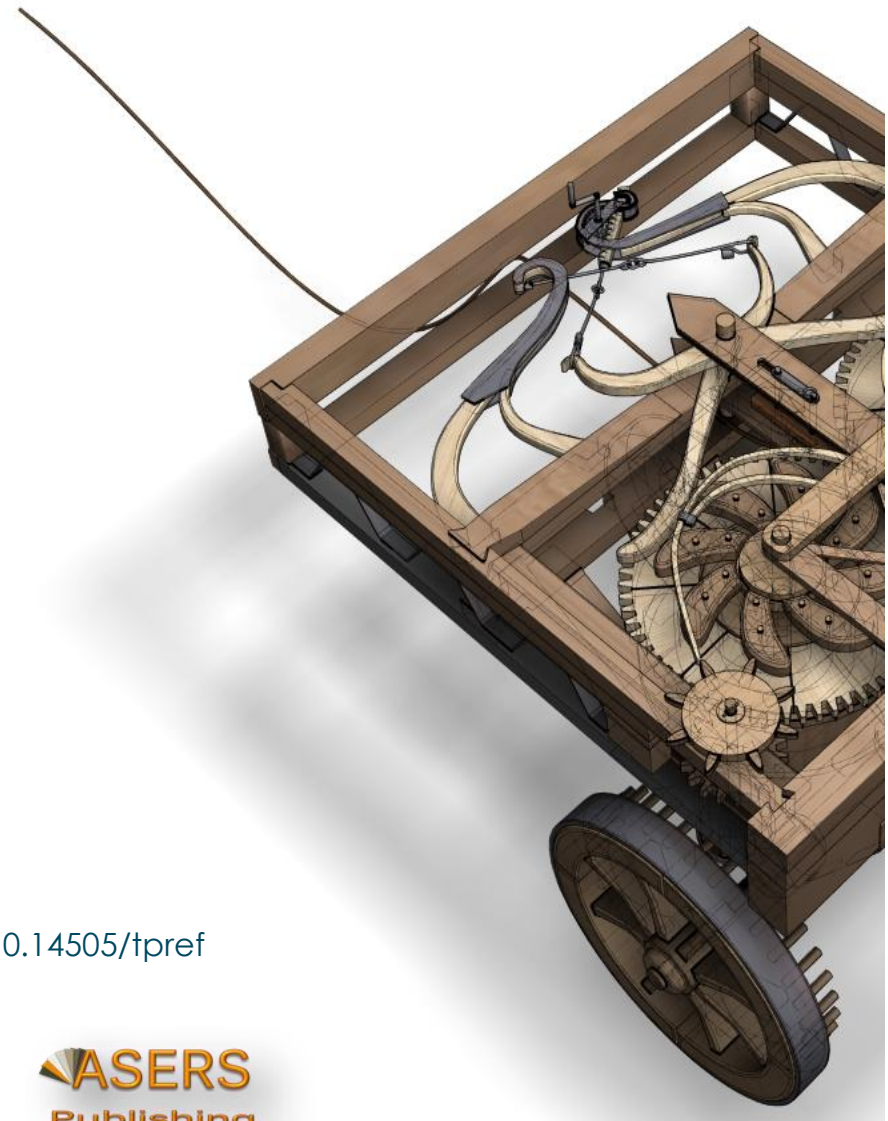
Theoretical and Practical Research in Economic Fields



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Theoretical and Practical Research in Economic Fields

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The Impact of European Integration on the Stability of Ukrainian Financial Markets

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Abstract: The aim of the study was to analyse the impact of the level of financial openness in the context of European integration on the stability of the financial markets of Ukraine. The research employed correlation, analysis of variance (ANOVA), and regression analysis. The regression model for the foreign exchange market obtained in the study showed that globalization has a significant and negative impact on the hryvnia exchange rate. The regression coefficient for the KOF Globalisation Index was 0.982115, which in the context of the analysis indicated a weakening of the hryvnia against the US dollar. At the same time, a mitigating effect on the exchange rate can be observed due to an increase in foreign trade turnover. The coefficient for this indicator reached -0.556658, which means a strengthening of the hryvnia due to an increase in foreign trade turnover. A statistically significant effect of the Debt-to-GDP ratio, the share of non-cash payments, and the number of commercial banks with foreign capital on consumer price indices was also found. This indicates that the increase in financial openness in the context of European integration can have a destabilizing effect on the money market, which requires decisive government action. The results obtained can be useful for politicians in the process of developing integration strategies, as it will allow considering the potential negative consequences of increasing financial openness and using the benefits.

Keywords: foreign exchange market; securities market; money market; sustainable development; financial openness; exchange rate.
JEL Classification: F55; G14; G28; C12.

Introduction

The stability of financial markets determines the economic stability of states, as it means strengthening the national currency exchange rate, increasing investment attractiveness and accessibility of capital, etc. In the context of globalization, financial integration and sustainable development, the stability of the financial sector largely depends on the level of financial openness (Solodovnik *et al.* 2021). Financial openness is the degree to which international participants can participate in the national economy (Gräbner *et al.* 2021). Ukraine, as a state that has chosen the path of European integration, can receive both significant benefits from increased financial openness and face new challenges. On the one hand, European integration provides financial support to Ukraine from international partners, improves access to financial resources, and stimulates infrastructure development in wartime. This occurs through grant mechanisms, loan programmes, and financing from the EU and international financial institutions (Alekseieva *et al.* 2023). In times of war, these mechanisms contributed to the stabilization of public finances, economic recovery, and support for the defence sector. On the other hand, it can increase the vulnerability of the national economy to external economic fluctuations. Therefore, identifying and analysing the impact of financial openness in the context of European integration on the stability of financial markets is a pressing task for researchers.

