aggregate of specific forms and methods of such relations. They are marked as relations characterizing exchanging, distributional and re-distributional processes and are manifested in cash flows[7].

Despite formulation of analytically wider approach to the research of financial system within the resource concept, it is not right to talk about the unified clear trend of its development. It is not integral by nature, but is presented as a number of concepts representing systematized in a certain way but gnoseologically contradictory approach to the research of essential signs of the financial system. Among other things, it is explained by the combination of two interconnected trends of its development. One is adaptation of the notion of Soviet (state) finance to the market economy terms. The other is more or less correct integration of the concept of private sector finance in the existing theoretical model of the financial system.

Methodological contradictions of the resource concept refer to several key theoretical aspects. Its frameworks contain *different interpretations of the essence of finance and scope of their operation*. According to the most widespread approach, the essence of finance is unwrapped through *various types* of economic relations in the society: an aggregate of economic relations, monetary relations, distribution and monetary relations, relations of economic

[6] See: ***B. A. Karpinskyi.*** Financial system: training textbook / B. A. Karpinskyi, O. V. Gerasymenko. – K.: CNL, 2003. – P. 44, 45; ***V. M. Oparin.*** Finance (General theory): training textbook / V. M. Oparin. – K.: KNEU, 2004. – P. 25, 26 [In Ukrainian].

[7] See: ***V. M. Oparin.*** Finance (General theory): training textbook / V. M. Oparin. – K.: KNEU, 2004. – P. 5, 7 [In Ukrainian].

property etc.[8] According to the respective theoretical provisions, economic relations have no clear qualitative and quantitative characteristics, that's why it is impossible to determine the boundary of finance in the economic system[9]. Under another approach, the notion «finance» is interpreted through the object, namely monetary funds and securities[10]. Some authors do not distinguish the essence of the phenomenon and external forms of its manifestation and characterize finance as various methods of distributing the aggregate public product among centralized and decentralized monetary resource funds[11]. Two concepts are also distinguished by the sphere of operation of finance, just like in the Soviet scientific tradition – reproductive and distribution concepts. The first one connects finance to the integral process of production, exchange, distribution and consumption based on the fact that finance services the GDP cost movement at all stages of reproductive process. The distribution concept, the dominating one, restricts the sphere of operation of finance to the distribution stage of reproduction, although it does not object to its mutual conditionality with the processes of production, exchange and consumption[12]. Depending on conceptual interpretation of the sphere of finance operation, the assessment of their essence as value category is also changed: some economists name equivalent nature of exchange and distribution as well as non-equivalent to redistribution among the characteristic signs of finance[13], while others believe that these are the relations concerning non-value equivalent movement of value[14]. The consequence of theoretical in-

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[8] See: *M. M. Aleksandrova.* Money. Finance. Loans: training textbook / M. M. Aleksandrova, S. O. Maslova. – K.: CUL, 2002. – P. 111 [In Ukrainian]; *V. L. Bondarenko.* Definition of the essence of finance from the point of view of philology and financial science history / V. L. Bondarenko // Finance of Ukraine. – 1999. – No. 11. – P. 126 [In Ukrainian]; *S. V. Mochernii.* Essence of finance in the context of economic relations / S. V. Mochernii, Ya. S. Larina, O. Ya. Plakhotniuk // Finance of Ukraine. – 2005. – No.3. – P. 22 [In Ukrainian]; *V. M. Oparin.* Finance (General theory): training textbook / V. M. Oparin. – K.: KNEU, 2004. – P. 5 [In Ukrainian]; Theory of finance: textbook / edited by S. I. Yurii, V. M. Fedosov. 2nd edition. – K.: «Znannya», 2012. – P. 16—17, 43; Finance: textbook / edited by A. G. Griaznova, E. V. Markina. – M.: Finance and statistics, 2004. – P. 113 [In Russian]; Finance, monetary circulation and loans: textbook. / edited by V.K. Senchagov, A.I. Arkhipov. – M.: «Prospekt», 1999. – P. 27 [In Russian].

[9] See: *M. M. Aleksandrova.* Money. Finance. Loans: training textbook / M. M. Aleksandrova, S. O. Maslova. – K. : CUL, 2002. – P. 113 [In Ukrainian]; *O. D. Vasylyk.* Theory of finance / O. D. Vasylyk. – K.: «NIOS», 2000. – P. 7 [In Ukrainian].

[10] See: *B.A. Karpinskyi.* Financial system: training textbook / B. A. Karpinskyi, O. V. Gerasymenko. – K.: CNL, 2003. – P. 9 [In Ukrainian].

[11] See: *A. O. Epifanov.* Budget and financial policy of Ukraine / A. O. Epifanov, I. V. Salo, I. I. Diakonova. – K.: «Naukova dumka», 1997. – P. 9 [In Ukrainian].

[12] See: *M. M. Aleksandrova.* Money. Finance. Loans: training textbook / M. M. Aleksandrova, S. O. Maslova. – K. : CUL, 2002. – P. 113-114, 119; Finance: textbook / edited by A. G. Griaznova, E. V. Markina. – M.: Finance and statistics, 2004. – P. 15—16 [In Ukrainian].

