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## **GENERAL VARIATIONS IN NATIONAL ECONOMIES' RESPONSES TO FINANCIAL GLOBALIZATION CHALLENGES**

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## **ЗАГАЛЬНІ ВАРІАЦІЇ У ВІДПОВІДІ НАЦІОНАЛЬНИХ ЕКОНОМІК НА ВИКЛИКИ ГЛОБАЛІЗАЦІЇ У ФІНАНСОВІЙ СФЕРІ**

*The relevance of the research is driven by the fact that globalization, as a powerful force in the modern world, creates unprecedented opportunities for the development of national economies. However, integration into the global financial system involves numerous challenges that require careful analysis. The diversity of national economies' responses to these challenges highlights the complexity and multifaceted nature of globalization processes. Therefore, this article is dedicated to examining the general variations in national economies' reactions to the challenges of globalization in the financial sector. Overall, the general variations in national economies' reactions to the challenges of globalization in the financial sector refer to the identification of the various ways in which different countries react to the global financial challenges and opportunities arising from the integration of world economies. In other words, the term defines the individual approach by which different countries adapt to globalization and the path they take to address the issues it creates. Noted that the outlined variations in responses to the challenges of globalization in the financial sector arise due to the following characteristics of national economies: the typology of economic systems, differences in levels of economic development, different historical experiences, distinct cultural characteristics, and varying political systems (along with the political stability, levels of corruption, and effectiveness of governance shaped by these systems). A study has revealed that national economies' reactions to the challenges of globalization in the financial sphere are extremely diverse. Countries choose different models of financial market regulation, ranging from liberal to strict, impose varying requirements on foreign investors, and employ different tools to address financial crises (such as currency devaluation, interest rate hikes, or government economic support programs). Furthermore, there is a significant disparity in approaches to the development of financial technologies and levels of engagement in international cooperation with organizations such as the IMF and the World Bank. It is important to understand the variations in national economies' responses to the challenges of globalization in the financial sector to develop effective economic policies, forecast*

*global economic trends, and comprehend the investment climate in different countries.*

*Актуальність дослідження зумовлена тим, що глобалізація, як один з найвпливовіших факторів сучасного світопорядку, створює безпрецедентні можливості для розвитку національних економік. Однак, інтеграція в глобальну фінансову систему супроводжується чисельними викликами. Різноманітність реакцій національних економік на ці виклики свідчить про складність і багатогранність процесів глобалізації. Відтак, дана стаття присвячена дослідженню загальних варіацій у відповіді національних економік на виклики глобалізації у фінансовій сфері. В цілому загальні варіації у відповіді національних економік на виклики глобалізації у фінансовій сфері - це ідентифікація способів, якими різні країни реагують на глобальні фінансові виклики та можливості, що виникають внаслідок інтеграції світових економік. Іншими словами, термін визначає індивідуальний алгоритм, за яким країни адаптуються до процесу глобалізації та шляхи, за яким вони розв'язують проблеми, які вона створює. Варіації у відповіді національних економік на виклики глобалізації обумовлені такими факторами, як: тип економічної системи (ринкова, планова, змішана), рівень економічного розвитку (розвинені, що розвиваються), історичний досвід, культурні особливості, політична система (включаючи рівень політичної стабільності, корупції та ефективність державного управління). Дослідження виявило, що реакції національних економік на виклики глобалізації у фінансовій сфері надзвичайно різноманітні. Країни обирають різні моделі регулювання фінансових ринків – від ліберальних до жорстких, встановлюють різні вимоги до іноземних інвесторів та використовують різні інструменти для подолання фінансових криз (такі як девальвація валюти, підвищення процентних ставок або державні програми підтримки економіки). Крім того, спостерігається значна різниця в підходах до розвитку фінансових технологій та рівні залученості до міжнародного співробітництва в рамках таких організацій, як МВФ та*

*Світовий банк. Доведено, що розуміння різноманітності реакцій національних економік на глобалізацію є критично важливим для розробки ефективної економічної політики, прогнозування світових економічних трендів та оцінки інвестиційного клімату різних країн*

**Key words:** *national economies, financial crises, globalization process, development of financial institutions, investors.*

**Ключові слова:** *національні економіки, фінансові кризи, процес глобалізації, розвиток фінансових інститутів, інвестори.*

**Problem statement.** Globalization, as a powerful force in the modern world, creates unprecedented opportunities for national economic development. The integration of global markets has expanded the range of economic activities, from investment and lending to insurance and asset management. In particular, the financial sector has undergone significant transformations.