Many researchers have noted the positive impact of European integration on the stability of financial markets. At the same time, there is a lack of evidence of its impact on indicators that characterize such stability. Moreover, the systems of indicators that determine the stability of financial markets differ significantly, and indicators that characterize the impact of European integration processes are generally poorly studied. Therefore, the development of an approach that will assess the impact of European integration on key indicators of financial market stability may be a relevant area of research. Assessment of the impact of European integration should take into account such indicators as the volume of foreign capital in Ukrainian banks, foreign direct investment (FDI), the volume of external debt, the volume of international trade, etc. These indicators can reflect the level of financial openness, and analysis of their impact on stability will help to identify key risks and strengths. The novelty of the study lies in the comprehensive empirical analysis of the impact of financial openness on financial stability in the context of European integration using the example of Ukraine. The results of the work are important, as they can be used to minimize the risks of financial destabilization in the context of increasing financial openness. The aim of the study was to analyse the impact of the level of financial openness in the context of European integration on the stability of the financial markets of Ukraine. Research objectives:

- build a model of the impact of European integration and financial openness on the foreign exchange market;
- build a model of the impact of European integration and financial openness on the money market;
- build a model of the impact of European integration and financial openness on the securities market.

1. Literature Review

Many researchers seek to deepen their understanding of the impact of financial openness, globalization, and integration – processes that reflect a country's involvement in international economic processes – on the stability of financial markets. Financial openness is an integral element of Ukraine's European integration into the European financial space and is closely related to sustainable development, which is a key requirement of modern economic policy and international cooperation. Therefore, an analysis of the impact of financial openness will help to better understand the potential consequences of European integration for Ukraine and determine its role in achieving sustainable development goals. Giraldo *et al.* (2024) examined the impact of financial openness on the stability of the banking system. The researchers emphasized that theoretical studies note the positive impact of financial openness on growth and stability, while empirical studies show contradictory results. However, the research is reduced to studying the impact on the banking sector only, while the impact of financial openness on financial markets as a whole remains unexplored. A broader analysis is presented in Tongurai and Vithessonthi (2023), who studied the relationship between openness and the development of the stock market, banking sector, and bond market. However, the researchers have not studied the impact on the foreign exchange market, which is an important component of the financial market.

Uzoechina *et al.* (2023) examine the impact of financial openness on the domestic interest rate (using the case of Nigeria). They used the following indicators: Foreign Direct Investment (FDI) inflows, FDI outflows and portfolio investment, and capital account openness. Ashraf *et al.* (2021) examined the impact of trade and financial openness on the pricing of bank loans, but did not analyse how changes in pricing affect financial stability. However, the abovementioned studies use a limited set of indicators, which does not allow assessing the comprehensive impact of openness on financial development and sustainability.

A number of studies use a more comprehensive approach that reveals the impact of openness on sustainable development in general. Nam *et al.* (2025) and Nam *et al.* (2024) examined the impact of financial openness on financial development, taking into account the mediating effects of institutional quality and trade openness. However, the study does not provide sufficient explanations of how institutional quality affects the stability of financial markets. Ho and Iyke (2021) examined the impact of openness on financial development using the trade openness indicator for low- and middle-income countries. The study does not, however. specify the impact of openness on countries that are on the edge of the observed classification features. For example, Ukraine belongs to the lower-middle-income countries, which do not fall into the categories defined by the researchers. Damasceno and Guedes (2024) studied the impact of openness on capital accumulation and productivity growth in developing countries. However, the paper does not provide a clear explanation of how openness can affect countries' ability to withstand external shocks. Yu and Qayyum (2023) examined the relationship between financial openness and economic complexity. Their study does not, however, reveal the effect of financial openness on financial market volatility in the context of economic integration. Petry (2021) notes that globalization promotes international investment, but it can open up new challenges because of external economic fluctuations, as in the case of China. However, the paper does not reveal the impact of globalization and financial openness on the financial markets of countries with open economies. Paskaleva and Stoykova (2021) noted both positive and negative consequences of financial globalization. The researchers attributed an increase in the openness of markets for investors to the positive ones. The negative consequences are associated with the availability of global market information, which increased the volatility of stock prices in the context of the global financial crisis. However, the paper does not describe how countries can adapt to counter threats to financial stability in such circumstances.

Some studies have examined the impact of financial integration specifically in the context of European Union (EU) integration. Esteve-González *et al.* (2021) analysed the impact of market perceptions of financial integration on support for EU integration. The study does not provide a comprehensive overview of the impact of EU integration on financial markets, being reduced to some indicators of financial stability. Burghof and Gehrung (2022) analysed the impact of the single European financial market on economic growth in EU member states. However, the study does not provide a detailed analysis of the impact on non-EU countries with European integration intentions. Kussainov *et al.* (2023) examine the relationship between anti-corruption mechanisms, financial sector security, and artificial intelligence technologies in the EU economy. The study notes that sound anti-corruption governance is a prerequisite for effective financial integration in the context of EU enlargement. Although the study does not focus directly on financial openness, it reveals how institutional and technological factors shape the outcomes of financial integration.