[13] See: *V.M. Oparin.* Financial system of Ukraine (theoretical and methodological aspects): monograph / V. M. Oparin. – K.: KNEU, 2005. – P. 54 [In Ukrainian].

[14] See: V. L. Bondarenko. Definition of the essence of finance from the point of view of philology and financial science history / V. L. Bondarenko // Finance of Ukraine. – 1999. – No 11. – P. 135, 136 [In Ukrainian].

conformity is the difference in understanding and number of functions of finance in the economy. Sometimes three of their functions are distinguished: distribution (distribution of public product and national revenue), stimulation (effect of the state upon the development of enterprises and branches in the direction necessary for the society with the help of the system of financial levers), control (control over GDP and national revenue distribution among respective funds and spending them according to their purpose)[15]. It is more often believed that the social and economic content of finance is best revealed through its two functions – distribution and control[16]. The first one refers to distribution and redistribution of the newly-formed value and partially the value of past years, the other one refers to the property of finance to mirror the process of reproduction in financial indices in quantitative manner.

In the resource concept, there are two meanings of the notion «financial system». This term is understood as the aggregate of relations (meaningful structure) and the aggregate of financial institutions (organizational structure)[17]. The division of meaningful and organizational structures of the financial system allows objective research of the mechanisms of its development, performance of comparative analysis of financial systems of various countries, determine their common features, distinguishing accidental from necessary and regular in the financial system development. Still, even considering the double definition of the financial system which expands the opportunities for analysis, *the approaches to discovery of the financial system essence* are different. Among them, there are two basic ones which can be conditionally marked as «reserve» (fund) and «current». In the first case it is interpreted as an aggregate of financial relations in the process of which *monetary cost funds* are formed and used[18], and in the second case – as an aggregate of financial relations related to formation, forwarding and usage of *cash flows*[19]. In the latter approach, the availability of monetary cost funds stops being ac-

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[15] See: Finance, monetary circulation and loans: textbook / edited by V. K. Senchagov, A. I. Arkhipov. – M.: «Prospekt», 1999. – P. 28—29 [In Russian].

[16] See: *B.A. Karpinskyi.* Financial system: training textbook / B. A. Karpinskyi, O. V. Gerasymenko. – K.: CNL, 2003. – P. 14—16 [In Ukrainian]; Theory of finance: textbook / edited by S. I. Yurii, V. M. Fedosov. 2nd edition. – K.: «Znannya», 2012. – P. 26—29 [In Ukrainian]; Finance: textbook / edited by A.G. Griaznova, E.V. Markina. – M.: Finance and statistics, 2004. – P. 17-21 [In Russian].

[17] See: *V. M. Oparin.* Finance (General theory): training textbook / V. M. Oparin. – K.: KNEU, 2004. – P. 23; Finance: textbook / edited by A. G. Griaznova, E. V. Markina. – M.: Finance and statistics, 2004. – P. 38 [In Russian].

[18] See: *B.A. Karpinskyi.* Financial system: training textbook / B. A. Karpinskyi, O. V. Gerasymenko. – K.: CNL, 2003. – P. 21 [In Ukrainian].

[19] See: Money and loans: lecture course / Edited by S. I. Kruchko. – K.: «Diia», 2000. – P. 13 [In Ukrainian].

knowledged as a key sign that determines the essence and form of finance operation, including the essence of the financial system; instead, their place is taken by cash flow movement reflecting movement of value. According to such understanding, the base of operation of the financial system is circulation of financial resources[20]. Theoretical non-formation of category «financial system» is practically embodied in the variety of definitions of this notion, and the essence of the financial system is reflected mostly through external and visible forms of economic interrelations, not taking into account those interconnected economic processes which are not manifested directly on the surface. For instance, the financial system is characterized as an interconnected combination of processes of objective GDP value distribution and «subjective effect of the state policy upon it in the existing economic and legal space»[21] or as «an aggregate of economic relations and separate various funds of financial resources formed and used at the places of their accumulation with certain intentions of economic and social development, as well as an aggregate of finance administration agencies inside the country»[22]. The problem of scientific definition of the financial system essence on the basis of the resource concept is complicated by the absence of a single-valued terminological definition and clear demarcation of such notions as «revenue», «monetary funds», «monetary funds», «financial resources», which, as stated by V. Oparin[23], gives rise to confusion both in theory and practice.

The characteristics of any system are revealed through its structure and organization. The basis of determining the financial system structure in this concept is *systematization of finance* by various classification criteria, for example, form of ownership, financial relations entities, nature of activity and role of entity in social reproduction, level of economic system, monetary funds, financial agencies and institutions etc.[24] Such methodological approach expands understanding of the nature of financial system and possibilities of modelling the organization of financial rela-

[20] See: *V.M. Oparin.* Finance (General theory): training textbook / V. M. Oparin. – K.: KNEU, 2004. – P. 5, 8, 28 [In Ukrainian].

