

UDK: 347.73

DOI <https://doi.org/10.24144/2307-3322.2025.87.3.2>

INTERNATIONAL MONETARY FUND (IMF) AND ITS ROLE IN CURRENCY AND CREDIT RELATIONS: A FOCUS ON UKRAINE

Ivanova R.Yu.,

Ph.D. in Law,

Associate Professor,

*Professor of the Department of International and European Law,
Leonid Yuzkov Khmelnytskyi University of Management and Law*

ORCID: 0000-0001-8257-4486

Ivanova R.Yu. International Monetary Fund (IMF) and its role in currency and credit relations: a focus on Ukraine.

The International Monetary Fund (IMF) is one of the most powerful IFIs on an international scale. This article analyzes the most important functions of the IMF in relations of finance and credit with an accent on its influence on banking systems and financial policies of the member states. Particular focus is given to Ukraine's cooperation with the IMF, including reasons behind, the historical background, loan conditions, and the consequences of cooperation for the Ukraine's banking system. The paper also analyzes the controls and the evaluations of the reforms in Ukraine that were undertaken with the assistance of the IMF. In order to ensure compliance with the reform, the IMF uses a mix of performance criteria, structural benchmarks, and independent evaluations, which determine the effectiveness of the reforms. This research explains the influence of IMF actions on stabilizing the Ukrainian economy, increasing transparency, and facilitating necessary structural changes through the lens of economic analysis and policy evaluation. Ukrainian financial stability was achieved with the help of liquidity support, improvement of the regulatory framework, and restructuring of the banking system that the IMF undertook in Ukraine.

The study analyzes the obstacles posed by IMF programs, such as the imposed economic strain, civil unrest as a result of stringent socioeconomic policies, and the resulting impact of structural adjustments. Furthermore, how the IMF conditionalities affect the policy regime, monetary practices, fiscal responsibility, and the prospects of economic development is analyzed. Hence the article tries to analyze the breadth of the IMF's impact on Ukraine's economic development and the strategic outlook of the policies in question. The economic relations with the IMF, however, provide some positive outcomes in the way of economic stability but its presence poses more difficult circumstances which have to be resolved if economic safety is maintained alongside the social welfare.

Key words: International Monetary Fund, Ukraine, international organization, monetary policy, banking sector, economic reforms, credit relations, financial law, structural adjustment, fiscal discipline, economic sustainability.

Іванова Р.Ю. Міжнародний валютний фонд (МВФ) та його роль у валютно-кредитних відносинах: фокус на Україні.

Міжнародний валютний фонд (МВФ) є однією з найпотужніших міжнародних фінансових організацій у міжнародному масштабі. У цій статті аналізуються найважливіші функції МВФ у фінансово-кредитних відносинах з акцентом на його вплив на банківські системи та фінансову політику держав-членів. Особливу увагу приділено співпраці України з МВФ, зокрема причинам, історичному фону, умовам позики та наслідкам співпраці для банківської системи України. У статті також проаналізовано контроль та оцінку реформ в Україні, проведених за сприяння МВФ. Щоб забезпечити дотримання реформи, МВФ використовує поєднання критеріїв ефективності, структурних орієнтирів і незалежних оцінок, які визначають ефективність реформ. Це дослідження пояснює вплив дій МВФ на стабілізацію української економіки, підвищення прозорості та

сприяння необхідним структурним змінам через призму економічного аналізу та оцінки політики. Українська фінансова стабільність була досягнута за допомогою підтримки ліквідності, вдосконалення нормативно-правової бази та реструктуризації банківської системи, яку МВФ здійснив в Україні.

У дослідженні аналізуються перешкоди, створені програмами МВФ, такі як нав'язана економічна напруга, громадянські заворушення в результаті жорсткої соціально-економічної політики та результат структурних перебудов. Крім того, аналізується, як умови МВФ впливають на режим політики, монетарну практику, фіскальну відповідальність і перспективи економічного розвитку. Таким чином, у статті зроблено спробу проаналізувати масштаб впливу МВФ на економічний розвиток України та стратегічні перспективи відповідної політики. Однак економічні відносини з МВФ дають певні позитивні результати щодо економічної стабільності, але його присутність створює складніші обставини, які необхідно вирішити, якщо поряд із соціальним добробутом підтримується економічна безпека.