The review shows that the studies lack evidence on the impact of financial openness on financial stability, which is one of the key areas of impact of financial openness. Furthermore, a very limited number of studies directly address countries seeking EU integration. This study seeks to fill these gaps by analysing the impact of individual indicators of financial openness on key indicators of the foreign exchange, money, and securities market. The study takes into account the context of European integration and financial openness using the case of Ukraine.

2. Materials and Methods

2.1 Research Design

The study was conducted for 2003-2024, which covers the period of the country's active steps towards European integration. The research began with the collection and preparation of data for the analysis. The next stage of the study involved data analysis and the construction of regression models for the currency, money, and securities market. The final stage provided for drawing conclusions and providing recommendations based on the results of the study.

2.2 Sample

The selection of indicators for the study was based on the criteria of significance for the study. The significance was assessed through the ability of the indicators to reflect, on the one hand, the level of stability of financial markets, and the impact of financial openness in the context of European integration on the other hand. The indicators were also selected considering the availability and reliability of data and the ability to interact with each other.

The average annual exchange rate (hryvnia per dollar) was used as a dependent variable for the model of the impact of European integration and financial openness on the foreign exchange market. This indicator is

important as a characteristic of currency stability and assesses how European integration and financial openness affect resistance to external fluctuations. The KOF Globalisation Index, official international reserves of Ukraine, the volume of foreign trade turnover, FDI were the independent variables for the model. The KOF Globalisation Index shows the level of globalization of the country, reflecting integration into the global economy through finance, trade, etc., and has an indirect impact on sustainable development. The volume of international reserves mitigates the impact of external shocks and fluctuations on the foreign exchange market. This indicator is useful for assessing the ability of the state to stabilize the exchange rate through monetary policy. The volume of foreign trade turnover is related to foreign exchange flows and is an important indicator of the impact of financial openness and integration on the foreign exchange market through changes in international trade. FDI is an important indicator of financial openness and can affect the demand for currency, which, in turn, affects the exchange rate.

The model of the impact of European integration and financial openness on the money market used consumer price indices as the dependent variable, which have a significant impact on market stability. The independent variables were the ratio of public debt to GDP, Ukraine's short-term external debt, the share of non-cash payments, and the number of commercial banks with foreign capital. A high level of external debt can significantly affect consumer price indices, leading to an increase in interest rates and devaluation of the national currency. The share of non-cash payments is important for harmonizing the national economy with international standards, integrating with international payment systems, improving transparency, control, stimulating development and investment. The number of commercial banks with foreign capital can deepen the assessment of the impact of foreign participation on the stability of the national money market.

The model of the impact of European integration and financial openness on the securities market used the PFTS (First Stock Trading System) index as the dependent variable, which is one of the main indicators of the state of the financial market of Ukraine. The independent variables included the total trading volume, the yield of USD-denominated government bonds, the yield of EUR-denominated government bonds, and FDI. The total trading volume and FDI were used to assess investor activity and market liquidity, which may indicate increased financial openness. The yield of domestic government bonds in foreign currency characterizes the interest of foreign investors in government securities.

2.3 Methods

The research employed the method of variance analysis, in particular the F-test to check the overall significance of the built regression models. The correlation analysis with the calculation of Pearson coefficients was used to analyse the correlations between variables in each of these models. The correctness of the results was ensured by conducting a multicollinearity test. Regression analysis using the linear regression method was applied to assess the value and direction of the influence of each of the independent variables on the dependent indicators. The correctness of the obtained models was checked through the Breusch-Godfrey test for autocorrelation and a check for normality of the distribution of residuals. The models were also built that allow predicting the values of the dependent indicators using regression modelling.

3. Research Results

The model of the impact of European integration and financial openness on the foreign exchange market

The average annual exchange rate (hryvnia per dollar) was the dependent variable in the model of the impact of European integration and financial openness on the foreign exchange market. The KOF Globalisation Index, official international reserves of Ukraine, the volume of foreign trade turnover, and FDI were used as independent variables. The model was characterized by a strong correlation between the indicators (Multiple R = 0.871769) and high explanatory power according to the value of the coefficient of determination (Adjusted R Square = 0.691405). Table 1 presents the results of the analysis of variance for the model.

Table 1. The ANOVA results for the model of the impact of European integration and financial openness on the foreign exchange market

	df	SS	MS	F	Significance F
Regression	4	1275.199	318.7996	11.08221	0.00029
Residual	14	402.7351	28.76679		
Total	18	1677.934			

Source: calculated by the authors based on (Ministry of Finance of Ukraine 2025b; ETH Zurich 2024; Ministry of Finance of Ukraine 2025a; State Statistics Service of Ukraine 2025; Ministry of Finance of Ukraine 2025c)

The ANOVA results show that the model is statistically significant, and the variables used have a significant impact on the dependent variable. The relatively low values of the residuals (SS Residual and MS Residual) indicate that the model is able to explain the variation of the average annual exchange rate well. Table 2 contains the results of the regression analysis.