[21] *B.A. Karpinskyi.* Financial system: training textbook / B. A. Karpinskyi, O. V. Gerasymenko. – K.: CNL, 2003. – P. 8 [In Ukrainian].

[22] *M.M. Aleksandrova.* Money. Finance. Loans: training textbook / M. M. Aleksandrova, S. O. Maslova. – K.: CUL, 2002. – P. 140 [In Ukrainian].

[23] V. Oparin. Financial resource: problems of determination and allocation / V. Oparin // NBU Journal. – 2000. – No. 5 (May). – P. 10 [In Ukrainian].

[24] For instance: *V.M. Oparin.* Finance (General theory): training textbook / V. M. Oparin. – K.: KNEU, 2004. – P. 24-25 [In Ukrainian]; Theory of finance: textbook / edited by S.I. Yurii, V.M. Fedosov. 2nd edition. – K.: «Znannya», 2012. – P. 30-33 [In Ukrainian]; Finance: textbook / edited by A.G. Griaznova, E.V. Markina. – M.: Finance and statistics, 2004. – P. 27-38 [In Russian].

tions, but determines the change of component structure of the financial system by change of scientific interpretations of the essence of finance or simply the criterion of classification itself. Consequently, it gives rise to alternative and not always correct interpretations of its institutional structure, namely, at combination of incompatible criteria, but the very concept of structure and organization of the financial system remains disputable. Accordingly, various researchers *refer different structural components to the structure of the financial system.* Some state that the national financial system combines the state budget, out-of-budget funds, state loans, insurance funds, stock exchange, finance of entities of various forms of ownership[25]. Others name finance of enterprises and organizations, branch finances, regional finances and common state finances as components of the financial system[26]. Still others believe that the financial system includes finances of business entities, insurance entities, state finance, international financial relations and domestic financial market[27]. Other researchers exclude insurance from the financial system[28] or expand it at the expense of finance of the population (households)[29], or interpret the modern financial system as an aggregate of state finance, corporate finance (of institutions or organizations), household finance and insurance[30]. Despite the variety of approaches, the problem of financial intermediation is typically excluded from the research of the financial system, and its main component is the state budget (state finance). As M. Savluk[31] states, this leads to attaching the leading role in such theoretical model of the financial system to the ministry of finance and conformity of administration of the whole financial system with the interests of the budget.

Due to the absence of single-valued system-forming criterion, structural characteristics of the financial system lose clarity. In

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[25] See: Finance, monetary circulation and loans: textbook / edited by V.K. Senchagov, A.I. Arkhipov. – M.: «Prospekt», 1999. – P. 30 [In Ukrainian].

[26] See: Money and loans: lecture course / Edited by S.I. Kruchko. – K.: «Diia», 2000. – P. 14 [In Ukrainian].

[27] *B.A. Karpinskyi.* Financial system: training textbook / B. A. Karpinskyi, O. V. Gerasymenko. – K.: CNL, 2003. – P. 30 [In Ukrainian].

[28] See: Finance: textbook / Edited by A.G. Griaznova, E.V. Markina. – M.: Finance and statistics, 2004. – P. 36 [In Russian].

[29] See: *M.M. Aleksandrova.* Money. Finance. Loans: training textbook / M. M. Aleksandrova, S. O. Maslova. – K.: CUL, 2002. – P. 144 [In Ukrainian]; Theory of finance: textbook / ediged by S.I. Yurii, V.M. Fedosov. 2nd edition. – K.: «Znannya», 2012. – P. 30-31, 373-376 [In Ukrainian].

[30] See: Finance (theoretical basics): textbook / under guidance and edited by M.V. Gridchyna, V.B. Zakhozhaya. – 2nd edition, amended and supplemented. – K.: MAUP, 2004. – P. 18-19 [In Ukrainian].

[31] See: *Glen R. Habbard.* Money, financial system and economy: textbook / Glen R. Habbard / edited by M. Savluk, D. Olesnevych. – K.: KNEU, 2004. – P. 805 [In Ukrainian].

theory and practice this leads to generation of various typologies of the financial system. Some economists speak[32] about the combination of clean financial economic systems and real financial systems. Others separate the meaningful content of the financial system structure, pointing out[33] that on some conditions its structural elements are corporate finance, finance of material production organizations and state finance (transitional economies), and on other conditions they are banks and non-banking financial institutions, payment system, financial markets (market economies). Still others offer their own concepts of the financial system[34] based on different methodological principles.

According to the resource approach, along with the financial system the credit system is distinguished. Finance only creates conditions for operation of loans. The essence of the credit system as an economic category is explained through its debt nature. It is considered as the aggregate of credit relations, forms and methods of crediting and the aggregate of credit and financial institutions implementing credit relations through the accumulation of free monetary funds and granting them as a loan[35]. Let's pay attention to the fact that, despite separation of the credit and financial systems, the logic of distinguishing such components as state loan and financial market within the latter stipulates that under this approach the credit system is (at least, partially) a component of the financial system. This assumption is confirmed by similar interpretations of the organizational structure of these systems. The institutional links of the credit system (banking system, para-banking system) are included in the financial system[36].