Foreign direct investment has become a powerful tool for technology transfer and job creation. Access to global financial markets has opened up limitless opportunities for capital attraction and the implementation of large-scale projects. International financial institutions, such as the World Bank and the International Monetary Fund, play a crucial role in supporting the economic growth of developing countries by providing financial assistance and technical support.

Globalization has also significantly impacted the fields of insurance and asset management. The growth of large multinational insurance companies and global investment funds has expanded access to insurance products and investment instruments. Insurance and reinsurance mechanisms for international risks provide greater protection against global shocks. Alternative investments, such as real estate, private equity, and venture capital, have become more accessible to a broader range of investors.

However, globalization brings not only opportunities but also challenges. The integration of national economies into the global financial system increases their

vulnerability to external shocks. Global financial crises can have devastating consequences for individual countries. Moreover, globalization can exacerbate inequality both within and between countries.

The diversity of national economies' responses to the challenges of globalization reflects the complexity and multifaceted nature of this process.

***The analysis of recent researches and publications.*** Among the recent scholarly works dedicated to examining the essence, role, advantages, and disadvantages of globalization challenges in the financial sector, notable contributions include those by Maslyan O., Liby N., Korolovych O., Vovchenko O., Kvasnytska R., and Kulishov V. V. It should be noted that these studies provide a detailed analysis of the complexity and multifaceted nature of globalization processes in the areas of investment, lending, insurance, and asset management.

Additionally, in the research by Dovhaliuk V. V., the main advantages of financial globalization are outlined in detail, as well as the processes through which a country's opportunities are expanded in terms of utilizing various resources and its deeper, more comprehensive participation in the system of international division of labor.

However, questions remain regarding the formation of national economies' reactions to these challenges, particularly research into the fundamental aspects that influence the adaptation strategies choices.

***Goal setting (formulation of goals of the article).*** The article aims to examine the general variations in national economies' responses to the challenges of globalization in the financial sector.

**The paper main body with full reasoning of academic results.** Overall, the general variations in national economies' responses to the challenges of globalization in the financial sector involve identifying the different ways in which countries respond to global financial challenges and opportunities arising from the integration of world economies. In other words, the term defines the individual approach by which different countries adapt to globalization and the methods used to address the problems it creates.

Noted that the outlined variations in responses to the challenges of globalization in the financial sector arise due to the following characteristics of national economies:

- the typology of economic systems;
- differences in levels of economic development;
- diverse historical experiences;
- distinct cultural characteristics;
- varying political systems (including the political stability, levels of corruption, and effectiveness of governance shaped by these systems).

Let's examine each of the highlighted features in more detail.

Initially, it is evident from Table 1 that the mechanisms of financial regulation and reaction to financial fluctuations share commonalities across nations, primarily determined by their economic systems.

So, the type of economic system significantly affects how a country's economic challenges respond. Planned economies are generally slower and less flexible, while market economies are more adaptive. Mixed economies combine elements of both systems, allowing them to find more balanced solutions.

It is a proven fact that developed and developing countries have different economic structures, institutional mechanisms, and access to financial resources, which directly affects their financial stability and responsiveness to the challenges of globalization in the financial sector. A characteristic example is the 2008 financial crisis, where developed countries were able to quickly mobilize resources to respond to the crisis (through large-scale fiscal stimuli and interest rate cuts [1]). A typical example is the 2008 financial crisis, during which developed countries were able to rapidly mobilize resources to address the crisis through extensive fiscal stimuli and interest rate cuts.

**Table 1. Characteristics of financial regulation and responses to changes in the financial environment by types of economic systems**

Typology of economic systems	Commonalities in financial regulation	Responses to changes			Examples of challenges responses
		advantages	disadvantages	specifics of response	
Planned economy	Economic decisions are made by a centralized authority (the state). Resources are allocated according to a plan, and prices are set by the government.	The ability to quickly mobilize resources to achieve strategic goals, price stability	Low efficiency, lack of innovation, bureaucracy.	The response is slow and ineffective. The centralized authority must develop a new plan, which can take a considerable amount of time	The financial crisis of 2008. Countries with market economies (such as the USA and the UK) responded quickly to the crisis with fiscal stimulus and interest rate cuts. Countries with planned elements in their economies (such as China) used investment programs to support their economies.
Market economy	Economic decisions are made by millions of individual economic agents (consumers, producers) based on the interaction of supply and demand. Prices are determined in the market.	High efficiency, innovation, flexibility	Instability, social inequality, the possibility of economic fluctuations	The response is quick and flexible. Market mechanisms allow for rapid adaptation to changes.	The COVID-19 pandemic. Countries with different economic systems took various measures. Some countries (such as the USA and the UK) focused on supporting businesses and individuals, while others (such as China) implemented strict quarantine measures and investment programs.
Mixed economy	A combination of market and planned economies. State plays a role in regulating the economy, but the primary economic decisions are made in the market.	Combines the advantages of both market and planned economies.	Potential conflicts between market and government interests.	It depends on the level of government regulation.	