Table 2. Results of the regression analysis for the model of the impact of European integration and financial openness on the foreign exchange market

	Coefficient	Standard error	t(14)	p-value
Intercept	-0.250562	0.134487	-1.86310	0.083561
KOF Globalisation Index	0.982115	0.182817	5.37212	0.000098
Official international reserves of Ukraine	0.153683	0.201545	0.76253	0.458402
Foreign trade turnover	-0.556658	0.222281	-2.50430	0.025256
FDI in Ukraine	-0.100211	0.211882	-0.47296	0.643532

Source: calculated by the authors based on (Ministry of Finance of Ukraine 2025b; ETH Zurich 2024; Ministry of Finance of Ukraine 2025a; State Statistics Service of Ukraine 2025; Ministry of Finance of Ukraine 2025c)

The results of the regression analysis for the model of the impact of European integration and financial openness on the foreign exchange market show a statistically significant impact of two variables on the average annual exchange rate. These are the KOF Globalisation Index (direct impact) and the foreign trade turnover (inverse impact). The increase in the average annual exchange rate, expressed in hryvnias per dollar, indicates a weakening of the national currency. Accordingly, the positive impact of the KOF Globalisation Index indicates that the increase in financial and trade openness is accompanied by a weakening of the hryvnia. This can be explained by increased demand for foreign currency, as well as increased risks because of external economic fluctuations. However, the inverse impact of the foreign trade turnover, on the contrary, contributes to the strengthening of the hryvnia, which may be associated with increased demand for hryvnia due to increased exports. International reserves and FDI do not demonstrate a statistically significant impact on the average annual exchange rate. The regression model has the form:

*Exchange rate (hryvnia per dollar) = -0.250562 + 0.982115 * KOF Globalisation Index + 0.153683 * Official international reserves of Ukraine - 0.556658 * Foreign trade turnover - 0.100211 * Foreign direct investment in Ukraine*

The model of the impact of European integration and financial openness on the money market

The model of the impact of European integration and financial openness on the money market uses the Consumer Price Index (CPI) as a dependent variable. The independent variables were the Debt-to-GDP ratio, Ukraine's short-term external debt, the share of non-cash payments, and the number of commercial banks with foreign capital. The correlation between the indicators reached 0.916998, which is a very high value and indicates that the variables used are closely correlated with each other. Adjusted R Square was 0.761327 and indicated a high ability of the model to explain changes in the dependent indicator. Table 3 presents The ANOVA results for this model.

Table 3. The ANOVA results for the model of the impact of European integration and financial openness on the money market

	df	SS	MS	F	Significance F
Regression	4	1568.173	392.0433	10.56948	0.002797
Residual	8	296.736	37.092		
Total	12	1864.909			

Source: calculated by the authors based on (Ministry of Finance of Ukraine 2025e; Ministry of Finance of Ukraine 2025d; National Bank of Ukraine 2025b; Ministry of Finance of Ukraine 2025f)

The ANOVA showed the statistical significance of the model and the significant impact of the independent variables on the CPI. According to the SS Residual and MS Residual, it can be concluded that the model can well explain the variation of the dependent indicator. The results of the regression analysis are presented in Table 4.

The Debt-to-GDP ratio, the share of non-cash payments, and the number of commercial banks with foreign capital in Ukraine have a statistically significant impact on consumer price indices. The impact of all indicators is direct, respectively, the growth of these indicators is associated with an increase in the CPI.

Table 4. Results of the regression analysis for the model of the impact of European integration and financial openness on the money market

	Coefficient	Standard error	t(8)	p-value
Intercept	-0.595420	0.253563	-2.34821	0.046812
Debt-to-GDP ratio	0.655687	0.176378	3.71752	0.005892
Short-term external debt of Ukraine on a remaining maturity	-0.329803	0.212815	-1.54972	0.159805
Share of non-cash payments	1.953821	0.548576	3.56162	0.007383
Number of commercial banks with foreign capital in Ukraine	2.030252	0.539418	3.76378	0.005514

Source: calculated by the authors based on (Ministry of Finance of Ukraine 2025e; Ministry of Finance of Ukraine 2025d; National Bank of Ukraine 2025b; Ministry of Finance of Ukraine 2025f)

In other words, an increase in the Debt-to-GDP ratio, the share of non-cash payments in their total volume, and the inflow of foreign capital to banks increases inflationary pressure. The inflow of foreign capital to banks can increase the availability of credit resources, which stimulates demand. An increase in the share of non-cash payments, in turn, can be a consequence of increased demand, which, ultimately, can become a stimulus for price growth. The regression model has the form:

*CPI = -0.595420 + 0.655687 *** Debt-to-GDP ratio *- 0.329803 * Short-term external debt of Ukraine on a remaining maturity + 1.953821 * Share of non-cash payments + 2.030252 * Number of commercial banks with foreign capital in Ukraine*

The model of the impact of European integration and financial openness on the securities market

The model of the impact of European integration and financial openness on the securities market uses the PFTS index as the dependent variable. Independent variables: total trading volume for the period, yield on USD-denominated government bonds on the primary market, yield on EUR-denominated government bonds on the primary market, FDI. The model is characterized by a fairly high correlation between the variables according to the Multiple R indicator = 0.792058. The explanatory power of the model can be described as moderate, as the Adjusted R Square is 0.441033. Table 5 presents the ANOVA results.