Considering tight interdependence of the financial system and credit system, the fluctuation of the boundary between financial and credit relations and the fact that they operate by assuming and supplementing one another, literature presents a point of view under which these systems are reflected one inside the

[32] See namely: *B.A. Karpinskyi.* Financial system: training textbook / B. A. Karpinskyi, O. V. Gerasymenko. – K.: CNL, 2003. – P. 26-28 [In Ukrainian].

[33] For instance: *D. C. Bektenova.* Formation of market monetary and financial system / D. C. Bektenova // KRSU Journal. – 2002. – Volume 2, No 3. – P. 6—9 [In Russian].

[34] See for instance: *O. V. Snizhko.* Financial development of transformational economies: structural and functional analysis: monograph / O. V. Snizhko. — K.: Kyiv University, 2009. — P. 38—68 [In Ukrainian].

[35] See: *M.M. Aleksandrova.* Money. Finance. Loans: training textbook / M. M. Aleksandrova, S. O. Maslova. – K.: CUL, 2002. – P. 116 [In Ukrainian]; Finance, monetary circulation and loans: textbook / edited by V.K. Senchagov, A.I. Arkhipov. – M.: «Prospekt», 1999. – P. 331 [In Russian].

[36] For instance: *M. M. Aleksandrova.* Money. Finance. Loans: training textbook / M. M. Aleksandrova, S. O. Maslova. – K.: CUL, 2002. – P. 145 [In Ukrainian]; *B. A. Karpinskyi.* Financial system: training textbook / B. A. Karpinskyi, O. V. Gerasymenko. – K.: CNL, 2003. – P. 49, 50, 84—91 [In Ukrainian].

other, forming new monetary integrity[37]. It is postulated that there are several key trends which both unite and separate these systems. The base of their union is: joint function – advancing the process of reproduction, namely, production and consumption; their convergence on the basis of formation of a wide range of financial services and respective development of the sphere of financial and credit services; improvement of the sphere of financial mediation which reflects the development of banking and non-banking forms of mediation. Under this approach, the differences between the credit system and the financial system refer to stimulation of effective allocation of monetary funds and are conditioned by the task to optimize the structure of sources of owned and borrowed monetary funds related to production and consumption. It is believed that this trend separates the financial and credit sphere from the point of view of financial management.

The integration of the credit and financial systems acquires logical embodiment at inclusion of the financial market in the structure of the latter. According to V. Oparin[38], the financial market is a peculiar superstructure through which the activity of the whole financial system is coordinated; a connective sphere through which financial resources are moved. The financial market includes two links: the money market and capital market. The operation of the money market is provided by the «credit system – an aggregate of credit institutions performing concentration of temporarily free monetary funds and providing them as loans»[39]. The core of this system is the banking system. Another of its components is non-banking credit institutions.

Despite the specified theoretical differences, the starting point of the resource conception is that the separation of the specifics of finance and financial relations which form the financial system is based on the process of formation, circulation and use of the financial resources in the economy, and financial resources (monetary funds) are considered as a material medium of financial relations which is deemed to be the basis for apportioning finances from the aggregate of economic categories[40]. That's why

[37] See namely: *A. Polyschuk.* Credit system: problems and variety of opinions / A. Polyschuk // Financial Academy Journal. – 2003. – No 3 (№ 27). – P. 51—54 [In Russian].

[38] See: *V.M. Oparin.* Finance (General theory): training textbook / V. M. Oparin. – K.: KNEU, 2004. – P. 38—39 [In Ukrainian].

[39] *V.M. Oparin.* Finance (General theory): training textbook / V. M. Oparin. – K.: KNEU, 2004. – P. 39 [In Ukrainian].

[40] See: *M.M. Aleksandrova.* Money. Finance. Loans: training textbook / M. M. Aleksandrova, S. O. Maslova. – K.: CUL, 2002. – P. 124 [In Ukrainian]; Theory of finance: textbook / edited by S.I. Yurii, V.M. Fedosov. 2nd edition. – K.: «Znannya», 2012. – P. 20 [In Ukrainian].

the system-forming elements of this concept should be the relations of formation, allocation and use of the financial resources funds, the role of such funds in the process of expanded reproduction.

Institutional Concept of the Financial System

The concept of the financial system widely used in the Western economic literature is based on other theoretical principles. It is based on the methodological principle of neo-institutionalism and respective instruments of analysis, such as institutions, ownership rights, transaction costs, plausible obligations etc. This allows determining it as *an institutional concept of the financial system*[41]. In this concept, finance is considered as *the social institution* which organizes the defined ways of interaction between individuals or their separate groups in the society[42] for the purpose of minimization of transaction costs of exchange of binding requirements for real resources in the economy. In the wide sense, *finance* is interpreted as a process consisting of private contracts and public agreements (laws, institutions, behaviour codes, administration) which ensure establishment and exchange of means of value. It is postulated that finance covers *intertime choice* and *intertime relations* which allow economic agents to distribute profits and consumption between one period of time to another in the terms of uncertainty[43]. That's why they form a specific mechanism which supplements the system of prices in the coordination of decentralized alternatives of intertime distribution of resources by economic entities[44].