Ключові слова: Міжнародний валютний фонд, Україна, міжнародна організація, монетарна політика, банківський сектор, економічні реформи, кредитні відносини, фінансове право, структурна перебудова, фіскальна дисципліна, економічна стійкість.

Problem Statement. Modern states are made up of human and civic rights. These rights guarantee political, economic and social prosperity. The influence of International financial institutions such as the IMF has a tremendous effect on the matters of these rights due to their involvement in policy making. The implementation of both macroeconomic and financial reforms in a country, their scope, and nature defines whether in these rights will be increased or diminished. In the case of Ukraine, an attempt has and continues to be made to determine the degree of intervention that is possible on account of Ukraine's reliance on IMF support. It is pertinent to assess the impact of IMF intervention in relation to Ukraine's financial markets both at the sectoral and humanitarian level.

Objectives of the Study. This study attempts to investigate the impact of IMF activity in Ukraine, especially its financing operations and policy prescriptions and their results on Ukraine economic development. The primary focus will be assessing the efficiency claim of the IMF financing operations with respect to banking stability, accountability, and sustained economic development within Ukraine. On the other hand, the study pursues the goal of explaining the constraints and boundaries of the IMF program so that the Republic of Ukraine could minimize the adverse effects to its economic sovereignty and social welfare.

Research Objective. Prior researches concerning IMF policies note both gains and harms attached to financial assistance provided within emerging economies. Academic efforts have been directed to studying economics or policies of IMF structural adjustments, their consequences on economic growth, and national policies of resource management. Research concerning Ukraine's collaboration with the IMF has been narrowed to its macroeconomic performance, fiscal activities, and institutional initiatives. Still, the socio-economic ramifications of IMF operations in Ukraine focus long term socio-economic consequences of state programs, particularly concerning financial sector stability and public welfare are understudied.

State of Research Development. The International Monetary Fund (IMF) is one of the main international financial institutions whose work is tightly integrated with the performance of the global economy [1]. Its main goals are to achieve stability of international exchange rates, promote foreign trade, and provide financial aid to member countries in distress economically [2]. This article discusses the main activities of the IMF in the currency and credit relation system, the investment impact of the foreign banks on the banking systems of the member countries, and the Ukraine's relations to IMF with respect to the lending conditions and the outcomes and impacts of the reforms on the Ukrainian banking system and the reform monitoring and evaluation activities of IMF in Ukraine.

Key Roles and Responsibilities of the IMF in Currency and Credit Relations. The IMF's purpose is to promote international monetary cooperation and financial stability, which is why the organization was created in 1944 [3]. Its principal activities with regard to currency and credit relations are as follows:

- **Currency Regimes:** The IMF helps member countries maintain stable regimes by controlling currency policies. Also, the IMF keeps an eye on the policies regarding exchange rates and helps its member states to maintain stable regimes [4].

- **Balance of Payments:** It provides macroeconomic assistance to countries in need of balance of payments due to payment crises and assists them with restoring payment stability [5].

- **Monetary Policy Formulation:** The IMF assists in development of monetary policy, management of inflation, and control of interest rates [6].

- **Technological Support:** The strengthening of financial institutions is done with the technical assistance and training that the IMF provides to countries requesting such support [7].

Changes Brought about by the IMF's Banking Interventions in Member Countries. The areas in which the IMF has operated have a bearing on the development of the banking systems of member countries. This impact can be noted in the following manners:

- **Policy Advances:** The IMF will, in most cases, make it a point to request for banking policy changes as a prerequisite for granting loans [8].

- **The Capital Balance in the National Banking Systems:** Banks' balances and their economy's international liquidity are affected by balance of payments deficits especially with regard to long term foreign loan capital [9].

- **Banking Institutions Mergers and Acquisitions:** The IMF also recommends the consolidation of banks by proposing bank capital increases, institutional mergers, and the shutting down of unproductive and insolvent financial entities [10].

- **Fresh Integration of International Direct Investments:** The opening and implementation of foreign investor controlled entities in developed countries [11].

The International Monetary Fund and Its Impact on Ukraine's Banking Sector – A Brief Overview of Loans' History, Terms, and Consequences for the Banking Sector.

Ukraine has been collaborating with the IMF since 1992 after it became independent. This stems from their willingness to accept financial help during times of economic strain, especially from the IMF [12]. This collaboration has moved the country away from economic oblivion as the IMF provided numerous Stand-By Arrangements (SBA) and Extended Fund Facility (EFF) programs [13].