Table 5. The ANOVA results for the model of the impact of European integration and financial openness on the securities market

	df	SS	MS	F	Significance F
Regression	4	99741.44	24935.36	3.367042	0.067673
Residual	8	59245.74	7405.717		
Total	12	158987.2			

Source: calculated by the authors based on (National Bank of Ukraine 2025a; Ministry of Finance of Ukraine 2025c)

The ANOVA results show that the model does not pass the 95% confidence level test, but is very close to it, as the Significance F is 0.067673. The residual values indicate that a significant part of the variation in the PFTS index (over 37%) remains unaccounted. The results of the regression analysis are presented in Table 6.

Table 6. Results of the regression analysis for the model of the impact of European integration and financial openness on the securities market

	Coefficient	Standard error	t(8)	p-value
Intercept	653.5334	122.5610	5.33231	0.000701
Total trading volume for the period	0.090810	0.255097	0.35598	0.731059
Yield of USD-denominated government bonds in the primary market	-0.759653	0.251148	-3.02473	0.016441
Yield of EUR-denominated government bonds in the primary market	-0.041598	0.223432	-0.18618	0.856938
FDI in Ukraine	0.237504	0.248386	0.95619	0.366975

Source: calculated by the authors based on (National Bank of Ukraine 2025a; Ministry of Finance of Ukraine 2025c)

The results of the regression analysis for this model determine that only the yield of USD-denominated government bonds on the primary market has a statistically significant impact on the PFTS index. The regression coefficient indicates that an increase in the yield of USD-denominated government bonds is accompanied by a

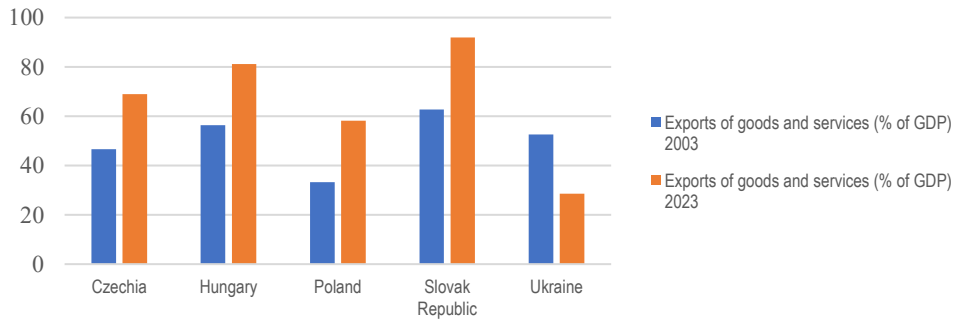
decrease in the PFTS index. This may indicate that high yields on government bonds may discourage investors from buying stocks in favour of buying bonds with high yields. The high and statistically significant value of the Intercept confirms that there are other factors that affect the PFTS index. In a stable environment, such factors as FDI and trading volume usually have a significant impact on the functioning of the stock market. The statistically insignificant impact of these indicators on the PFTS index may be associated with the underdevelopment of the Ukrainian stock market, a high level of risks, in particular, war-related, and investor distrust. The regression model has the form:

*PFTS Index = 653.5334 + 0.090810 * Total trading volume for the period - 0.759653 * Yield USD-denominated government bonds in the primary market - 0.041598 * Yield on EUR-denominated government bonds in the primary market + 0.237504 * FDI in Ukraine*

3.1 Global Comparison

Comparison of Ukraine's path to the EU with other countries that have recently joined the EU reveals both common features and differences. The KOF Globalization Index, which showed a significant negative impact on the foreign exchange market of Ukraine, is significantly higher in the Czech Republic, Hungary, Poland, and Slovakia in 2024. For comparison, the index for Ukraine reached 71.87243, the Czech Republic – 79.59854, Hungary – 81.28555, Poland – 75.04407, Slovakia – 76.88394. However, it can be assumed that the foreign trade turnover for these countries also has a mitigating effect on the foreign exchange market. This is confirmed by the high value of exports in these countries as of 2023. At the same time, these countries had lower export volumes on the eve of accession in 2003, and Ukrainian exports in 2003 were slightly inferior, and exceeded their results in the case of the Czech Republic and Poland (Figure 1).

Figure 1. Comparison of export volumes for selected countries and Ukraine in 2003 and 2023.



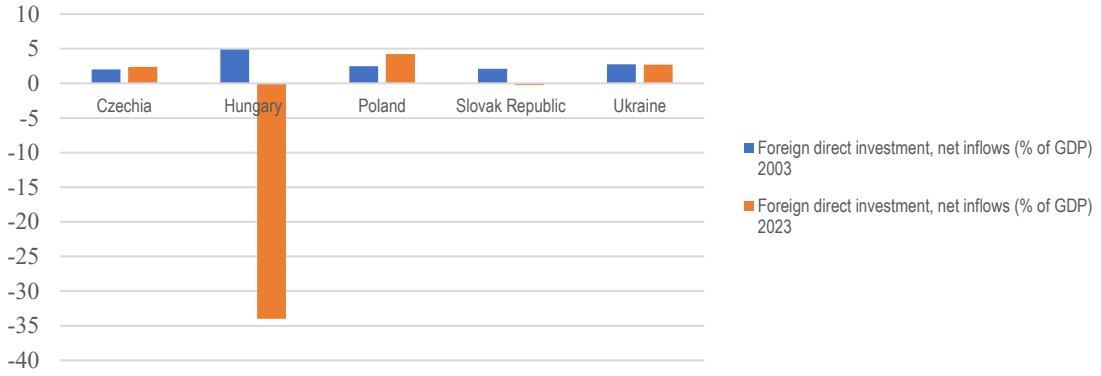
Source: calculated by the authors based on (World Bank 2025)

However, as the figure shows, Ukrainian exports have experienced a significant decrease as of 2023, which is undoubtedly associated with military operations on the territory of the country. Accordingly, the negative effects of globalization may be more pronounced for Ukraine than for other European countries.