According to the institutional approach, the financial system is understood as the aggregate of means – financial institutions and markets which are the result of social contracts evolution[45] and with the help of which financial (intertime) solutions and inter-

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[41] Institutional concept is considered by the author in detail in article «Modern theoretical approaches to determining the essence of financial system» (Finance of Ukraine. – 2012. – No 8. – P. 57—68) [In Ukrainian].

[42] See: *Bossone B.* Circuit theory of finance and the role of incentives in financial sector reform / WPS № 2026 / B. Bossone. – Wash. : World Bank, 1998. – P. 16, 17; *Callier Ph.* Financial Sector Adjustment and Management / Working Paper № 340/050 / Ph. Callier. – Wash. : World Bank, 1991. – P. 1.

[43] For more details, see: *Zvi Bodie.* Finance / Z. Bodie, R. Merton. – M.; SPb; K.: «Williams», 2000. – P. 18, 38 [In Russian]; *Schinasi G.* Safeguarding Financial Stability: Theory and Practice / G. Schinasi. – Wash. : IMF, 2006. – P. 24, 31—35; *Schmidt R.* Financial Systems – Importance, Differences and Convergence / WPS № 4. Institute for Monetary and Financial Stability / R. Schmidt, A. Hryckiewicz. – Frankfurt/Main : JWGU, 2006. – P. 3—4.

[44] See: *Bossone B.* Circuit theory of finance and the role of incentives in financial sector reform / WPS № 2026 / B. Bossone. – Wash. : World Bank, 1998. – P. 16.

[45] See: *Schinasi G.* Safeguarding Financial Stability: Theory and Practice / G. Schinasi. – Wash. : IMF, 2006. – P. 40—42.

actions are formed and implemented. It is considered to be an environment of both the monetary system with its official agreements, contracts, customs and institutions, and the processes, institutions and customs of the private financial activity[46]. In the macroeconomic context, the financial system is interpreted from the positions of unity of savings-investments categories, as relations that provide for transformation of savings into investments and distribution of financial resources among alternative ways of use. It provides the society with the instruments of coordination of savings and investments which enable transformation of the current resources into tomorrow's consumption. Its microeconomic peculiarities are defined by the fact that the investment process expands time and risk characteristics of the exchange sphere in the economy and stipulates trade in current requirements for real resources in exchange for obligations to undertake such requirements in the future. Under decentralized decisions made by heterogeneous economic entities, acting with limited information and incomplete trust, as B. Bossone specified[47], it is the financial system that ensures the aggregate of institutions, contracts, rules, monitoring and coercive mechanisms and exchange procedures which make the terms of such obligations acceptable, suitable and reliable for the participants.

The main function of the financial system in the economy is defined as the effective distribution of financial resources[48], but the interpretation of its basic (derivative) functions is the subject of discussion. According to Z. Bodie and R. Merton, the basic functions of the financial system lie in ensuring the means of transferring the economic resources in time, across the frontiers of the states and from one branch to another; providing means of risk management; ensuring means of clearing and settlement performance facilitating the trade; ensuring the mechanism of uniting the financial resources and distribution of ownership in various companies; provision of price information which allows coordination of decentralized process of decision-making in various branches of economy; ensuring the means to resolve stimulation problems[49]. According to the opposite point of view, as fi-

[46] See: *Schinasi G.* Safeguarding Financial Stability: Theory and Practice / G. Schinasi. – Wash. : IMF, 2006. – P. 24; *Schmidt R.* Financial Systems – Importance, Differences and Convergence / WPS № 4. Institute for Monetary and Financial Stability / R. Schmidt, A. Hryckiewicz. – Frankfurt/Main : JWGU, 2006. – P. 4.

[47] *Bossone B.* Circuit theory of finance and the role of incentives in financial sector reform / WPS № 2026 / B. Bossone. – Wash. : World Bank, 1998. – P. 17.

[48] See: Bodie *Z.* Finance / Z. Bodie, R. Merton. – M.; SPb; K.: «Williams», 2000. – P. 64 [In Russian].

[49] See: Bodie *Z.* Finance / Z. Bodie, R. Merton. – M.; SPb; K.: «Williams», 2000. – P. 64—74 [In Russian].

nance is a social institution, depending on cultural, political and legal characteristics of the society, then the functions of the financial system, except for the main one, are not necessarily universal[50], i.e. they do not have to be the same for various economic systems.