*Source: formulated by the author based on [1; 6]*

Developed countries have more resources to respond to the challenges of globalization in the financial sector due to: deep and liquid financial markets (which allow for more effective resource mobilization and risk management [1]), a

diversified economy (a broad range of industries and export goods helps better distribute risks and recover more quickly from crises), strong institutions (stable political systems, effective governments, and independent judiciary ensure investor confidence and promote long-term growth), and access to technology (developed countries have access to advanced financial technologies, enhancing productivity and innovation [6]).

Developing countries have limited resources to respond to the challenges of globalization in the financial sector due to a vulnerable economy (characterized by dependence on the export of a few commodities and a narrow industrial base), underdeveloped financial markets (resulting in limited access to financing and high borrowing costs), weak institutions (leading to corruption, political instability, and inefficient bureaucracy), and external debt (a high level of indebtedness that restricts flexibility in fiscal policy).

Pay attention to the fact that historical experience, particularly experiences with past financial crises and successes, has an impact on responding countries to new economic challenges, as is evident from the data in Table 2.

In particular, this experience shapes national strategies, regulatory frameworks, and the psychology of investors and the general public. Notably, the experience of past crises can make the population and investors more risk-averse or, conversely, more risk-seeking. Historical experience determines the priorities of economic policy. Historical experience influences the creation and development of financial institutions and regulatory bodies [3-4].

**Table 2. Illustration of the impact of historical experience on national economies' responses to the challenges of globalization in the financial sector**

Country, response period	Historical experience	Country's response to new challenges in the financial sector		Ongoing impact on how a national economy responds to new economic challenges
		Initial	Delayed	
The United States after the Great Depression	The great depression of the 1930s	The establishment of new regulatory bodies in the United States, such as the Securities and Exchange Commission (SEC)	The population has become more cautious investors, while the government has become more involved in regulating financial markets.	This historical experience influenced the government's response to the 2008 financial crisis, leading to unprecedented levels of intervention in the economy.
Japan after the Burst of the "Bubble Economy"	The 1990s "Bubble Economy burst" (sharp decline in asset prices)*	Regulators became more cautious regarding credit risk and inflation	The population has become more cautious investors.	This historical experience influenced the government to maintain a long-standing policy of low interest rates and quantitative easing.
Eurozone Countries and the 2008 Financial Crisis	Problems during the 2008 financial crisis**	Implemented fiscal stimulus programs, reduced interest rates, and introduced bank support programs. Introduced government guarantees for bank deposits.	Fiscal austerity programs, designed to restore fiscal balance, resulted in elevated unemployment rates and exacerbated social disparities, contributing to social tensions.	This historical experience led to a deepening of European integration and the creation of new, rapid mechanisms for restoring financial stability.
Developing Countries	Experience of hyperinflation and defaults	Shifting towards accumulating foreign exchange reserves. Implementing a more cautious fiscal policy, which may restrain economic growth	The desire to accumulate assets in stable foreign currencies or precious metals.	This historical experience led to the development of a financial policy that favors the accumulation of foreign exchange reserves.

Note

\*The crisis led to a "lost decade" for the Japanese economy

\*\* The crisis exposed weaknesses in the Eurozone, such as the lack of a unified financial regulator and varying levels of debt among member countries.

*Source: formulated by the author based on [1; 3-4; 6]*

The data presented in Table 3 indicate substantial differences in financial attitudes across cultures.

**Table 3. Illustration of the impact of cultural differences on national economies' responses to globalization challenges in the financial sector**

Country/Region	Cultural characteristics	Impact on financial behavior	Specific examples of impact
USA	Individualism, future orientation, materialism.	High level of investment in stocks, venture enterprises, pension funds; tendency towards consumer credit.	High percentage of households owning stocks; developed venture capital market.
China	Collectivism, family orientation, long-term perspective.	Preference for real estate and bank deposits; low level of investment in stocks.	High share of savings in total GDP; popularity of real estate as an investment.
Northern European Countries	High level of trust in the state, social responsibility.	High level of taxation; well-developed social welfare system; popularity of pension funds.	High human development indicators; low level of inequality.
Southern European Countries	Family values, Catholicism, low level of trust in the state.	High level of informal economy; low level of savings; tendency towards consumption.	High youth unemployment rate; significant shadow economy.
India	Collectivism, religiosity, family orientation.	Preference for gold as a store of value; low level of financial literacy.	High demand for gold jewelry; low percentage of the population with bank accounts.