Regarding the share of Debt-to-GDP ratio, it can be noted that this indicator for countries mostly increased after joining the EU. The increase for Hungary was almost 16%, for Slovakia — over 18%. This confirms the author's assumption about the direct impact of European integration on CPI, because the increase in the debt burden is usually accompanied by an increase in these indices. Along with this, all countries that joined the EU demonstrated a significant increase in the share of non-cash payments, which can also be associated with an increase in consumer price indices due to increased demand. However, unlike Ukraine, countries that are already members of the EU were able to apply more effective institutional and regulatory mechanisms and policies of the European Central Bank. This gave them the opportunity to mitigate the negative impact of the increase in consumer price indices and balance the benefits of European integration with potential risks. Although European integration contributes to the development of financial markets, this process is complicated by the lack of effective stabilization mechanisms in the case of Ukraine and may lead to increased inflationary processes.

FDI is considered one of the key factors of rapid growth and increase in GDP per capita for the countries that have joined the EU. At the same time, the analysis of the share of FDI in GDP shows that among the studied countries, Ukraine ranked second in this indicator both in 2003 and in 2023 (Figure 2). The significant outflow of FDI for Hungary is associated with political and regulatory uncertainty, business-unfriendly economic decisions and geopolitical risks. This experience may become important for Ukraine, as it emphasizes the need to maintain stability and transparency of economic policies.

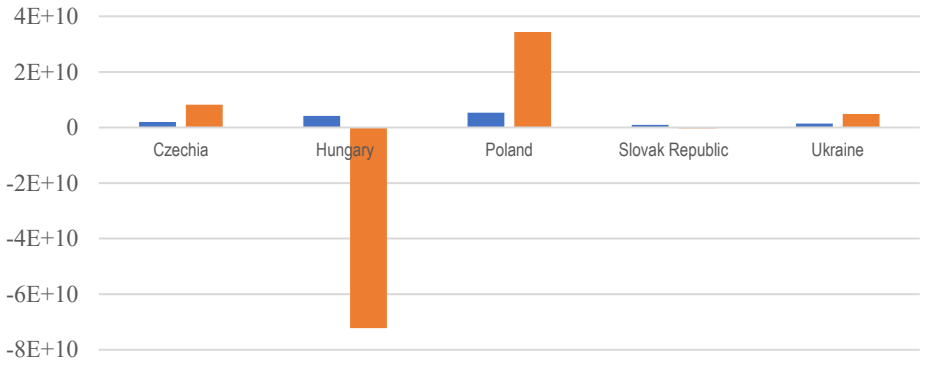
Figure 2. Comparison of the share of FDI in GDP of selected countries and Ukraine in 2003 and 2023



Source: calculated by the authors based on (World Bank 2025)

A somewhat different situation is observed in the process of analysing the absolute values of FDI for the countries. This indicator has increased significantly for Poland and the Czech Republic, while it has taken on a negative value for Slovakia and Hungary. FDI shows growth in Ukraine even in wartime (Figure 3).

Figure 3. Comparison of absolute values of FDI of selected countries and Ukraine in 2003 and 2023



Source: calculated by the authors based on (World Bank 2025)

The above gives grounds to draw several key conclusions. On the eve of joining the EU, the countries under study did not have a significantly higher development potential than Ukraine. However, integration allowed them to more widely reveal this potential through the use of effective stabilization mechanisms that contributed to the modernization of the economy, increased exports, and attracted FDI. The situation for Ukraine is complicated, first of all, by the war, as well as the imperfection of institutional mechanisms, which requires special attention to the regulation of risks and the benefits of financial openness.

4. Discussions

The analysis conducted in this study identified the strength and direction of the influence of indicators of the level of financial openness in the context of European integration on indicators of financial market stability. It was found that financial openness can have both positive and negative effects on the financial markets of Ukraine and therefore may have a contradictory impact on sustainability. However, it is appropriate to compare the obtained conclusions with the results of other researchers in order to deepen their understanding by considering different contexts.

The conclusions of Biliak (2024) and Derhachova *et al.* (2021) support the author's assumptions about the potentially negative impact of globalization on the foreign exchange market. The hryvnia exchange rate was affected by increasing dependence on trading partners, falling world prices for major export goods, and other external factors. The researchers noted that financial globalization can lead to a decrease in state control over monetary relations. However, the researchers' conclusions were not supported by appropriate calculations. The author's calculations and observed international experience prove that the negative impact of globalization can be mitigated by increasing foreign trade turnover.