According to this approach, the functional characteristics of the financial system can be generalized as follows: the financial system is an institutional mechanism ensuring flow and distribution of financial resources in the economy and rendering finance-related services. The mechanism of redistribution of financial resources operates on the basis of issue and trade of financial requirements and obligations. With its assistance, households, companies and the state implement their financial decisions and administer incomings and expenses of deficit monetary costs in time. Coordination of their decentralized decisions is ensured by effective distribution of information. This enhances cooperation between financial system participants and maintains stability of the circulation process in the economy[51].

Delimitation of the financial system and the system of state finance is an important methodological peculiarity of the institutional concept, which is separated into the social sector of the economy. As a result of that, the budget and taxation system and the fiscal policy remain outside the financial system analysis and are represented as exogenous factors of its development. Yet, the state is considered to be an important participant of this system, and not just because it presents demand and sets offers of the financial services, but also because it is the organizer and regulator of the financial sector[52]. It would be expedient to assume that the logic of separation of the state finance system from the financial system is conditioned by the specific role of the state in the modern economy, the basic social purpose of which is to establish and introduce the rules of economic game, provision with social welfare, elimination of market incapability etc. Besides the redistribution of national revenue between economic entities, the state finance system determines its structure, division into market and

[50] See: *Callier Ph.* Financial Sector Adjustment and Management / Working Paper № 340/050 / Ph. Callier. – Wash.: World Bank, 1991. – P. 1.

[51] See: Bodie Z. Finance / Z. Bodie, R. Merton. – M.; SPb; K.: «Williams», 2000. – P. 62 [In Russian]; D.S. Kidwell. Financial institutions, markets and money / D. S. Kidwell, R.S. Peterson, D.U. Blackwell. – SPb: «Piter», 2000. – P. 30, 41, 44 [In Russian]; *Allen F.* Comparative Financial Systems: A Survey / F. Allen, D. Gale. – Wharton School, Univ. of Pennsylvania, 2001. – P. 1, 2; *Bossone B.* Circuit theory of finance and the role of incentives in financial sector reform / WPS № 2026 / B. Bossone. – Wash: World Bank, 1998. – P. 22.

[52] See: *Schmidt R.* What constitutes a financial system in general and the German financial system in particular? / R. Schmidt, M. Tyrell / WPS Finance & Accounting № 111. – Frankfurt/Main : JWGU, 2003. – P. 4.

social welfares, the latter of which are not produced by the market but provided by the state only. Today, the economic activity of the latter, its economic decisions regarding profits and expenses and criteria of these decisions are principally different from financial decision-making by non-public economic entities, and the main rules under which the public sector operates differ from the rules of private sector operation. That's why the relations established at formation and use of financial resources of the state, referring to the redistribution of public resources between production of market and non-market welfare, have a specific non-market nature.

There is no single interpretation of the institutional concept of the financial system, its followers use various approaches to describe and analyze the national financial systems – institutional, mediation, functional, systemic etc.[53] Nevertheless, within this concept, only two gnoseologically different interpretations of the financial system can be distinguished within this concept – the sectorial and systemic interpretations. The first represents a narrow concept of the financial system, the concept of the financial sector, the second represents a wide concept of the financial system.

The sectorial approach concentrates upon the analysis of financial institutions, using the term «financial system» to mark the industry of financial services[54]. As a result of that, this approach only covers one aspect of the financial system activity – offer of financial services, abstracting away from demand on financial resources and services from the primary sectors of the economy. This also means that the financial system is identified with the aggregate of its individual structural components, namely, the set of financial institutions which form the financial sector of the economy, and the organization of the latter is presented as the structure of the financial system. Such narrow interpretation gives rise to contradictions when determining both the structure and functions of the financial system, leaving any financial interactions which do not include financial sector institutions outside the frameworks of its analysis. The limitedness of the research

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[53] See: *Schmidt R.* Financial Systems – Importance, Differences and Convergence / WPS № 4. Institute for Monetary and Financial Stability / R. Schmidt, A. Hryckiewicz. – Frankfurt/Main : JWGU, 2006. – 28 p.; *Schmidt R.* What constitutes a financial system in general and the German financial system in particular? / R. Schmidt, M. Tyrell / WPS Finance & Accounting № 111. – Frankfurt/Main : JWGU, 2003. – 57 p.

[54] For instance: *Glen R. Habbard.* Money, financial system and economy: textbook / Glen R. Habbard / edited by M. Savluk, D. Olesnevych. – K.: KNEU, 2004. – P. 34 [In Ukrainian]; *Schinasi G.* Safeguarding Financial Stability: Theory and Practice / G. Schinasi. – Wash. : IMF, 2006. – P. 80—81.

object, among other things, conditions gnoseological limitedness of the sectorial approach. As specified by R. Schmidt and M. Tyrell[55], it is not based on theoretical provisions regarding economic functions of the financial sector and its constituting institutions, as well as their role in the economy. Due to this reason it is not able to explain why and how the institutional structure of the financial system is changed, how this system operates when there are no basic segments of the financial sector in the economy – for instance, financial markets and financial mediation institutions in the terms of administrative and centralized economy.