Historical Overview:

- 1994: First agreement with the IMF intended to assist with economic reforms and monetary stabilization [13].

- 1998-1999: Assistance during the Russian financial crisis [14].

- 2008-2009: Assistance during the global financial crisis. [15].

- 2014-Present: Ongoing support to Ukraine, including during its economic reforms, energy sector liberalization, and its efforts to fight corruption under the various IMF programs [16].

Monitoring and Evaluation Mechanisms of IMF Reforms in Ukraine. There is a systematic and established procedure used by IMF to monitor and evaluate the reforms process in Ukraine. Known mechanisms include:

- **Article IV Consultations:** UMA studies conducted by economists of the Fund to established the macroeconomic policy of Ukraine, fiscal balance, and health of the financial services market [17].

- **Performance Criteria and Structural Benchmarks:** There is a requirement for Ukraine to achieve a number of economic outcomes such as minimum threshold levels of inflation, some levels of managed exchange rate, and upper bounds of fiscal deficits as requirements to receive additional assistance by the IMF [18].

- **Technical Assistance Reports:** Assessments of Ukraine's governance structure regarding finances, the banking system's strength, and measures for combating corruption to ensure policy adherence are done regularly [19].

- **Independent Evaluations:** The Independent Evaluation Office (IEO) of the IMF undertakes periodic evaluations for the purpose of assessing the effectiveness of IMF policies in Ukraine and its consequences [20].

Conclusions. The activities of the International Monetary Fund (IMF) have greatly assisted in the financial recovery of Ukraine, helping to stabilize the national economy, restructure the banking system, and implement key economic reforms. The IMF's participation has helped Ukraine improve fiscal discipline, monetary policies, and expand the capacity of financial institutions. Furthermore, it has provided activity that greatly facilitated the adaptation of Ukraine's financial and economic policies to international practices and has contributed to deeper integration of the country into the international economy.

Nevertheless, the support of the Ukraine economy with the IMF resources has its own problems. Although IMF-supported programs have undoubtedly increased liquidity and prevented financial crises, they have created socio-economic challenges as well. Funding cuts to the public sector, reduction of subsidies, and

restructuring of the nationalized industries brought increased economic hardships to the needy. In addition, the government has at times been constrained by the preconditions for the IMF loans that encumbered its discretionary control over the economic policy, diminishing the country's economic independence.

Even with these problems, the IMF programs⁴⁴ have been paramount in investor confidence restoration and stabilization of the Ukrainian economy during economically distressed situations. However, constant repetitions of the IMF loans has resulted in an increased debt burden that poses a colossal risk in the long term. The poverty stricken plight of some segments of the society low income strata in particular need to understand the structural adjustment did not overly neglect them, and it has to be accompanied by social welfare programs.

To further deepen the cooperation with the IMF, Ukraine needs to pay serious attention to an effective strategic focus on economic and social development. From this analysis, a number of recommendations can be presented:

Preserving An Equitable Balance In Social Aspects Vis-A-Vis Economic Policies – Neo-economic restructuring is very important but there must be limit to super harsh policies that can be detrimental to the society. The government has to adopt a framework that provides for social order and at the same time complies with the requirements of the international monetary fund.

Fostering Ukrainian National Financial Institutions – In order to tackle social dependence on the IMF programs, Ukraine should develop a framework for a self-sustainable financial system. Reinstating banking secrecy, enhancing regulation of the banking system, increasing the clarity of financial transactions and providing for effective fiscal control over financial and economic activities are the steps that can be taken to achieve it.

Shifting Growth Strategy – Cost per the IMF's investment is not attainable in the long run. Ukraine needs to find FDI, regional trade, and even build domestic industries. A well-rounded economy will decrease the level of susceptibility to foreign financial exploitation.

Increasing Governance and Corruption – Better governance along with accountability in economic activities will establish trust. Ukraine's focus should be on the anti-corruption policies implementation, public expenditure management, and long-term economic strategic policies making.

Increasing Studies on Other Economic Models – New financial and single policy model which is aimed at self sufficiency of Ukraine's economy along with international cooperation needs to be researched further. It also includes understanding other forms of credit, other economically constructive policies, and interregion financial cooperation.