Giraldo *et al.* (2024) found that financial openness, in general, increases the financial stability of the banking system by reducing the ratio of problem loans, increasing liquidity and capital adequacy. At the same time, susceptibility to foreign capital inflows can affect the increase in financial vulnerability. These findings are partially confirmed in our study, where the inflow of foreign capital through the banking sector is found to be accompanied by growing inflation, which increases financial vulnerability. However, the author did not find a statistically significant effect of FDI in general on the studied indicators of financial market stability. These results are supported by the results obtained by Damasceno and Guedes (2024), who found no evidence that financial openness stimulates capital growth or productivity in developing countries. The researchers noted that such findings differ significantly from the views prevalent in literature on the positive impact of openness on financial development. In particular, Sulehri *et al.* (2024) share such views, noting that financial integration contributes to economic growth and stability through cross-border capital flows and reduced financial market fragmentation. Izadi *et al.* (2022) found a negative relationship between FDI inflows and inflation and a positive relationship between FDI, market capitalization and exchange rate. Radmehr *et al.* (2022) found a positive relationship between FDI, trade openness, and economic growth in both low- and high-income countries. The differences in conclusions can be explained by the specifics of the regions taken for research, in particular, the author's study analysed the impact of foreign capital inflows using the case of Ukraine only. Kaya and de Haan (2022) studied the impact of European integration on capital flows to potential members of the association. The researchers found that a positive effect was observed before the global financial crisis, but European integration could not prevent a decrease in capital flow after the crisis. Moreover, the researchers found that the impact of European integration significantly depends on the level of institutional development. However, the study does not contain a detailed analysis of the effects of capital inflows, focusing mainly on the capital investment rate.

Tongurai and Vithessonthi (2023) found a positive relationship between openness, the development of the banking sector and the stock market. However, the study found a negative impact of financial openness on the development of the bond market. Such conclusions are not consistent with the author's results, where the negative impact of the increase in the yield of USD-denominated government bonds on the PFTS index was found. This may indicate that high bond yields distract investors from the stock market, in other words, the bond market benefits more from the increase in the involvement of international participants.

Nam *et al.* (2025) noted that financial openness can promote economic development, especially if institutions are strong. However, trade openness weakens this positive effect. The researchers concluded that excessive openness can harm the financial development of Eastern European countries. This thesis is confirmed in the author's study, where certain negative consequences of financial integration and globalization for Ukraine were identified. In particular, it was found that the joint impact of financial and trade openness, which are estimated in the study through the KOF Globalization Index, is negative, as it leads to a weakening of the hryvnia. The conclusions of Aremo and Arambada (2021) differ from the previous work and the author's work. The authors noted that trade openness in low-income countries has a positive impact on economic growth. At the same time, the joint impact of trade and financial openness is insignificant. In middle-income countries, the impact of trade openness and financial openness on economic growth was not observed. This contradicts the author's conclusions, as a significant negative impact of financial and trade openness on the hryvnia exchange rate was found. Slightly different conclusions regarding the impact of openness on the economies of countries with different income levels are presented in the study of Ho and Iyke (2021). The researchers proved the existence of the impact of openness on the financial development of low-income countries. At the same time, researchers have found that openness hinders the financial development of middle-income countries. Ukraine, as a country with an income below the average, is on the verge of the division of countries into low- and middle-income countries used by the researchers. So, it can be assumed that the consequences of openness can be both positive and negative for Ukraine. In general, the results of the author's study confirm this assumption by identifying both a direct and inverse impact of some indicators of openness on the stability of the country's financial markets.

Esteve-González *et al.* (2021) found that one of the important factors weakening support for EU integration is the tension over public debt financing. As the results of the author's study showed, the increased Debt-to-GDP ratio directly affects the increase in the CPI, which is consistent with the researchers' findings. The increase in the CPI as a result of the increase in public debt can worsen the economic situation and weaken support for EU integration. The practical implications of the study are to identify key areas and the strength of the impact of indicators characterizing financial openness in the context of European integration on the stability of Ukraine's financial markets. This will help policymakers to develop more effective integration strategies, preventing negative consequences and focusing efforts on the most effective areas.

The research limitations are related to the lack of data for certain indicators over a certain period. However, this did not become a significant obstacle, as the available data allowed us to form fairly complete and representative conclusions.

Recommendations

In the context of European integration and in order to strengthen the stability of financial markets, Ukraine should pay attention to regulating the impact of financial openness on the hryvnia exchange rate. In the context of limited foreign exchange reserves, this can be achieved through the development of exports, effective monetary policy, regulation of budget expenditures, etc.;

It is appropriate to increase the efficiency of public debt management, which is a difficult task in wartime. However, it is appropriate to consider various ways to mitigate the negative consequences, for example, debt restructuring or attracting private capital.

Attention should be focused on increasing the efficiency of using foreign bank capital, in particular, by ensuring better availability of credit resources for business.

Conclusions and Further Research

In wartime, ensuring the stability of financial markets and sustainable growth is critical to maintaining economic resilience. Therefore, the task of balancing the risks and benefits of increasing financial openness in the context of European integration is particularly relevant for Ukraine. The study found that increasing financial openness in the context of European integration can have both advantages and disadvantages. According to the regression coefficient for the KOF globalization index, it can be concluded that globalization has the most significant and negative impact on the hryvnia exchange rate. This can be explained by the decreased state control over monetary relations, which is determined by increased dependence on trading partners and foreign economic fluctuations. At the same time, the growth of foreign trade turnover can have a mitigating effect, strengthening the hryvnia due to increased exports of national goods and services.