The widely spread institutional concept of the financial system is represented within the frames of the systemic approach. In this case, the financial system is viewed through the interaction of capital demand and offer and related to the finance of services[56]. Among the main peculiarities of this approach, the following should be pointed out. First, the systemic approach researches demand and offer of financial resources and services which are provided for both with participation of financial institutions and directly through the interaction of non-financial economic entities, as well as the financial aspects of real economy operation. That's why, besides the financial sector, the financial system also includes entities of non-financial economy sectors which produce demand on financial resources and provide for their primary offer in the economy. Second, portfolio analysis is characteristic for this approach before research of the financial system, namely decision-making by the economic entities regarding accumulation of wealth and its distribution in time, risk management, financing of investment opportunities etc. So the financial system covers entities of non-financial economy sectors not only when they consume services of the financial sector, but also when they either present no demand on such services or have no opportunities to receive them[57]. According to such interpretation, the assets of the financial system shall include all assets accumulated by economic entities in monetary and non-monetary form, as the nature of their distribution is the main tool which is used by individuals to manage their profits during their life cycle, and companies fi-

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[55] *Schmidt R.* What constitutes a financial system in general and the German financial system in particular? / R. Schmidt, M. Tyrell / WPS Finance & Accounting № 111. – Frankfurt/Main: JWGU, 2003. – P. 6.

[56] See: *Schmidt R.* The Convergence of Financial Systems in Europe / R. Schmidt, A. Hackethal, M. Tyrell / WPS Finance & Accounting № 75. – Frankfurt/Main : JWGU, 2001. – P. 3; *Schmidt R.* What constitutes a financial system in general and the German financial system in particular? / R. Schmidt, M. Tyrell / WPS Finance & Accounting № 111. – Frankfurt/Main : JWGU, 2003. – P. 3.

[57] See: *Schmidt R.* The Convergence of Financial Systems in Europe / R. Schmidt, A. Hackethal, M. Tyrell / WPS Finance & Accounting № 75. – Frankfurt/Main : JWGU, 2001. – P. 4.

nance their activity. At conceptual level, this stipulates expansion of the component structure of the financial system. Third, the systemic approach is based on the fact that the financial system is really a system, and attempts to explain why it is so. Its attention is focused upon the research of systemic signs of the financial system, means of connection between its elements and ways of their interaction[58], the characteristics of their functional coordination etc.

Co-existence of gnoseologically different concepts of the financial system in the economic science – resource and institutional concepts, like the analytical «pluralism» within their frameworks, reflect the presence of methodological problems in determining the «financial system» category. The main reason, on our opinion, is that the modern economy is a financial economy in essence, as the whole process of economic reproduction is mediated by financial relations for both the formation and use of the financial resource funds and value flow between the economic entities, and the intertime redistribution of their profits and formation of long-term savings to ensure future consumption, meaning it stipulates management of economic resources of the society by means of making various financial decisions. The logical consequence of the above is the variety and arguability of determining the economic nature of financial relations and components which form the financial system, and where its limits are. In other words, the very complexity of the financial system as the theoretical research object stipulates multiple-level structure of approaches. In whole, theoretical differences and contradictions in the conceptualization of the financial system raise a difficult methodological question: what signs of the financial system should be considered as fundamental or structural by essence? Science has no simple answer to that.

Financial System or System of Finance?

Another important methodological aspect of financial system research is the systemic characteristics of this notion. Although the majority of authors uses the term «system» to determine the essence and research the financial system, but the references to the systemic nature of the latter are often formal, the existing definitions contain no signs of a system, and interpretation of the

[58] See: *Schmidt R.* What constitutes a financial system in general and the German financial system in particular? / R. Schmidt, M. Tyrell / WPS Finance & Accounting № 111. – Frankfurt/Main : JWGU, 2003. – P. 1.

financial system does not conform to the systemic principles. The main methodological problem is that the concept of a system is perceived only as a certain theoretical construction. As a result of such approach, a system is understood as any aggregate of elements interconnected by spontaneous characteristics. Such vision gives a certain amount of freedom at engineering of systems, and that's why respective theoretical concepts might have any artificial nature. Still, this approach is not able to provide a scientifically adequate understanding of a system.

Each system mirrors the objectively existing objects, processes and phenomena which integrate with systemic effects. It is the product of intellect only as much as the latter finds and separates objectively existing unity. That's why it is impossible to agree with the position popular in the resource concept – that the financial system is an aggregate of interconnected elements with homogenous signs[59]. If we follow that logic, any spontaneously chosen objects can be a system, which have weak interactions in reality where connections between parts are formal, and which do not form a systemic integrity with the specific regularity. Similarly, we cannot agree to the sectorial interpretation of the financial system, as the aggregate of financial institutions and markets has no systemic properties and does not form a system.