*Source: formulated by the author based on [1; 5-6]*

Specifically, regarding risk perception, individuals from individualistic cultures often exhibit a greater propensity for risky investments, as they believe in their individual ability to achieve financial success. Conversely, in collectivist cultures, a more cautious approach to finance prevails, as the priority is stability and maintaining harmony within social groups. Also, there are notable differences in time orientation. Future-oriented cultures encourage long-term planning and investing, while cultures more focused on the present tend to exhibit consumer behavior and make short-term financial decisions [1]. As for attitudes toward money, materialistic cultures, such as those in the USA, often associate wealth with success and prestige. In contrast, in some Asian cultures, money is viewed more as a means to ensure the well-being of family and community.

Additionally, the level of trust in the government and the willingness to accept state regulation of financial markets vary significantly among different cultures. Individualistic cultures tend to be more skeptical of government intervention, whereas collectivist cultures often support increased government control over the financial sector. The cultural characteristics we have outlined interact with each other, creating complex patterns of financial behavior.

Therefore, understanding the cultural traits of different countries is crucial for financial market participants, as it enables them to: anticipate investor behavior and develop effective financial strategies [6].

Political systems and their resulting political stability, level of corruption, and effectiveness of governance are fundamental factors that significantly impact a country's ability to adapt to changes in the financial sector, as evidenced by the data in Table 4.

Political stability, low levels of corruption, and effective governance are key factors that determine a country's ability to adapt to changes in the financial sector. Countries with strong institutions are better equipped to navigate economic upheavals and achieve long-term growth [1].

According to the outlined points, it is clear that variations in national economies' responses to globalization challenges in the financial sector can manifest across different areas.

**Table 4. Regulation of the financial sector and responses to changes in the financial environment based on the state of political systems**

Factors shapes the format of the political system	Impact on the financial sector	Impact on the financial sector	Examples of responses to challenges
Political stability	Predictability of the investment environment, encouraging both domestic and foreign investors. Trust in the government and economy, which fosters the development of financial markets. Planning horizon*	During a financial crisis, political instability can exacerbate market panic, while corruption may impede the effective distribution of aid.	The Scandinavian countries (Sweden, Norway, Denmark, and Finland) benefit from high levels of political stability, low levels of corruption, and effective governance, which enable them to recover swiftly from financial crises.
Level of corruption	Transparency in resource allocation, effectiveness of governance, and trust in institutions. Diverting additional resources (for anti-corruption efforts) that could otherwise be directed towards economic development. Predictable business environment.	Political will and an effective government apparatus are necessary for implementing required economic reforms.	Latin American countries face frequent political crises, high levels of corruption, and ineffective governance, which complicate the implementation of economic reforms and adaptation to global challenges.
Effectiveness of governance	Adequacy of financial market regulation, protecting investor interests. Ability to mitigate the social impacts of economic crises.	Foreign investors typically avoid countries with high levels of corruption and political instability.	

Note

\*The absence of political upheavals allows companies and investors to plan their activities for the long term.

*Source: formulated by the author based on [1; 3; 5]*

***Conclusions from this study and prospects for further exploration in this direction.*** In the study, attention is drawn to the fact that variations in national economies' responses to globalization challenges in the financial sector can manifest in different areas, including:

1. Financial market regulation. In particular, national economies may choose different models of financial market regulation, ranging from liberal to stringent.
2. Policy on foreign direct investment. National economies may implement various restrictions and requirements for foreign investors.

3. Response to financial crises. National economies may use various tools to address financial crises, such as currency devaluation, increasing interest rates, or government economic support programs.
4. Development of financial innovations. National economies may either encourage or restrict the development of new financial technologies.
5. Cooperation with international financial organizations. National economies may vary in their level of engagement with organizations such as the IMF and World Bank.

It is important to understand the variations in national economies' responses to globalization challenges in the financial sector for effective economic policy development, global economic trends forecasting, and understanding the investment climate characteristics of different countries.

The results obtained can serve as a foundation for further research in various directions, including a deep analysis of factors influencing the choice of regulatory models, an evaluation of the effectiveness of different tools for addressing financial crises, and an examination of the impact of financial innovations on the financial system stability, among others.

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