To conclude, self-sufficient Ukraine's economy is attainable through increased focus on modern governance structures and policies. While the IMF programs are important for the stabilization of Ukraine's economy, focusing on self-sufficiency offers sustainable development. Balancing social and economic reforms with the strengthening of domestic financial institutions offers long standing economic stability and independence.

REFERENCES:

1. International Monetary Fund. About the IMF. Available at: <https://www.imf.org/en/About> (accessed: 13 February 2025).
2. World Bank. International Economic Reports. Available at: <https://documents.worldbank.org/en/publication/documents-reports> (accessed: 13 February 2025).
3. Krueger, A. International Financial Stability: Key Considerations. *Journal of Economic Perspectives*. Available at: <https://www.aeaweb.org/articles?id=10.1257/jep.12.3.19> (accessed: 13 February 2025).
4. Fischer, S. The Role of the IMF in Emerging Markets. *Brookings Papers on Economic Activity*. Available at: <https://www.brookings.edu/research/the-role-of-the-imf-in-emerging-markets/> (accessed: 13 February 2025).
5. Reinhart, C., Rogoff, K. *This Time is Different: Eight Centuries of Financial Folly*. Princeton University Press. Available at: <https://press.princeton.edu/books/paperback/9780691152646> (accessed: 13 February 2025).
6. Mishkin, F. *The Economics of Money, Banking, and Financial Markets*. Pearson. Available at: <https://www.pearson.com/us/higher-education/program/Mishkin-Economics-of-Money-Banking-and-Financial-Markets-13th-Edition/PGM2060183.html> (accessed: 13 February 2025).

7. Stiglitz, J. *Globalization and its Discontents*. W.W. Norton & Company. Available at: <https://wwnorton.com/books/9780393355161> (accessed: 13 February 2025).
8. Laeven, L., Valencia, F. *Systemic Banking Crises Database*. IMF Working Paper. Available at: <https://www.imf.org/en/Publications/WP/Issues/2016/12/30/Systemic-Banking-Crises-Database-237438> (accessed: 13 February 2025).
9. Bordo, M., Eichengreen, B. *A Retrospective on the Bretton Woods System*. NBER. Available at: <https://www.nber.org/books/ordo94-1> (accessed: 13 February 2025).
10. Claessens, S., Kose, A. *Financial Crises: Explanations, Types, and Implications*. IMF Working Paper. Available at: <https://www.imf.org/en/Publications/WP/Issues/2018/06/29/Financial-Crises-Explanations-Types-and-Implications-46037> (accessed: 13 February 2025).
11. Rogoff, K. *The Curse of Cash*. Princeton University Press. Available at: <https://press.princeton.edu/books/hardcover/9780691178363/the-curse-of-cash> (accessed: 13 February 2025).
12. IMF. *Ukraine and the IMF: Historical Overview*. Available at: <https://www.imf.org/en/Countries/UKR> (accessed: 13 February 2025).
13. Kovalenko, P. *Ukraine's Economic Reforms: IMF's Role*. Kyiv Economic Review. Available at: <https://kyiveconomicreview.org/1994-IMF-reforms> (accessed: 13 February 2025).
14. Ghosh, A. *IMF Programs and Financial Crises*. IMF Research Bulletin. Available at: <https://www.imf.org/en/Publications/Research-Bulletin> (accessed: 13 February 2025).
15. Blanchard, O. *The State of the Global Economy and the Role of IMF*. Brookings Institution. Available at: <https://www.brookings.edu/research/the-state-of-the-global-economy-and-the-role-of-imf/> (accessed: 13 February 2025).
16. IMF. *Ukraine Country Report*. Available at: <https://www.imf.org/en/Publications/CR> (accessed: 13 February 2025).
17. IMF. *Article IV Consultations: Ukraine*. Available at: <https://www.imf.org/en/Publications/Article-IV> (accessed: 13 February 2025).
18. IMF. *Performance Criteria and Structural Benchmarks*. Available at: <https://www.imf.org/en/Publications/Performance-Criteria> (accessed: 13 February 2025).
19. IMF. *Technical Assistance Reports*. Available at: <https://www.imf.org/en/Publications/Technical-Assistance> (accessed: 13 February 2025).
20. IMF. *Independent Evaluation Office Reports*. Available at: <https://www.ieo-imf.org/en/Publications/Evaluations> (accessed: 13 February 2025).