In the context of the above-said, we should stress that the notion «system» reflects morphological, functional and informational unity of objects, processes, phenomena available for study and the unity of laws of their flow[60]. Application of this methodological principle to the research of the financial system from the point of view of conceptual approaches specified in the article focuses attention upon various characteristics of its general and special. Alternative theoretical models of the financial system include structural elements with various properties, differing by content and nature. The institutional concept relates financial relations to intertime decisions of economic entities regarding distribution of profits and consumption. Under the resource approach, financial relations are economic relations related to formation and use of financial resource funds or cash flows. Deeper differences refer to the mechanism of distribution and the scheme of financial resource flow in the economy. The institutional concept considers distribution of financial resources and

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[59] For instance: ***M. M. Aleksandrova.*** Money. Finance. Loans: training textbook / M. M. Aleksandrova, S. O. Maslova. – K.: CUL, 2002. – P. 139 [In Ukrainian]; ***V. M. Oparin.*** Finance (General theory): training textbook / V. M. Oparin. – K.: KNEU, 2004. – P. 23 [In Ukrainian].

[60] See: ***E. A. Erokhina.*** Theory of economic development: systemic and synergetic approach / E. A. Erokhina. – Tomsk: TGU, 1999. – P. 5 [In Russian].

services only on the basis of market interaction of economic entities which realize their individual choice. In the resource concept, the financial resource flow has a double nature. On the one hand, this flow occurs on an equivalent basis and is built upon market relations (financial markets system), on the other hand, it has irrevocable and non-equivalent basis and covers the relations of administrative and static nature: the state mechanism of redistribution of revenues in the society on the basis of budget and taxation policy and related formation and use of general state target funds (budget and taxation system). The regularities of financial resources flow in both cases are principally different, just like the relations between the respective economic entities. Such dualism restricts heuristic functions of this concept, for instance, application of its methodological principles to analyze the regularities of international financial system development.

Considering essential theoretical and methodological differences between the resource and institutional concepts of the financial system, it would be expedient to divide them into two theoretical models – *the concept of financial system and the concept of the system of finance*. On our opinion, the first one is represented by the systemic trend of the institutional concept of the financial system. Instead, the system of finance is the «aggregate of separated but interconnected spheres (the component generalized by a certain sign) and links (separated component) of financial relations which have certain peculiarities in mobilization and use of financial resources, as well as the respective management apparatus and normative and legal support»[61]. The system of finance is represented by the resource concept.

The expediency of such delimitation is conditioned by the need to apply the term «financial system» according to the international theory and practice. In the context of international financial integration and expansion of international standards across the whole spheres of financial activity, there is an objective need in the unity of categorical apparatus for adequate and understandable interpretation of the same financial economic processes and phenomena. The category «financial system» cannot have two meaningful essences even if we consider the presence of historically, economically, socially and institutionally conditioned differences between the specific financial systems of the countries of the world.

[61] Theory of finance: textbook / edited by S.I. Yurii, V.M. Fedosov. 2nd edition. – K.: «Znannya», 2012. – P. 30 [In Ukrainian].

ISSN 1811-9832.INTERNATIONAL ECONOMIC POLICY.2014.№ 2 (21)

The soundness of such delimitation can be argued by functional characteristics of the financial system in the economy represented in each alternative concepts. Although there has been no single understanding of the financial system functions within the frameworks of the institutional approach, and differences refer both the number of functions and their definitions, the analysis of functions is a mandatory attribute of financial system research[62]. Instead, the resource concept presents no functions of the financial system, determining only the functions of finance, practically – the functions of the state related to the use of financial resources. As the function reflects purpose and role of the financial system in the economic environment according to its definition, and the organization of this system is logically derived from its function, then, from the methodological point of view, the absence of functions makes it impossible to specify the essence of the financial system and, among all other things, explains theoretical contradictions of the resource concept. From the point of view of the systemic methodology, only the wide approach of the institutional concept allows performing the research of the financial system as a systemic integrity and that's why it is positioned as more scientifically justified and thus promising.

Conclusions

The problem of determining gnoseological parameters of the «financial system» category in the modern science is still relevant. On our opinion, there are three theoretical and methodological provisions principally important for finding out its essence, so they have to be taken into account in further research.

1. The financial system is an *economic institution*. Just like any economic institution, it is the *product of self-organization* on the basis of social distribution of work, aimed at satisfying the requirements of individuals and the society.

2. The financial system has appeared as a result of work distribution within the frameworks of the economic system, that's why it should be considered as a specific (by economic instruments, functions, means of organization and functioning) *mechanism for economic interactions coordination in the process of economic resource management*.

3. The financial system is a *system object* and as such «is an internally organized structure, the system of systems which acts

[62] See namely: *O. V. Snizhko.* Financial development of transformational economies: structural and functional analysis: monograph / O. V. Snizhko. – K.: «Kyiv University», 2009. — P. 70—72 [In Ukrainian].

as a means to achieve a certain (systemic) goal, it has specific mechanisms of self-preservation and energy of self-development, subordinate to its own logic of historicism and immanent laws»[63].

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[63] *A.S. Galchynskyi.* Economic methodology. Logic of renewal / A. S. Galchynskyi. – K.: ADEF-Ukraine, 2010. – P. 99 [In Ukrainian].

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The article was received by the editorial board on 18.08.2014