Consumer price indices are significantly influenced by the Debt-to-GDP ratio, the share of non-cash payments, and the number of commercial banks with foreign capital in Ukraine. The impact of the indicators is direct, and therefore their growth is accompanied by an increase in consumer price's indices. This gives grounds to conclude that the money market is mainly negatively affected by increased financial openness in the context of globalization. This requires increased attention to this component of the financial market and the implementation of effective steps to stabilize prices. The model for the securities market had moderate explanatory power and therefore requires further analysis and expansion. The Ukrainian securities market has a low level of development, in particular, because of military risks, a low level of institutional trust, and a lack of transparency of financial transactions. At the same time, this element of the financial market may have the potential to attract investment, which will positively affect economic growth and stability. Therefore, it is appropriate to analyse the factors that determine demand and supply in the securities market in more detail. The analysis may include an in-depth assessment of the level of liquidity, institutional stability, transparency of financial transactions, and availability of financing for enterprises. The obtained results have practical significance in view of the identified advantages and disadvantages of financial openness in the context of European integration. They can be applied by politicians in the process of developing integration strategies, taking into account the potential negative consequences of increasing financial openness and the identified advantages. A promising direction for further research is the expansion of the regression model for the securities market.

Credit Authorship Contribution Statement

Galyna Kucher: Conceptualization, Validation, Project administration.
Oksana Galenko: Investigation, Writing – review and editing, Methodology.
Mykhaylo Kapyrulya: Writing – original draft, Software.
Viktoria Kostiuk: Formal analysis, Data curation.
Ievgen Volkovskyi: Supervision, Visualization.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Declaration of the Use of Generative AI and AI-Assisted Technologie

The authors declare that they have not used generative AI and AI-assisted technologies during the preparation of this work.

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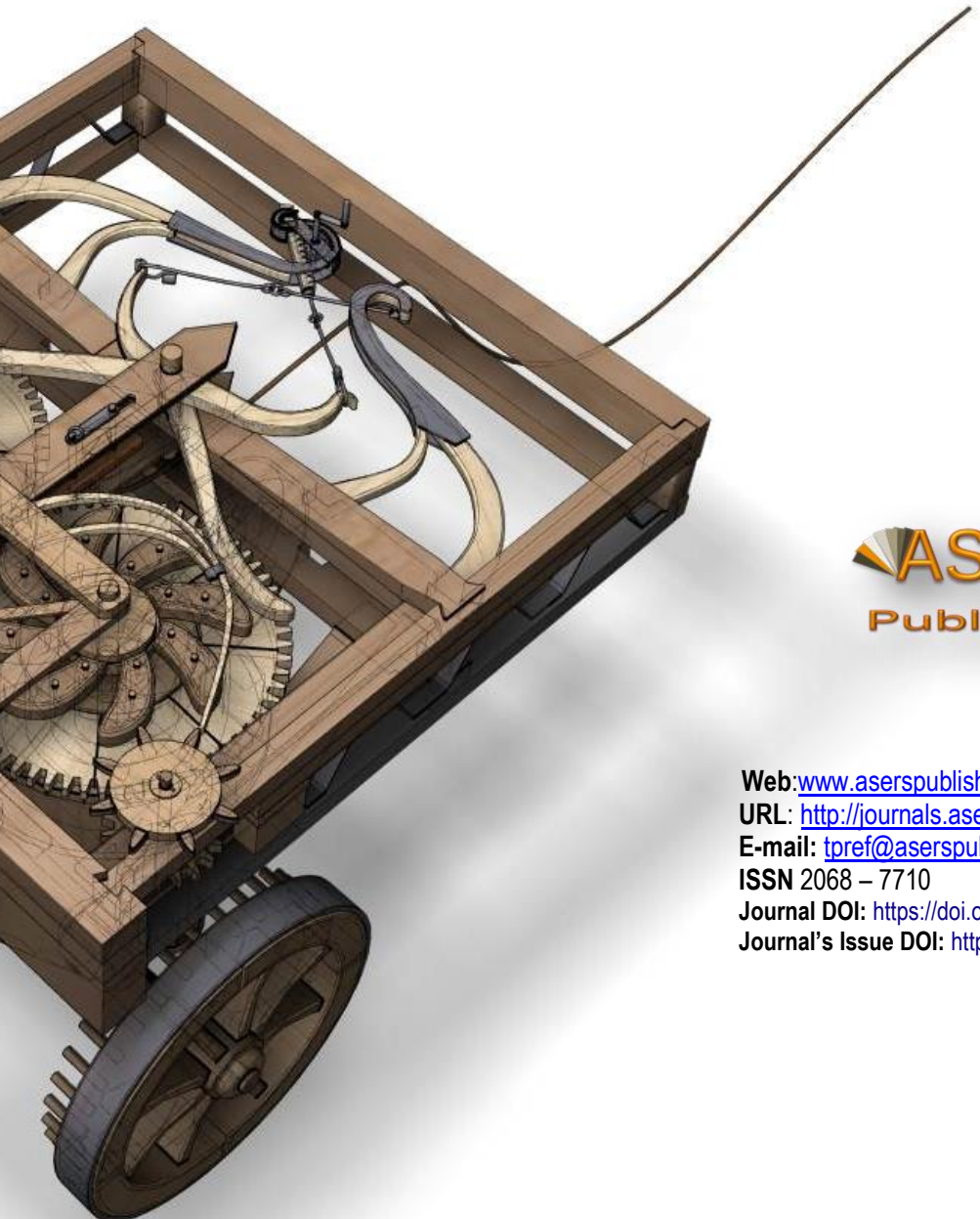

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